Wilcon Depot, Inc.
(incorporated in the Republic of the Philippines)

Primary Offer of 1,393,906,200 Common Shares
at an Offer Price of ₱5.05 per Offer Share
to be listed and traded on
the Main Board of The Philippine Stock Exchange, Inc.

Issue Manager, Bookrunner and Joint Lead Underwriter

Joint Lead Underwriter

Co-Lead Underwriter
RCBC Capital Corporation

Participating Underwriter
Penta Capital Investment Corporation

Selling Agents
The Trading Participants of the Philippine Stock Exchange, Inc.

The date of this Prospectus is March 16, 2017

THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE PHILIPPINES SECURITIES AND EXCHANGE COMMISSION.

Wilcon Depot, Inc.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte
Quezon City, Philippines
Tel No. +(632) 634-8387
Corporate Website: www.wilcon.com.ph

This Prospectus relates to the offer and sale (the "Offer") of 1,393,906,200 new common shares by way of primary offer (as defined below), with a par value of ₱1.00 per common share (the "Offer Shares"), of Wilcon Depot, Inc., a corporation organized under Philippine law ("Wilcon Depot", the "Company" or the "Issuer") to be listed and traded in the Main Board of the Philippine Stock Exchange, Inc. (the "PSE") under the trading symbol "WLCON". See *"Plan of Distribution"*.

The Offer Shares will be offered at a price of ₱5.05 per Offer Share (the "Offer Price"). The determination of the Offer Price is further discussed on page 42 of this Prospectus and was determined through a book building process and discussions between the Company and First Metro Investment Corporation ("First Metro") as Issue Manager and Bookrunner, and together with BDO Capital & Investment Corporation ("BDO Capital"), as Joint Lead Underwriters. See "Determination of the Offer Price" on page 42 of this Prospectus. The Offer Shares shall be Common Shares of the Company. A total of 4,099,724,116 Common Shares will be outstanding after the Offer. The Offer Shares will comprise 34% of the outstanding Common Shares after the Offer.

Pursuant to its amended articles of incorporation approved by the Securities and Exchange Commission of the Philippines (the "SEC") on November 15, 2016, the Company has an authorized capital stock of ₱5,000,000,000 divided into 5,000,000,000 Common Shares with a par value of ₱1.00 per share, of which 2,705,817,916 Common Shares are outstanding and fully paid. The SEC approved the increase in the authorized capital stock of the Company from ₱200,000,000.00 divided into 200,000,000 common shares with a par value of ₱1.00 per share to ₱5,000,000,000 divided into 5,000,000,000 Common Shares with a par value of ₱1.00 per share. At present, the Company has an authorized capital stock of ₱5,000,000,000.00, of which 2,705,817,916 Common Shares are outstanding and fully paid.

Wilcon Corporation ("WC" or the "Group", with respect to WC and all the related entities and subsidiaries incorporated for the purpose of conducting the principal business of the Group, as a whole) (Formerly: Wilcon Builders Depot, Inc.) spun-off all of its retail assets to, and consolidated all of its retail businesses under, Wilcon Depot, which is 99.06% owned by WC and is WC's sole subsidiary. Wilcon Depot was formally incorporated on 17 December 2015 and officially began its trading operations on April 1, 2016. However, Wilcon Depot's retailing business, which it acquired and inherited from WC, has been in existence for over 38 years. All of the figures presented and discussed in the appropriate sections in this Prospectus are figures pertaining to such retailing business. As a newly incorporated company, Wilcon Depot will be relying on the track record of its parent, WC, specifically in respect of its retailing business. In this respect, WC complies with the PSE's track record of profitable operations requirement, as follows: (i) a cumulative consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least ₱50 million for three full fiscal years immediately preceding the application for listing, (ii) a minimum EBITDA of ₱10 million for each of the three fiscal years, (iii) engaged in materially the same businesses and has a proven track record of management throughout the last three years prior to the filing of application. With WC's EBITDA of ₱1,194 million, ₱521 million, ₱741 million for 2015, 2014, and 2013, respectively, the Company's parent company is in full compliance with the financial requirements. Moreover, the retailing business has been operating since 1977 and has had a proven track record of management since then.

Based on an Offer Price of ₱5.05 per Offer Share, the total gross proceeds to be raised by the Company from the sale of the Offer Shares will be ₱7,039.2 million. The estimated net proceeds to be raised by the Company from the sale of the Offer Shares (after deducting fees and expenses payable by the Company of approximately ₱229.5 million) will be ₱6,739.9 million. The Company intends to use the net proceeds it receives from the Offer for store network expansion, debt repayment, and for general corporate purposes of the Company. For a more detailed discussion on the proceeds from the Offer and the Company's proposed use of proceeds, please see "Use of Proceeds" beginning on page 37 of this Prospectus.

The Issue Manager and Joint Lead Underwriters (as defined below) will receive a transaction fee from the Company equivalent to 2.50% of the gross proceeds from the sale of the Offer Shares, inclusive of the amounts to be paid to the Selling Agents such as the PSE Trading Participants. For a more detailed discussion on the fees to be received by the Issue Manager and Joint Lead Underwriters, see "Plan of Distribution" beginning on page 154 of this Prospectus.

Each holder of Common Shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board" or "Board of Directors"), provided that any share dividends declaration requires the approval of shareholders holding at least two-thirds of its total "outstanding capital stock." The Corporation Code of the Philippines, Batas Pambansa Blg. 68 (the "Philippine Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued to subscribers or stockholders, whether paid in full or not, except for treasury shares. Dividends may be declared only from the Company's unrestricted retained earnings. The Company has approved a dividend policy of maintaining an annual cash and/or share dividend pay-out of up to 25% of its net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board may, at any time, modify the Company's dividend policy depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future. Please see "Dividends and Dividend Policy" beginning on page 40 of this Prospectus.

At least 975,734,400 of the Offer Shares (or 70% of the Offer Shares) are being offered and sold at the Offer Price to qualified institutional buyers ("QIBs") in the Philippines. Up to 278,781,200 Offer Shares (or 20% of the Offer Shares) are being offered to all of the trading participants of the PSE (the "PSE Trading Participants") and up to 139,390,600 Offer Shares (or 10% of the Offer Shares) are being offered to local small investors ("Local Small Investors" or "LSIs") in the Philippines. Prior to the closing of the Offer, any allocation of Offer Shares not taken up by the QIBs, PSE Trading Participants and LSIs shall be distributed by the Underwriters to their clients or to the general public. Pursuant to their firm underwriting commitments for the Offer, Offer Shares not taken up by the QIBs, PSE Trading Participants, LSIs, the clients of the Underwriters, or the general public shall be purchased by the Issue Manager and Joint Lead Underwriters pursuant to the terms and conditions of the Underwriting Agreement.

All of the Common Shares issued and to be issued or sold pursuant to the Offer have identical rights and privileges. The Common Shares may be owned by any person or entity regardless of citizenship or nationality, subject to the nationality limits under Philippine law. The Philippine Constitution and related statutes set forth restrictions on foreign ownership for companies engaged in certain activities.

No dealer, salesman, or any other person has been authorized to give any information or to make any representation not contained in this Prospectus. If given or made, any such information or representation must not be relied upon as having been authorized by the Company or the Issue Manager and Joint Lead Underwriters. The distribution of this Prospectus and the offer and sale of the Shares may, in certain jurisdictions, be restricted by law. The Company and the Issue Manager and Joint Lead Underwriters require persons into whose possession this Prospectus comes, to inform themselves of and observe all such restrictions. This Prospectus does not constitute an offer of any securities, or any offer to sell, or a solicitation of any offer to buy any securities of the Company in any jurisdiction, to or from any person to whom it is unlawful to make such offer in such jurisdiction.

The information contained in this Prospectus relating to the Company and its operations has been supplied by the Company, unless otherwise stated herein. To the best of its knowledge and belief, the Company, which has taken reasonable care to ensure that such is the case, confirms that the information contained in this Prospectus relating to it and its operations is correct, and that there is no material misstatement or omission of fact which would make any statement in this Prospectus misleading in any material respect and that the Company hereby accepts full and sole responsibility for the accuracy of the information contained in this Prospectus with respect to the same. No representation, warranty or undertaking, express or implied, is made by the Issue Manager and Joint Lead Underwriters, and no responsibility or liability is accepted by any thereof to the accuracy, adequacy, reasonableness or completeness of the information and materials contained herein (excluding any and all information pertaining to the Issue Manager and Joint Lead Underwriters) or any other information provided by the Company in connection with the Offer Shares, their distribution or their future performance. The Issue Manager and Joint Lead Underwriters does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this Prospectus.

Unless otherwise indicated, all information in this Prospectus is as of the date of this Prospectus. Neither the delivery of this Prospectus nor any sale made pursuant to this Prospectus shall, under any circumstances, create any implication that the information contained herein is correct as of any date subsequent to the date hereof or that there has been no change in the affairs of the Company since such date.

The Issue Manager, Joint Lead Underwriters and we have exercised due diligence in ascertaining that all material representations contained in this Prospectus as of the Listing Date are true and correct as of the date of this Prospectus and that no material information was omitted, which was necessary in order to make the statements contained herein as of the Listing Date not misleading.

Each person contemplating an investment in the Shares should make his own investigation and analysis of the creditworthiness of the Company and his own determination of the suitability of any such investment.

Before making an investment decision, investors should carefully consider the risks associated with an investment in the Common Shares. These risks include:

Risks relating to the Company's business

- The Company's growth is highly dependent on its ability to open new stores in strategic locations.
- The Company may encounter significant competition in key provincial cities outside Metro Manila.
- New stores will place additional burden on the Company's existing resources, which may adversely affect its business.
- The Company's operations may require significant capital expenditure and financing which it may not be able to secure.
- Increase in operating and other expenses could lead to a material impact on the Company's financial position.
- The success of the Company's business is reliant on the Company's continuing capability to source and sell the appropriate mix of products that meet customer preferences.
- The Company may not be able to maintain and develop good relationships with its current and future suppliers, and failure to do so may adversely affect its business.
- The Company's financial performance may be materially and adversely affected by an increase in the prices and disruption in the supply of key products.
- A deterioration of the value of the Company's brand name, "Wilcon", and trademarks may have an adverse effect on its business.
- The Company's business and operations are dependent upon key executives.
- The Company's day-to-day operations may be affected by failures, interruptions, damage, unavailability and delays of its physical operating infrastructure (warehousing, logistics/distribution network).
- Systems failures, breaches of security, delays and failure to optimize its information technology systems could adversely affect the Company.

- The Company currently relies on distributors and service providers for a portion of its logistics requirements.
- The Company may be adversely affected by complaints, adverse publicity or litigation in relation to its products and services.
- Changes in the retail and real estate market environment in the Philippines could affect the Company's business.
- The Company is exposed to currency exchange risk.
- The Company is party to a large number of related party transactions.
- The Company may fail to fulfill the terms of licenses, permits and other authorizations or fail to renew them on expiration.
- The Company's continued compliance with, and changes in, various laws relating to environmental laws and regulations may adversely affect the Company's business.
- Tax liabilities incurred by the Company's parent may adversely and materially affect the Company's operations.

Risks relating to the Philippines

- The Company is exposed to business, political, operational, financial, and economic risks in the Philippines.
- The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt the Company's operations.
- Any political instability in the Philippines may adversely affect the business operations, plans, and prospects of the Company.
- Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect in the Company's business and financial condition.

Risks relating to the Offer and the Offer Shares

- There can be no guarantee that the Offer Shares will be registered with the SEC and listed on the PSE, or that there will be no other regulatory action that could delay or affect the Offer.
- There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.
- The Offer Shares may not be a suitable investment for all investors.
- The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.
- Shareholders may be subject to limitations on minority shareholders rights.
- The Company may be unable to pay dividends on the Common Shares.

Risks relating to certain statistical information in this Prospectus

- Certain information contained herein is derived from unofficial publications.
- Non-verification of Certain Information.

Please refer to the section entitled "Risk Factors" beginning on page 25 of this Prospectus, which, while not intended to be an exhaustive enumeration of all risks, must be considered in connection with a purchase of the Offer Shares.

An application for listing of the Offer Shares was approved on March 8, 2017 by the Board of Directors of the PSE, subject to the fulfilment of certain listing conditions. The PSE assumes no responsibility for the correctness of any statements made or opinions expressed in this Prospectus. The PSE makes no representation as to its completeness and expressly disclaims any liability whatsoever for any loss arising from reliance on the entire or any part of this Prospectus. Such approval for listing is permissive only and does not constitute a recommendation or endorsement of the Offer Shares by the PSE or SEC.

An application was made to the SEC to register the Offer Shares under the provisions of the Securities Regulation Code of the Philippines (Republic Act ("R.A.") No. 8799) (the "SRC"). Subsequently, the SEC issued a pre-effective clearance on February 23, 2017. Any approval for registration of the Offer Shares by the SEC does not constitute a recommendation or endorsement of the Offer Shares by the SEC.

The Offer Shares are offered subject to receipt and acceptance of any order by the Company and subject to its right to reject any order in whole or in part. It is expected that the Offer Shares will be delivered in book-entry form against payment to the Philippine Depository and Trust Corporation (the "PDTC") on or about March 29, 2017.

ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL INFORMATION CONTAINED HEREIN ARE TRUE AND CURRENT.

By:

William T. Belo
Chairman

Republic of the Philippines)
) s.s.
PASIG CITY

Before me, a notary public in and for the city named above, personally appeared with Passport No. EC4204794 issued at DFA NCR Central on 19 May 2015 valid until 18 May 2020, who was identified by me through competent evidence of identity to be the same person who presented the foregoing instrument and signed the instrument in my presence, and who took an oath before me as to such instrument.

Witness my hand and seal this ___day of MAR 16 2017 2017 at ~~PASIG CITY~~.

Doc No. 6:
Book No. I:
Page No. 3:
Series of 2017.

ATTY. ARIANNE Q. BONAVENTE
Notary Public for Pasig City
Appointment No. 127 Until December 31, 2018
Roll No: 66027, IBP No. 1056285, Quezon City, 04 Jan 2017
PTR No. 2362211, Pasig City, 04 Jan 2017
Unit 3104 Antel Global Corporate Center,
Doña Julia Vargas Ave., Ortigas Center, Pasig City
Admitted to the Bar 2016

No representation or warranty, express or implied, is made by the Company and the Issue Manager and Joint Lead Underwriters, regarding the legality of an investment in the Offer Shares under any legal, investment or similar laws or regulations. No representation or warranty, express or implied, is made by the Issue Manager and Joint Lead Underwriters as to the accuracy or completeness of the information herein and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Issue Manager and Joint Lead Underwriters. The contents of this Prospectus are not investment, legal or tax advice. Prospective investors should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Offer Shares. In making any investment decision regarding the Offer Shares, prospective investors must rely on their own examination of the Company and the terms of the Offer, including the merits and risks involved. Any reproduction or distribution of this Prospectus, in whole or in part, and any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Offer Shares is prohibited.

THE OFFER SHARES ARE BEING OFFERED IN THE PHILIPPINES ON THE BASIS OF THIS PROSPECTUS ONLY. ANY DECISION TO PURCHASE THE OFFER SHARES IN THE PHILIPPINES MUST BE BASED ONLY ON THE INFORMATION CONTAINED HEREIN.

No person has been authorized to give any information or to make any representations other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Issue Manager and Joint Lead Underwriters. This Prospectus does not constitute an offer to sell or the solicitation of an offer to purchase any securities other than the Offer Shares or an offer to sell or the solicitation of an offer to purchase such securities by any person in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus nor any sale of the Offer Shares offered hereby shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to the date hereof.

Market data used throughout this Prospectus has been obtained from market research, reports and studies, publicly available information and industry publications. Industry publications generally state that the information that they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. Similarly, industry forecasts, market research and the underlying economic assumptions relied upon therein, while believed to be reliable, have not been independently verified, and neither the Company nor the Issue Manager and Lead Underwriter makes any representation as to the accuracy of that information.

The operating information used throughout this Prospectus has been calculated by the Company on the basis of certain assumptions made by it. As a result, this operating information may not be comparable to similar operating information reported by other companies.

The distribution of this Prospectus and the offer and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Issue Manager and Joint Lead Underwriters require persons into whose possession this Prospectus comes to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or invitation would be unlawful. Each prospective purchaser of the Offer Shares must comply with all applicable laws and regulations in force in any jurisdiction in which it purchases, offers, sells or resells the Offer Shares or possesses and distributes this Prospectus and must obtain any consents, approvals or permissions required for the purchase, offer, sale or resale by it of the Offer Shares under the laws, rules and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or resales, and neither the Company nor the Issue Manager and Joint Lead Underwriters shall have any responsibility therefor.

The Company reserves the right to withdraw the offer and sale of Offer Shares at any time, and the Issue Manager and Joint Lead Underwriters reserves the right to reject any commitment to subscribe for the Offer Shares in whole or in part and to allot to any prospective purchaser less than the full amount of the Offer Shares sought by such purchaser. If the Offer is withdrawn or discontinued, the Company shall subsequently notify the SEC and the PSE. The Issue Manager and Joint Lead Underwriters and certain related entities may acquire for their own account a portion of the Offer Shares.

Each offeree of the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing.

Conventions which apply to this Prospectus

In this Prospectus, unless otherwise specified or the context otherwise requires, all references to the "Company" are to Wilcon Depot, all references to the "Parent Company" are to WC, and all references to the "Group" pertain to WC and all the related entities and subsidiaries incorporated for the purpose of conducting the principal business of the Group, as a whole. All references to the "Philippines" are references to the Republic of the Philippines. All references to the "Government" are to the national government of the Philippines. All references to "Philippine Peso", "₱", "Pesos" and "₱" are to the lawful currency of the Philippines.

The items expressed in the Glossary of Terms may be defined otherwise by appropriate government agencies or regulations from time to time, or by conventional or industry usage.

Presentation of Pro-forma Financial Statements

The Company's pro-forma financial statements are reported in Philippine Peso and are prepared based on its accounting policies, which are in accordance with the Philippine Financial Reporting Standards ("PFRS") issued by the Financial Reporting Standards Council of the Philippines. PFRS include statements named PFRS, Philippine Accounting Standards and Philippine Interpretations of International Financial Reporting Interpretations Committee.

The pro-forma financial statements of the Company as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015, and as at and for the years ended December 31, 2015, 2014 and 2013 represent the accounts of the Company. Unless otherwise stated, all financial information relating to the Company contained herein is stated in accordance with PFRS.

Figures in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown in the same item of information may vary, and figures which are totals may not be an arithmetic aggregate of their components.

The Company's fiscal year begins on 1 January and ends on 31 December of each year. Reyes Tacandong & Co. ("RT& Co.") has examined the pro-forma financial statements as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015, and as at and for the years ended December 31, 2015, 2014 and 2013.

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FORWARD LOOKING STATEMENTS

This Prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- known and unknown risks,
- uncertainties and other factors that may cause the Company's actual results, performance or achievements to be materially different from expected future results, and
- performance or achievements expressed or implied by forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Important factors that could cause some or all of the assumptions not to occur or cause actual results, performance or achievements to differ materially from those in the forward-looking statements include, among other things:

- the Company's ability to successfully manage its activities;
- the Company's ability to successfully implement its current and future strategies;
- the Company's ability to anticipate and respond to consumer trends;
- the Company's ability to develop products and provide services without delays due to regulatory or other causes;
- the Company's ability to successfully manage its future business, financial condition, results of operations, and cash flow;
- general political, social, and economic conditions and changes in the Philippines;
- any future political instability in the Philippines;
- changes in interest rates, inflation rates, and the value of the Peso against the U.S. dollar and other currencies;
- increases in inventory, maintenance and rental costs;
- continued availability of capital and financing at acceptable cost;
- changes in the laws, including tax laws, regulations, policies and licenses applicable to or affecting the Company;
- legal or regulatory proceedings in which the Company is or may become involved;
- uncontrollable events, such as war, civil unrest or acts of international or domestic terrorism, the outbreak of contagious diseases, accidents and natural disasters; and,
- competition in the retail industry in the Philippines.

Additional factors that could cause the Company's actual results, performance or achievements to differ materially from forward-looking statements include, but are not limited to, those disclosed under "Risk Factors" and elsewhere in this Prospectus. These forward-looking statements speak only as of the date of this Prospectus. The Company and the Issue Manager and Joint Lead Underwriters expressly disclaim any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statement contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any statement is based.

This Prospectus includes statements regarding the Company's expectations and projections for future operating performance and business prospects. The words "believe," "plan," "expect," "anticipate," "estimate," "project," "intend," "seek," "target," "aim," "may," "might," "will," "would," "could," and similar words identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Prospectus are forward-looking statements. Statements in this Prospectus as to the opinions, beliefs and intentions of the Company accurately reflect in all material respects the opinions, beliefs and intentions of its management as to such matters as of the date of this Prospectus, although the Company gives no assurance that such opinions or beliefs will prove to be correct or that such intentions will not change. This Prospectus discloses, under the section "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Company's expectations. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by the above cautionary statements.

The Company and the Issue Manager and Joint Lead Underwriters have exercised due diligence in ascertaining that all material representations contained in the prospectus and any amendments and supplements are true and correct, and that no material information was omitted, which was necessary in order to make the statements contained in said documents not misleading.

GLOSSARY OF TERMS

In this Prospectus, unless the context otherwise requires, the following terms shall have the meanings set forth below.

ARMM	Autonomous Region in Muslim Mindanao composed of Basilan (except Isabela City), Lanao del Sur, Maguindanao, Sulu, and Tawi-Tawi
Application	The documents to purchase or subscribe to the Offer Shares
BIR	Bureau of Internal Revenue
Board	Board of Directors of the Company
BOI	Board of Investments, the lead investments promotion agency of the Philippines
BSP	Bangko Sentral ng Pilipinas, the Central Bank of the Philippines
CAGR	Compound Annual Growth Rate
CALABARZON	Philippine region of Cavite, Laguna, Batangas, Rizal, and Quezon
CAR	Cordillera Administrative Region composed of provinces of Abra, Apayao, Benguet, Ifugao, Kalinga, and Mountain Province
CARAGA	Caraga Administrative Region composed of provinces of Agusan del Norte, Agusan del Sur, Surigao del Norte, Surigao del Sur, and Dinagat Islands
COHCI	Cebu Oversea Hardware Co. Inc.
Common Shares	Common shares of the Company with a par value of ₱1.00 per share
Company	Wilcon Depot, Inc.
Consumer Act	The Consumer Act of the Philippines
CRC	University of Asia & the Pacific – Center for Research and Communication Foundation, Inc.
Debt-to-Equity Ratio	The Company’s total liabilities divided by its total equity attributable to the equity holders of the Parent Company as described in the Financial Statements included in this Prospectus.
DENR	Department of Environment and Natural Resources
Director(s)	The director(s) of the Company
DIY	Do-it-yourself products
DTI	The Philippine Department of Trade and Industry
EBITDA	Earnings before interest expense, tax, depreciation and amortization
ECC	Environmental Compliance Certificate
EGF	Environmental Guarantee Fund
EIS	Environmental Impact Statement
Eligible Investors	Applicants who are qualified to subscribe to the Offer Shares
EMB	Environmental Management Bureau
EMF	Environmental Monitoring Fund
FIES	Family Income and Expenditure Survey
GDP	Gross Domestic Product
GRDP	Gross Regional Domestic Product
Group	WC and all the related entities and subsidiaries incorporated for the purpose of conducting the principal business of the Group, as a whole
GVA	Gross Value Added
HDMF	Home Development Mutual Fund
HLURB	Housing and Land Regulatory Board
HUDCC	Housing and Urban Development Coordinating Council
IEE	Initial Environmental Examination
IPP	Investment Priorities Plan
IRO	Investor Relations Officer

Issue Manager, Bookrunner and Lead Underwriter or Issue Manager and Joint Lead Underwriter or First Metro	First Metro Investment Corporation
Joint Lead Underwriter or BDO Capital	BDO Capital & Investment Corporation
Jumbo Certificate	A certificate covering all the securities lodged with the PDTC and issued in the name of the PCD Nominee
Listing Date	The date on which trading of the Offer Shares on the PSE begins, expected to be on 31 March 2017
LSI	Local Small Investors
MIMAROPA	Philippine region of Mindoro, Marinduque, Romblon, and Palawan
MPO	Minimum public ownership
NHIP	National Health Insurance Program
Offer	the offer and sale of 1,393,906,200 new Common Shares of the Company
Offer Price	₱5.05 per Offer Share
Offer Shares	1,393,906,200 new common shares of the Company with a par value of ₱1.00 per share
PCD	Philippine Central Depository
PDTC	The Philippine Depository and Trust Corp., the central securities depository of, among others, securities listed and traded on the PSE
Pesos, Philippine Pesos, ₱	The legal currency of the Republic of the Philippines
PFRS	Philippine Financial Reporting System
PhilHealth	Philippine Health Insurance Corporation
Philippine Corporation Code	Batas Pambansa Blg. 68, also known as the Corporation Code of the Philippines
Philippine National	The term shall mean any of the following: (1) a citizen of the Philippines; or (2) a domestic partnership or association wholly owned by citizens of the Philippines; or (3) a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; or (4) a corporation organized abroad and registered as doing business in the Philippines under the Corporation Code of which 100% of the capital stock outstanding and entitled to vote is wholly owned by Filipinos or (5) a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine national and at least 60% of the fund will accrue to the benefit of the Philippine nationals. Where a corporation and its non-Filipino stockholders own stocks in an SEC-registered enterprise, at least 60% of the capital stock outstanding and entitled to vote of both corporations must be owned and held by citizens of the Philippines and at least 60% of the members of the Board of Directors of both corporations must be citizens of the Philippines, in order that the corporations shall be considered a Philippine national
Philippines	The Republic of the Philippines
POS	Point-of-sale
PSA	Philippine Statistics Authority
PSE	The Philippine Stock Exchange, Inc.
PSE Main Board	The main board of the PSE that enables companies that meet higher profit or other financial standards requirements to raise funds in the market. Generally, to be listed on the Main Board, a Company must have a minimum authorized capital stock of ₱500 million, of which a

	minimum of 25% must be subscribed and fully paid, and show, among others: (1) a full track record of profitable operations for three full fiscal years prior to the filing of the listing application; (2) a market capitalization of at least ₱500 million; and (3) an operating history of at least 3 years prior to its application for listing.
QIBs	A qualified institutional buyer, refers to any of the following: mutual funds, pension or retirement funds, commercial or universal banks, trust companies, investment houses, insurance companies, investment companies, finance companies, venture capital firms, government financial institutions, trust departments of commercial or universal banks, non-bank quasi banking institutions, Trading Participants of the PSE for their dealer accounts, non-stock savings and loan associations, educational assistance funds, other juridical persons that possess the following qualifications, and registered with the SEC under Memorandum Circular No. 6, Series of 2007: a. Has a minimum annual gross income of at least One Hundred Million Pesos (₱100,000,000) for at least two years prior to registration; b. A total portfolio investment in securities registered with the SEC of at least Sixty Million Pesos (₱60,000,000); c. A net worth of not less than One Hundred Million (₱100,000,000) and other institutions of similar nature determined as such by the SEC
Receiving Agent	Metropolitan Bank and Trust Co. – Trust Banking Group
RT & Co.	Reyes Tacandong & Co.
SEC	Securities and Exchange Commission of the Philippines
SCCP	Securities Clearing Corporation of the Philippines
SKU	stock-keeping unit
SOCCSKSARGEN	Philippine region of South Cotabato, Cotabato, Sultan Kudarat, Sarangani, and General Santos
sqm	square meters
VAT	Value-added Tax
WBDI	Wilcon Builder's Depot, Inc.
WBSI	Wilcon Builder's Supply, Inc.
WC	Wilcon Corporation

EXECUTIVE SUMMARY

The following summary is qualified in its entirety by, and is subject to, the more detailed information presented in this Prospectus, including the Company's examined pro-forma financial statements and notes thereto appearing elsewhere in this Prospectus. Because it is a summary, it does not contain all of the information that a prospective purchaser should consider before investing. Prospective investors should read the entire Prospectus carefully, including the section entitled "Risk Factors" and the examined pro-forma financial statements and the related notes to those statements included in this Prospectus.

OVERVIEW

Wilcon Depot is the Philippines' leading home improvement and construction supplies retailer based on gross sales in 2015, according to a study conducted by University of Asia and the Pacific - Center of Research and Communication ("CRC") Foundation, Inc. in October 2016. The Company caters to the fast-growing segment of middle- to high-income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. The Company's complete spectrum of product offerings includes local and international brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, hardware and tools, furniture, furnishings and houseware, paints, and building materials, among others.

The Company believes that its strong reputation and industry leadership is built on its extensive portfolio of high-quality brands and products, excellent customer service, highly trained sales personnel, and a carefully conceptualized store layout and design, which collectively provide a unique, convenient and comfortable shopping experience for its customers. The Company further sets itself apart from its competitors through its focus on the direct offering and distribution of its own exclusive brands and products.

The Company operates 36 stores nationwide and offers its products via two retail formats, namely the Depot store format and Home Essentials store format.

- *Depots*. The Company conducts its operations primarily through a format under the name "Wilcon Depot". As of September 30, 2016, the depot format accounted for 96% of the Company's revenues. Each Depot format store carries 90,000–200,000 SKUs and offers a broad variety of large-scale home and construction supply products. The net selling space of the Company's depot stores ranges from 2,800sqm to 31,000sqm, with an average net selling space of 9,500sqm. As of September 30, 2016, the Company had 30 depots located in all the major cities across the Philippines.

- *Home Essentials*. The Company also operates a smaller format known as "Wilcon Home Essentials". The Home Essentials format was launched in 2009 as a community store-type outlet aimed at customers who require easy access to a basic range of tools and materials for simple housing repair and maintenance. Home Essentials stores range in size from 1,000sqm to 5,200sqm with an average net selling space of 2,400sqm. As of September 30, 2016, the Company had 2 mall-based Home Essentials stores and 4 stand-alone branches for a total of 6 Home Essentials stores.

For the nine-month period ended September 30, 2016, the Company's pro-forma revenues increased by 10.26% to ₱11,729 million from ₱10,638 million in the nine-month period ended September 30, 2015. Pro-forma net income for the nine-month period ended September 30, 2016 grew by 49.54% to ₱483 million from ₱323 million in the first nine-month period ended September 30, 2015. For the years ended December 31, 2015, 2014, and 2013, pro-forma revenues were ₱14,450 million, ₱13,596 million, and ₱11,862 million, respectively. Pro-forma net income for the same periods were ₱538 million, ₱40 million and ₱240 million, respectively.

HISTORY

Wilcon Depot was incorporated on December 17, 2015 to operate the home improvement retail businesses of the Belo family. It officially started operations on April 1, 2016.

Wilcon Depot traces its history to WC, formerly known as Wilcon Builder's Depot Inc. ("WBDI" or the "Group"), a leading home improvement and construction supplies retailer in the Philippines.

The Group, founded by Mr. William T. Belo, opened its first branch in 1977, a modest 60-sqm store carrying a variety of local brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, and hardware and tools. Mr. Belo gradually expanded the pioneer Wilcon branch as business picked up opening three more branches with an average area of 2,400sqm from 1989-1995. In 2002, Wilcon established a store in Davao City, the Company's first store outside of Metro Manila.

In 2003, the Group incorporated WBDI and later that year launched its 6th store in Las Piñas, the first store utilizing the Depot format. At 10,000sqm., the Depot format was larger than their previous stores, which had an average size of 4,223sqm. Its product selection was more comprehensive and included more international brands and new product lines and categories such as furniture, furnishings and houseware, paints, and building materials, among others. Over the next 13 years, the Group rapidly expanded its operations with the opening of 27 more Depot format stores around the country.

In 2009, the Group incorporated Wilcon Home Essentials, Inc. ("WHEI") to operate small-format mall-based stores under the brand name "Wilcon Home Essentials". These community store-type outlets targeted customers that require easy access to a basic range of tools and materials for simple housing repair and maintenance. This concept was adopted by a few of the Group's old stores and subsequently applied to 3 more new stores from 2009 to 2013.

Over the years, the Group has garnered numerous awards and recognitions from its suppliers, cities and municipalities where its stores are located, and several organizations and associations. The following are some of its notable awards:

- 2015 – James Hardie Trailblazer Award
- 2015, 2014, 2013, 2012 – Ogills Pinnacle Awardee
- 2015, 2014, 2013 – Dewalt Tough Ten Award
- 2011 – Valenzuela City Top Job Provider
- 2008, 2007 – Philippine Retailer's Association Most Outstanding Retailer "Killer Category"
- 2008 – Dewalt Top Dealer
- 2007 – Kohler Top Sales
- 2005 – Mariwasa Siam Top Distributor

Aside from the above awards, Mr. William T. Belo, the founder and Chairman of the Group, received the prestigious Bossing Award from PLDT SME Nation and Go Negosyo in 2013.

CORPORATE RESTRUCTURING

In the course of expansion, several Group companies were organized for additional branches and store formats. WBDI was incorporated on December 15, 2004 for the larger store formats.

In 2012, the Group began consolidating its companies to achieve economies of scale and promote operational efficiencies.

On April 21, 2012, Cole Pacific Inc., Extenso Marketing Inc., Liberum Marketing Inc., and Vincit Marketing Inc. were merged into WBDI, the surviving entity. This was approved by the SEC on August 16, 2012.

On October 24, 2013, Wilcon Builder's Supply, Inc. ("WBSI"), WHEI, Lomarc Realty Corp. and WBS Realty & Development Corporation were merged into WBDI, the surviving entity. This was approved by the SEC on December 27, 2013.

On December 17, 2015, Wilcon Depot was incorporated as a wholly-owned subsidiary of WBDI to operate the Group's home improvement retail businesses. On April 1, 2016, WBDI transferred its retail business to the Company. The following transactions occurred in relation to the spin-off:

- The net assets comprising the retail business were transferred to Wilcon Depot. The land, intellectual property, and investment properties remained with WBDI, the Parent.
- The Company entered into lease agreements with its Parent for the lease of land assets used by its stores.

On November 11, 2016, the SEC approved the amendment to the articles of incorporation of WBDI changing its name to WC. It remains the parent company of Wilcon Depot.

As of the date of this Prospectus, all material transactions and agreements relative to the spin-off have been completed.

Wilcon Corporation ("WC" or the "Group", with respect to WC and all the related entities and subsidiaries incorporated for the purpose of conducting the principal business of the Group, as a whole) (Formerly: Wilcon Builders Depot, Inc.) spun-off all of its retail assets to, and consolidated all of its retail businesses under, Wilcon Depot, which is 99.06% owned by WC and is WC's sole subsidiary. Wilcon Depot was formally incorporated on 17 December 2015 and officially began its trading operations on April 1, 2016. However, Wilcon Depot's retailing business, which it acquired and inherited from WC, has been in existence for over 38 years. All of the figures presented and discussed in the appropriate sections in this Prospectus are figures pertaining to such retailing business. As a newly incorporated company, Wilcon Depot will be relying on the track record of its parent, WC, specifically in respect of its retailing business. In this respect, WC complies with the PSE's track record of profitable operations requirement, as follows: (i) a cumulative consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least ₱50 million for three full fiscal years immediately preceding the application for listing, (ii) a minimum EBITDA of ₱10 million for each of the three fiscal years, (iii) engaged in materially the same businesses and has a proven track record of management throughout the last three years prior to the filing of application. With WC's EBITDA of ₱1,194 million, ₱521 million, ₱741 million for 2015, 2014, and 2013, respectively, the Company's parent company is in full compliance with the financial requirements. Moreover, the retailing business has been operating since 1977 and has had a proven track record of management since then.

The corporate restructuring has brought operational and administrative efficiencies such as reduction in administrative overhead. WC and the Company have not been subject to: (i) any bankruptcy, receivership or similar proceedings or (ii) any material reclassification, merger (other than as surviving entity), consolidation of purchase or sale of significant amount of assets.

The BIR issued the corresponding Certification dated 26 January 2017, docketed as SN-001-2017, confirming that the above-described restructuring is not subject to income tax/capital gains tax/expanded withholding tax and donor's tax.

COMPETITIVE STRENGTHS

The Company's key competitive strengths include:

Industry leader in the booming home improvement sector in the Philippines

As the leading player in the home improvement retail industry, the Company is well-positioned to take advantage of the continued growth opportunities and positive outlook of the Philippine home improvement sector. According to CRC, the home improvement industry is expected to sustain its growth for the next five years supported by household spending growing at least 6% per annum. The home improvement sector is also expected to benefit from the growth in the construction and housing market. In the same study by CRC, the country's construction sector's growth can be traced to the respectable performance of the private sector where it grew at an average rate of 5.3% from 2009-2015 compared to the public sector growing at an average of 3.9% for the same period. Furthermore, since 2008, the total floor area for residential construction has been robust posting an average 7.6% year-on-year growth. This is also backed by the pressure to increase housing production to close the housing gap of 4-million units as well as the steadily increasing incomes of Filipino families. Any efforts to close the housing gap shall positively affect the companies in the industry.

According to data consolidated by CRC, in 2015, the Company was the leading depot in terms of sales amounting to ₱14,450 million. As of September, 2016, the Company has a store count to 36 stores. In terms of geographic concentration, the Company has 17 stores in Metro Manila as of September 30, 2016. Revenues in this area grew year-on-year by 10% in September 30, 2016. Its established presence in this area gives the Company a strong foothold in the Philippine home improvement sector.

Well-recognized brand and a favored retailer offering a wide selection of home improvement products

Being an industry player for over 40 years, the Group has built a successful Wilcon brand name that resonates as a one-stop shop and a favored destination for customers' home improvement needs. The Group's strong reputation and brand equity can be attributed to its ability to offer a broad array of high-quality local and international brands and products. The Company carries over 2,000 brands across various product categories with the larger Depot format carrying approximately 90,000-200,000 SKUs and the Home Essentials format carrying approximately 30,000-50,000 SKUs. The Company is also an exclusive distributor of a number of renowned international brands. Its extensive selection of brands and products continue to address different customer needs and preferences in price, style, and quality.

Aside from being recognized for its wide selection of products, the Company's brand has also become associated with convenience and comfort. The Company has designed its stores to provide a comfortable atmosphere that enhances the customer's shopping experience. The Company offers free parking, ample ventilation and air-conditioning, well-lit shopping areas, a coffee shop or snack bar, and a uniform easy-to-navigate store layout in all its stores. The Company continues to ensure the completeness of these features in its stores to maintain customer satisfaction and loyalty.

Excellent customer service, through highly-trained sales teams and design consultants, and reliable after-sales support

The Company sets itself apart by the quality of its and people and believes that this positively impacts the shopping experience of its customers. Wilcon Depot ensures that they are properly trained to be knowledgeable about all the products and are aware of the latest design trends and consumer behavior. They also have the ability to understand and address customer requirements quickly. Moreover, its sales persons are fully-equipped with superior design and product knowledge and experience. This enables the Company's customers to enjoy the convenience of dealing with a single sales person, who is prepared to respond to all their needs and queries.

Wilcon Depot also hires design consultants who offer very personalized assistance. They are able to identify or suggest the best specifications based on a customer's requirements and preferences. Each Wilcon store has a "design hub" where customers can provide the design consultants a floor plan to design. These consultants utilize a 3D software program that can configure a customer's floor plan and populates it with a select range of Wilcon Depot's products in any available type, color, pattern, or feature to help the customer achieve the desired design before purchasing. Moreover, the software can conveniently calculate the number of tiles needed and the total purchase price for the chosen items, among others.

Quality customer service is also met by the Company's reliable and efficient after-sales support which is ready to address customer concerns in a timely manner. Wilcon Depot offers full warranties and a 30-day return policy for its products.

Wilcon Depot continuously finds ways to improve its customer service. It recognizes that customers' preferences and expectations are constantly changing; hence, customer surveys are regularly conducted to gather timely feedback and measure satisfaction. These surveys have effectively assisted Wilcon Depot in anticipating and meeting customer demands and expectations.

Solid long-term business relationships with its key suppliers

The Group sources its products from over 400 local and foreign suppliers and has been dealing with most of them for an average of 25 years. The Company's scale of inventory procurement enables it to develop and maintain substantial long-term relationships with its suppliers. This has benefited in terms of lowering costs, sourcing exclusive products, and obtaining products that are in short supply. Furthermore, the Company actively collaborates with its top suppliers to further improve the quality of their products.

The Group's long-standing relationship with its suppliers enables the Company to deliver an extensive selection of value-for-money products that are competitively priced. It also signifies their trust in Wilcon Depot's strong management, solid business model, and robust sales network.

Strong portfolio of in-house brands

The Group has a proven track record of successfully developing its own brands. As of September 30, 2016, it has 16 in-house brands across various product categories which are produced by foreign original equipment manufacturers. In order to ensure the quality of its in-house brands, the Company's quality control teams oversee the manufacturing process and conduct product inspections at the manufacturing facilities. Among its popular brands are Pozzi and Crown Sink for plumbing and sanitary products, Arte Ceramiche, Sol, for tiles and flooring, Heim, and Heritage for furniture and houseware. These in-house brands translate to higher margins and remain the highest revenue contributor of the Company.

Through its 40 years of experience, the Group has developed an excellent grasp of the home improvement industry, giving it the ability to determine exactly the needs of the market and the knowledge to develop new products to fit such needs, and adapt to any changes in customers' tastes and preferences. Furthermore, the Company has a strong ability to bring its products to market using innovative marketing strategies. Its marketing programs are developed by a highly experienced in-house marketing team. To promote its in-house brands, the Company utilizes extensive marketing campaigns, brand communication campaigns, and advertising campaigns above and below the line, via all media platforms such as digital, traditional newspaper, magazine, billboards, television and radio. It continuously collaborates with industry professionals, academe and institutional resource persons. The Company's ability to develop new products and successfully bring them to market allows the Company to further segment each product category and tailor it to consumer preferences and prevent product commoditization.

Dual-format with wide array of products, efficient and scalable business model positioned for further expansion

The Company's ability to achieve a strong track record of growth has largely been due to a business model that emphasizes the following: (1) a dual-format offering Depots and Home Essentials; (2) strategic store locations, (3) wide-variety of products and brands, and (4) efficient and scalable operations. The Company believes that this business model differentiates it from its competitors and places it in a position to achieve further expansion.

The Company's stores are strategically-located to be able to maximize coverage and penetration of its targeted market segments. The Company offers a specific store format with distinct products and brands that are suitable for different localities such as in commercial areas or residential areas. In terms of location, the Company assesses through informal market research whether a proposed store will be within the catchment area of, and easily accessible by, its target customers. The Company believes that its careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

Highly experienced management team

The Company is led by an experienced and dedicated management team with a proven track record of success. Members of the management team have an average of over 20 years of industry experience, particularly in the retail, home improvement and construction industries. Some of its members have garnered recognition and awards. Mr. William T. Belo, the Chairman, was a recipient of the 2013 Bossing Award given by PLDT SME Nation and Go Negosyo. The succession planning efforts of Mr. Belo has been evident as seen in the active involvement of his children, Lorraine Belo-Cincochan, Mark Belo and Careen Belo, in the Company's day-to-day operations. The children have a combined 40 years of experience in the Company.

The management has effectively led the Company both through times of strong economic development and through periods of economic downturn and political instability. The Company's key officers and executives' market experience and knowledge in the retail industry, and the business relationships they have developed with suppliers and customers will continue to benefit the Company in the long run.

The Company also puts emphasis in developing high potential employees into future leaders for the Company through structured training programs (i.e. leadership trainings, career management programs, in-house soft and technical skills trainings) that equip its management trainees and supervisors with leadership and management skills, sales, marketing, customer service skills and other core values that are important to the Company.

Customized and integrated management information systems that optimize inventory control, product assortment, quality and pricing

The Company has a customized and integrated management information technology system that allows real-time monitoring of critical business information from merchandising, inventory and point-of-sale (''POS'') data to customers, to financial management systems and business intelligence software. This system allows the Company to improve its operational efficiency and adjust product offerings in line with market demand based on the sales data accumulated by such systems. As a result, the Company's management information system is a powerful enabler to the Company's continuous growth, providing an in-depth understanding of local demographics and ability to respond quickly to changing consumer preferences. In addition, its effective inventory and operational management has allowed it to keep optimal stock levels, minimize operating expenses and losses resulting from overstocking or inventory write downs.

KEY STRATEGIES

In order to drive sustainable growth, the Company continues to pursue the following strategies:

Expand store network in dominant markets and penetrate fast-growing cities

The Company shall solidify its presence in existing markets and expand its foothold in fast-growing cities through the expansion of its store network. Wilcon Depot plans to expand its store network in key locations and fast-growing emerging urban centers over the coming years, particularly in the Visayas and Mindanao regions. Wilcon Depot shall focus on the growth of its depot format and expects to open 8 stores in 2017 and targets a total of 29 new stores in the next 5 years. This is in line with the Company's objective to remain as the leading home improvement retailer in the Philippines.

Continue to appeal to existing customers and attract new customers

The Company intends to continue to improve and renovate existing stores by upgrading them to address the changing needs and preferences of customers and enhance their overall shopping experience. These efforts include, among others, remodeling store layouts by optimizing and/or expanding the sales floor areas of existing stores to further improve the visitor traffic, optimally positioning promotional items, and continually maintaining and upgrading store decor. These efforts constitute the Company's desire to maintain and strengthen customer satisfaction and loyalty.

Further strengthen synergies with suppliers and other strategic business partners and customers

The Company plans to further strengthen its strategic partnerships and other business relationships with its suppliers and other business partners, such as institutional contractors. The Company intends to do this by raising brand awareness and supporting their growth strategies. To further build its relationship with its customers, the Company plans to provide customer loyalty incentives to be able to further strengthen its market position.

Leverage extensive product portfolio, market leadership and purchasing scale

The Company shall build upon its market leading position in various home improvement product categories. It will do so by developing and optimizing the product range and brand offerings to meet customer expectations. Because of its purchasing scale, the Company would continue to achieve competitive cost prices and develop long-term supplier relationships. It will further utilize its scale and expertise in sourcing and logistics to be able to provide value for money and a wide choice of products to its customers in an increasingly competitive market, while at the same time protect its overall profit margin.

Increase focus on continuous introduction of in-house and exclusive brands

The Company will continuously introduce in-house brands and exclusive brands which will further enhance the Company's selection of product offerings. As a market leader, the Company is in a unique position to take advantage of the market knowledge and expertise it has to gather and analyze customers' needs and behavior in order to expand its in-house and exclusive brand offerings and price them competitively. The Company shall continue to capitalize on the strength of its brand to identify trends and opportunities in the market.

Improve operating efficiencies through streamlining logistics and cost-engineering

The Company is focused on increasing the efficiency of its existing operations and implementing targeted cost-saving initiatives in its businesses. Such initiatives include the following:

- Decentralization of the deliveries per store
- Implementation of an express check-out counter dedicated to small purchases in all stores and the special counters devoted to the processing of customers' advanced product orders for store pick-up, thereby improving the speed and service level towards the customers.
- Implementation of a queuing system that tracks the efficiency of service from customer order to preparation of goods to cashier up to releasing of goods.
- The usage of a mobile digital platform that focuses on improving service flow through optimum use of both human and technological resources
- Outsourcing of the delivery and distribution services through a professional logistics company

The Company is also able to leverage its economies of scale to further rationalize its logistics costs. Realizing savings through cost reduction initiatives will improve the Company's profit margins and enable the Company to continue growing its portfolios of brands and products.

Further strengthen and increase brand awareness and visibility

The Company will continue to elevate brand awareness through advertising and marketing schemes. It will continue to tap various media outlets such as television, radio, newspapers, billboards, and social media to enhance customer's awareness of the Company's products and services. Moreover, the Company will continue to use brand ambassadors that would best represent the Company's products and brands. The Company will also continue to actively participate in industry associations and trade conventions related to the construction and home improvement industry in order to increase its brand visibility. By doing so, the Company will be able to grow its target market and further strengthen its brand name.

SUMMARY PRO-FORMA FINANCIAL AND OPERATING INFORMATION

The following tables present summary pro-forma financial information for the Company and should be read in conjunction with the independent auditors' reports, the Company's examined pro-forma financial statements and notes thereto contained in this Prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company was created as a spin-off of WC home improvement retail business, which was effective as of April 1, 2016. In the Company's examined pro-forma financial statements, the Company's results are presented as if this spin-off had been completed as of the beginning of the periods presented. The examined pro-forma financial statements included in this prospectus are for informational purposes only and do not purport to present what the financial position, financial performance and cash flows of the Company would have been had the transactions occurred at an earlier date or purport to project the financial position, financial performance and cash flows of the Company for any future period.

The pro-forma financial statements included in this prospectus as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015 are based on the audited financial statements of the Company as at and for the nine-month period ended September 30, 2016, audited financial statements of the Parent Company as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015, and carved-out special purpose statements of the Trading Business of the Parent Company prepared by management as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015 and as at and for the nine-month period ended September 30, 2015, after giving effect to the pro-forma adjustments described in the following paragraph.

The pro-forma financial statements as at and for the years ended December 31, 2015, 2014 and 2013 are based on carved-out special purpose statements for the trading business of WC prepared by management as at and for the years ended December 31, 2015, 2014 and 2013, after giving effect to the pro-forma adjustments described below.

The examined pro-forma financial statements assume that (i) the Parent Company charged the Company rental fee for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software owned by the Parent Company; and (ii) the capital stock and deposit for stock subscription as at September 30, 2016 represents the audited balances as at the same date; (iii) the amount of the Company's net assets as at December 31, 2015, 2014 and 2013 is equal to the total equity of the Company as at the same date. The components of equity include capital stock, deposit for stock subscription, other comprehensive loss, retained earnings and the effect of the pro-forma adjustments. The capital stock and deposit for stock subscription as at December 31, 2015, 2014, and 2013 were reclassified from assigned capital. The retained earnings and other comprehensive loss are the pro-forma cumulative net income and losses from January 1, 2013 to September 30, 2016.

The examined pro-forma financial statements should be read in conjunction with the audited financial statements and audited carve-out special purpose statements of the Company and the notes thereto included elsewhere in this prospectus, as well as other information contained in this prospectus. The Company's examined pro-forma financial statements, the audited financial statements and the audited carve-out special purpose statements prepared in compliance with PFRS, were examined and audited, as the case may be, by Reyes Tacandong & Co., and are included elsewhere in this prospectus. The summary financial information presented below as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015 were derived from the Company's examined pro-forma financial statements. Except as otherwise indicated, all financial data and discussions thereof in this prospectus are based on the Company's examined pro-forma financial statements, and all descriptions of the Company in this prospectus are made on a basis consistent with the assumptions made in the examined pro-forma financial statements.

The information below is not indicative of the results of future operations.

PRO-FORMA STATEMENTS OF COMPREHENSIVE INCOME

Amounts in ₱ millions	**For the nine-month periods ended September 30**		**For the years ended December 31**		
	2016	**2015**	**2015**	**2014**	**2013**
Net sales	₱11,729	₱10,638	₱14,450	₱13,596	₱11,862
Cost of sales	8,773	7,976	10,840	11,076	9,301
Gross income	2,956	2,662	3,610	2,520	2,561
Operating expenses	(2,265)	(2,195)	(2,848)	(2,428)	(2,194)
Interest expense	(34)	(56)	(61)	(76)	(71)
Other income - net	35	51	68	41	47
Income before income tax	692	462	769	57	343
Income tax expense (benefit)					
Current	238	148	242	51	124

Deferred	(29)	(9)	(11)	(34)	(21)
	209	138	231	17	103
Net income	***483***	***323***	***538***	***40***	***240***
Other comprehensive loss *Item not to be reclassified to profit or loss*					
Remeasurement loss on retirement liability, net of deferred income tax	(10)	(39)	(52)	-	(11)
Total Comprehensive Income	**₱473**	**₱284**	**₱486**	**₱40**	**₱229**

PRO-FORMA STATEMENTS OF FINANCIAL POSITION

Amounts in ₱ millions	**As at September 30**	**As at December 31**		
	2016	**2015**	**2014**	**2013**
ASSETS				
Current Assets				
Cash	₱235	₱323	₱243	₱ 188
Trade and other receivables	453	365	332	279
Due from Parent Company	599	-	-	-
Merchandise inventories	6,791	7,153	5,766	5,660
Other current assets	798	120	222	184
Total Current Assets	***8,876***	***7,961***	***6,563***	***6,311***
Noncurrent Assets				
Property and equipment - net	324	296	169	219
Deferred tax assets	199	166	140	106
Other noncurrent assets	168	158	106	105
Total Noncurrent Assets	***691***	***620***	***415***	***430***
TOTAL ASSETS	**₱9,567**	**₱8,581**	**₱6,978**	**₱6,741**
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	₱504	₱843	₱1,335	₱2,080
Current portion of long-term debt	258	180	16	79
Trade and other payables	4,679	3,745	3,051	2,254
Income tax payable	61	-	-	37
Total Current Liabilities	***5,502***	***4,768***	***4,402***	***4,450***
Noncurrent Liabilities				
Long term debt- net of current portion	714	968	1,181	21
Retirement liability	404	358	237	196
Total Noncurrent Liabilities	***1,118***	***1,326***	***1,418***	***217***
Total Liabilities	**6,620**	**6,094**	**5,820**	**4,667**
Equity				
Assigned Capital stock /assigned capital	50	50	889	1,845
Deposit for stock subscription	2,656	1,683	-	-
Other comprehensive loss	(73)	(64)	(11)	(11)
Retained earnings	1,301	818	280	240
Effect of the pro-forma adjustments	(987)	-	-	-
Total Equity	**2,947**	**2,487**	**1,158**	**2,074**
TOTAL LIABILITIES AND EQUITY	**₱9,567**	**₱8,581**	**₱6,978**	**₱6,741**

PRO-FORMA STATEMENTS OF CASH FLOWS

Amounts in ₱ millions	For the nine-month periods ended September 30		For the years ended December 31		
	2016	**2015**	**2015**	**2014**	**2013**
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱692	₱462	₱769	₱57	₱343
Adjustments for:					
Depreciation and amortization	56	70	97	94	82
Provision (reversal of allowance) for impairment losses on receivables	42	(8)	(11)	44	4
Interest expense	34	56	61	76	71
Retirement benefits	32	35	47	40	37
Provision for inventory write down and losses	17	-	-	-	4
Interest income	(1)	-	-	-	-
Operating income before working capital changes	872	615	963	311	541
Decrease (increase) in:					
Trade and other receivables	(130)	(26)	(23)	(97)	(28)
Merchandise inventories	345	(1,469)	(1,388)	(106)	(1,360)
Other current assets	(678)	6	102	(38)	(162)
Increase in trade and other payables	934	368	695	797	817
Net cash generated from (used for) operations	**1,343**	**(506)**	**349**	**867**	**(192)**
Income taxes paid	(177)	(112)	(233)	(88)	(87)
Interest received	1	-	-	-	-
Net cash provided by (used in) operating activities	**1,167**	**(618))**	**116**	**779**	**(279)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Due from Parent Company	(600)	-	-	-	-
Additions to property and equipment	(83)	(117)	(224)	(44)	(90)
Increase in other noncurrent assets	(10)	(52)	(52)	(1)	(86)
Cash used in investing activities	**(693)**	**(169)**	**(276)**	**(45)**	**(176)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Effect of the pro-forma adjustments	(987)	-	-	-	-
Additions to deposit for stock subscription	973	633	-	-	-
Increase (decrease) in assigned capital	-	-	844	(956)	(7)
Net availments (payments) of short-term debt	(339)	17	(493)	(744)	1,211
Payments of long-term debt	(175)	(119)	(470)	(83)	(617)
Proceeds from availments of long-term debt	-	415	420	1,180	25
Interest paid	(34)	(56)	(61)	(76)	(71)
Net cash provided by (used in) financing activities	**(562)**	**890**	**240**	**(679)**	**541**
NET INCREASE (DECREASE) IN CASH	**(88)**	**103**	**80**	**55**	**86**
CASH AT BEGINNING OF PERIODPERIOD	**323**	**243**	**243**	**188**	**102**
CASH AT END OF PERIODPERIOD	**₱235**	**₱346**	**₱323**	**₱243**	**₱188**

KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Company:

Amounts in ₱ millions	(Pro-forma) **For nine-month periods ended September 30**		(Pro-forma) **For the years ended December 31**		
	2016	**2015**	**2015**	**2014**	**2013**
Net Sales	₱11,729	₱10,638	₱14,450	₱13,596	₱11,862
Sales Growth (%)	*10.26%*	-	6.28%	14.62%	-
Gross Profit	₱2,956	₱2,662	₱3,610	₱2,520	₱2,561
Gross Profit Margin (%)	*25.20%*	*25.02%*	24.98%	18.53%	21.59%
Net Income	₱483	₱323	₱538	₱40	₱ 240
Net Income Growth (%)	*49.54%*	-	1,245.00%	(83.33%)	-

SUMMARY AUDITED FINANCIAL AND OPERATING INFORMATION

The following table sets forth the summary financial information for the Company and should be read in conjunction with the auditors' reports and the Company's financial statements, including the notes thereto, included elsewhere in this Prospectus and the section entitled "Management's Discussion and Analysis of Audited Financial Condition and Results of Operations". The summary financial information presented below as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 and one-month period ended December 31, 2015 was derived from the audited financial statements of the Company prepared in accordance with PFRS. Our independent auditor for the periods indicated was Reyes Tacandong & Co. The Company's summary financial information below should not be considered indicative of the results of future operations.

The information below is not indicative of the results of future operations.

AUDITED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in ₱ millions	**For the nine-month period ended September 30, 2016**	**For the one-month period ended December 31, 2015**
Net sales	₱8,062	**₱-**
Cost of sales	(6,174)	-
Gross income	1,888	-
Operating expenses	(1,537)	(1)
Interest expense	(21)	-
Other income - net	31	-
Income (loss) before income tax	361	(1)
Income tax expense (benefit)		
Current	127	-
Deferred	(193)	-
	(66)	-
Net income (loss)	427	(1)
Other comprehensive loss *Item not to be reclassified to profit or loss*		
Remeasurement loss on retirement liability, net of deferred income tax	(10)	-
Total Comprehensive Income (Loss)	**₱417**	**(₱1)**

AUDITED STATEMENTS OF FINANCIAL POSITION

Amounts in ₱ millions	**As at September 30,2016**	**As at December 31,2015**
ASSETS		
Current Assets		
Cash	₱235	₱50
Trade and other receivables	453	-
Due from Parent Company	599	-
Merchandise inventories	6,791	-
Other current assets	798	-
Total Current Assets	***8,876***	***50***
Noncurrent Assets		
Property and equipment - net	324	-
Deferred tax assets	197	-
Other noncurrent assets	96	-
Total Noncurrent Assets	617	-
TOTAL ASSETS	**₱9,493**	**₱50**
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	504	-
Current portion of long-term debt	258	-

Trade and other payables	4,472	1
Income tax payable	18	-
Total Current Liabilities	5,252	***1***
Noncurrent Liabilities		
Long term debt - net of current portion	714	-
Retirement liability	405	-
Total Noncurrent Liabilities	***1,119***	**-**
Total Liabilities	**6,371**	**1**
Equity		
Assigned Capital stock /assigned capital	50	50
Deposit for stock subscription	2,656	-
Other comprehensive loss	(10)	-
Retained earnings (deficit)	426	(1)
Total Equity	**3,122**	**49**
TOTAL LIABILITIES AND EQUITY	**₱9,493**	**₱50**

SUMMARY OF THE OFFER

The following does not purport to be a complete listing of all the rights, obligations, and privileges attaching to or arising from the Offer Shares. Some rights, obligations, or privileges may be further limited or restricted by other documents and subject to final documentation. Prospective investors are enjoined to perform their own independent investigation and analysis of the Company and the Shares. Each prospective investor must rely on its own appraisal of the Company and the Shares and its own independent verification of the information contained herein and any other investigation it may deem appropriate for the purpose of determining whether to invest in the Offer Shares and must not rely solely on any statement or the significance, adequacy, or accuracy of any information contained herein. The information and data contained herein are not a substitute for the prospective investor's independent evaluation and analysis.

Issuer	Wilcon Depot, Inc.
Issue Manager, Bookrunner	First Metro Investment Corporation
Joint Lead Underwriters	First Metro Investment Corporation and BDO Capital & Investment Corporation
Co-Lead Underwriter	RCBC Capital Corporation
Participating Underwriter	Penta Capital Investment Corporation
Selling Agents	PSE Trading Participants
The Offer	Offer and sale of 1,393,906,200 Offer Shares, consisting of new Common Shares to be issued and offered by the Company. At least 975,734,400 of the Offer Shares (or 70% of the Offer Shares) are being offered and sold to qualified institutional buyers ("QIBs") and the general public in the Philippines at the Offer Price. Up to 278,781,200 Offer Shares (or 20% of the Offer Shares) are being offered to all of the PSE Trading Participants at the Offer Price. Each PSE Trading Participant shall initially be allocated 2,111,900 Offer Shares and subject to reallocation as may be determined by the Joint Lead Underwriters. Based on the initial allocation for each trading participant, there will be a total of 10,400 residual Offer Shares to be allocated as may be determined by the Joint Lead Underwriters. Up to 139,390,600 Offer Shares (or 10% of the Offer Shares) are being offered to local small investors ("Local Small Investors" or "LSIs") in the Philippines. Local Small Investors is defined as a subscriber to the Offer who is willing to subscribe to a maximum of 4,900 Offer Shares under the LSI program. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Joint Lead Underwriters shall allocate the Offer Shares by balloting. Offer Shares not taken up by the PSE Trading Participants and the LSIs shall be distributed by the Issue Manager and Joint Lead Underwriters to QIBs, their respective clients or to the general public. Offer Shares not taken up by the PSE Trading Participants, LSIs, QIBs, the Joint Lead Underwriters' clients, or the general public shall be purchased by the Joint Lead Underwriters on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement.

Offer Price	₱5.05 per Offer Share
Offer Period	The Offer Period shall commence at 9:00 a.m., Manila time, on 20 March, 2017 and end at 12:00 p.m., Manila time, on 24 March, 2017. The Company and the Issue Manager and Joint Lead Underwriters reserve the right to extend or terminate the Offer Period with the approval of the SEC and the PSE. Applications must be received by the Receiving Agent by 12:00 p.m., Manila time on 24 March, 2016, whether filed through a participating Selling Agent or filed directly with any of the Joint Lead Underwriters. Applications received thereafter or without the required documents will be rejected. Applications shall be considered irrevocable upon submission to a participating Selling Agent or any of the Joint Lead Underwriters, and shall be subject to the terms and conditions of the Offer as stated in this Prospectus and in the application. The actual purchase of the Offer Shares shall become effective only upon the actual listing of the Offer Shares on the PSE and upon the obligations of the Joint Lead Underwriters under the Underwriting Agreement becoming unconditional and not being suspended, terminated or cancelled on or before the Listing Date in accordance with the provisions of such agreement.
Use of Proceeds	The Company intends to use the net proceeds from the Offer for store network expansion, debt repayment, and general corporate purposes of the Company. See "Use of Proceeds" on page 37 of this Prospectus for details of how the total net proceeds are expected to be applied.
Eligible Investors	The Offer Shares may be purchased by any natural person of legal age residing in the Philippines, regardless of nationality, or any corporation, association, partnership, trust account, fund or entity residing in and organized under the laws of the Philippines and/or licensed to do business in the Philippines, regardless of nationality, subject to the Company's right to reject an application or reduce the number of Offer Shares applied for subscription or purchase if the same will cause the Company to be in breach of the Philippine ownership requirements under relevant Philippine laws. Currently, the Company does not have any foreign ownership. Note, however, that the relevant provisions of the Retail Trade Liberalization Act are applicable to the Company and the conditions therein will need to be present once there are foreign shareholders. Nevertheless, the Company is fully compliant with all conditions for foreign shareholder ownership under the prevailing provisions of the Retail Trade Liberalization Act. See "Regulatory and Environmental Matters".
Minimum Subscription	Each application must be for a minimum of 1,000 Offer Shares, and thereafter, in multiples of 100 Offer Shares. Applications for multiples of any other number of Common Shares may be rejected or adjusted to conform to the required multiple, at the Company's discretion.
Lock-up	The PSE rules require an applicant company to cause its existing shareholders owning at least 10% of the outstanding shares of the company not to sell, assign or in any manner dispose of their shares for a period of 365 days after the listing of the shares. In addition, if there is any issuance of shares or securities (i.e., private

	placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares or securities (i.e., convertible bonds, warrants or a similar instrument) completed and fully paid for within 180 days prior to the start of the offer period, and the transaction price is lower than that of the offer price in the initial public offering, all shares or securities availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares or securities. In compliance with the above lock-up requirements, a total of 2,680,317,919 Common Shares held by WC, Rosemarie B. Ong, Rolando S. Narciso and Ricardo S. Pascua will be subject to the 365-day lock-up. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a Philippine Central Depository ("PCD") participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. See "Principal Shareholders" and "Plan of Distribution—Lock-Up".
Listing and Trading	All of the Offer Shares to be issued are expected to be listed on the PSE under the symbol and company alias "WLCON." See "Description of the Shares" beginning on page 135 of this Prospectus. All of the Offer Shares are expected to be listed on the PSE on or about 31 March 2017. Trading of the Offer Shares that are not subject to lock up is also expected to commence on such date.
Dividends	Each holder of Common Shares will be entitled to such dividends as may be declared by the Company's Board of Directors (the "Board" or "Board of Directors"), provided that any share dividends declaration requires the approval of shareholders holding at least two-thirds of its total "outstanding capital stock." The Corporation Code of the Philippines, Batas Pambansa Blg. 68 (the "Philippine Corporation Code"), has defined "outstanding capital stock" as the total shares of stock issued to subscribers or stockholders, whether paid in full or not, except for treasury shares. Dividends may be declared only from the Company's unrestricted retained earnings. The Company has approved a dividend policy of maintaining an annual cash and/or share dividend pay-out of up to 25% of its net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board may, at any time, modify the Company's dividend policy depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future. See "Dividends and Dividend Policy" on page 40 of this Prospectus for more discussion.
Registration and Lodgment of Shares with PDTC	The Offer Shares are required to be lodged with the PDTC. The applicant must provide the information required for the PDTC lodgment of the Offer Shares. The Offer Shares will be lodged with the PDTC at least two trading days prior to the Listing Date. The applicant may request to receive share certificates evidencing such applicant's investment in the Offer Shares through his/her broker after the Listing Date. Any expense to be incurred by

	such issuance of certificates shall be borne by the applicant.
Registration of Foreign Investments	The BSP requires that investments in shares of stock funded by inward remittance of foreign currency be registered with the BSP only if the foreign exchange needed to service capital repatriation or dividend remittance will be sourced from the Philippine banking system. The registration with the BSP of all foreign investments in the Offer Shares shall be the responsibility of the foreign investor. See "Philippine Foreign Exchange and Foreign Ownership Controls" beginning on page 152 of this Prospectus.
Selling and Transfer Restrictions	Initial placement and subsequent transfers of interests in the Offer Shares shall be subject to normal selling restrictions for listed securities as may prevail in the Philippines from time to time. Existing shareholders who own an equivalent of at least 10% of the Company's issued and outstanding Shares after the Offer are required under the revised listing rules of the PSE applicable to companies applying for listing on the PSE Main Board, not to sell, assign or otherwise dispose of their Shares for a minimum of 365 days after the Listing Date. See *"Lock-up"* above, and "*Principal Shareholders*", on page 132 of this Prospectus. In addition, if there is any issuance or transfer of Shares (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of Shares (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the Offer, and the transaction price is lower than that of the Offer Price, all such Common Shares issued or transferred shall be subject to a lock-up period of at least 365 days from full payment of such Shares. Except for the issuance of the Offer Shares or shares for distribution by way of stock dividends and certain option grants and issuances under employee incentive schemes, the PSE is expected to require the Company, as a condition to the listing of the Shares, not to issue new shares in capital or grant any rights to or issue any securities convertible into or exchangeable for, or otherwise carrying rights to acquire or subscribe to, any shares in its capital or enter into any arrangement or agreement whereby any new shares or any such securities may be issued for a period of 180 days after the Listing Date.
Tax Considerations	See "Philippine Taxation" beginning on page 147 of this Prospectus for further information on the Philippine tax consequences of the purchase, ownership and disposal of the Offer Shares.
Procedure for Application for the Offer	Application forms and signature cards may be obtained from the Joint Lead Underwriters or from any participating Selling Agent. Applicants shall complete the application form, indicating all pertinent information such as the applicant's name, address, taxpayer's identification number, citizenship and all other information as may be required in the application form. Applicants shall undertake to sign all documents and to do all necessary acts to enable them to be registered as holders of Offer Shares. Failure to complete the application form may result in the rejection of the application. If the applicant is a corporation, partnership or trust account, the application must be accompanied by the following documents:

	• a certified true copy of the applicant's latest articles of incorporation and by-laws (or articles of partnership in the case of a partnership) and other constitutive documents (each as amended to date) duly certified by its corporate secretary (or managing partner in the case of a partnership); • a certified true copy of the applicant's SEC certificate of registration or certificate of filing amended articles of incorporation or by-laws, as the case may be, duly certified by its corporate secretary (or managing partner in the case of a partnership); • a duly notarized corporate secretary's certificate (or certificate of the managing partner in the case of a partnership) setting forth the resolution of the applicant's board of directors or equivalent body authorizing the purchase of the Offer Shares indicated in the application, identifying the designated signatories authorized for the purpose, including his or her specimen signature, and certifying the percentage of the applicant's capital or capital stock held by Philippine Nationals. Foreign corporate and institutional applicants who qualify as Eligible Investors, in addition to the documents listed above, are required to submit in quadruplicate, a representation and warranty stating that their purchase of the Offer Shares to which their application relates will not violate the laws of their jurisdictions of incorporation or organization, and that they are allowed, under such laws, to acquire, purchase and hold the Offer Shares; • one (1) specimen signature cards fully completed and signed by the applicant's designated signatories, and certified by its corporate secretary (or equivalent officer); and, If the applicant is an individual, one (1) specimen signature card duly authenticated by the applicant's nominated PSE Trading Participant and a photocopy of two (2) valid IDs must be attached to the Application.
Payment Terms for the Offer	The purchase price must be paid in full in Pesos upon the submission of the duly completed and signed application form and signature card together with the requisite attachments. Payment for the Offer Shares shall be made either by: (i) a personal or corporate check drawn against an account with a BSP authorized bank at any of its branches located in Metro Manila, or (ii) a manager's or cashier's check issued by an authorized bank. All checks should be made payable to the order of "Wilcon Depot IPO", crossed "Payee's Account Only," and dated the same date as the application. The applications and the related payments will be received at any of the offices of the Issue Manager and Joint Lead Underwriters or the Selling Agents. Applicants directly submitting their Application to the Joint Lead Underwriters may also remit payment for their Shares through the Real-Time Gross Settlement facility of the BSP or to a direct bank fund transfer for credit to the account of the Joint Lead Underwriters to whom such Application was submitted. Applications and the related payments can be submitted to the Joint Lead Underwriters at any of their respective offices. Cash payments shall not be accepted.
Acceptance or Rejection of Applications for the Offer	Application forms are subject to confirmation by the Issue Manager and Joint Lead Underwriters and the final approval of the Company. The

	Company and the Joint Lead Underwriters reserve the right to accept, reject or scale down the number and amount of Offer Shares covered by any application. The Company and the Joint Lead Underwriters have the right to reallocate available Offer Shares in the event that the Offer Shares are insufficient to satisfy the total applications received. The Offer Shares will be allotted in such a manner as the Company and the Joint Lead Underwriters may, in their sole discretion, deem appropriate, subject to distribution guidelines of the PSE. Applications with checks dishonored upon first presentation and Application forms which do not comply with terms of the Offer will be automatically rejected. Notwithstanding the acceptance of any Application form, the actual subscription of the Offer Shares by the applicant will be effective only upon the listing of the Offer Shares at the PSE.
Refunds for the Offer	In the event that the number of Offer Shares to be received by an applicant, as confirmed by the Joint Lead Underwriters, is less than the number covered by its application, or if an application is rejected by the Company, then the Joint Lead Underwriters shall refund, without interest, within five (5) banking days from the end of the offer period, all or a portion of the payment corresponding to the number of Offer Shares wholly or partially rejected. All refunds shall be made through the Receiving Agent with whom the applicant has filed the application, at the applicant's risk.
Expected Timetable	The timetable of the Offer is expected to be as follows:

Price setting	16 March 2017
Release of listing notice on final offer price	17 March 2017
Start of offer period for trading participants, and the general investing public	20 March to 24 March 2017
Submission of firm commitments by PSE Trading Participants	22 March 2017
End of offer period for trading participants, and the general investing public	24 March 2017
Listing Date	31 March 2017

The dates listed above are subject to market and other conditions and may be changed at the discretion of the Company and the Issue Manager and Joint Lead Underwriters, subject to the approval of the PSE.

Risks of Investing	Before making an investment decision, prospective investors should carefully consider the risks associated with an investment in the Offer Shares. Certain of these risks are discussed in the section entitled "Risk Factors" on page 25 and include: risks relating to the Company's business, risks relating to the Philippines, risks relating to the Offer and the Offer Shares, and risks relating to certain statistical information in this Prospectus.

RISK FACTORS

An investment in the Offer Shares involves a number of risks. The price of securities can and does fluctuate, and any individual security is likely to experience upward or downward movements and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not indicative of future performance and results, and there may be a large difference between the buying price and the selling price of the Offer Shares. Investors should carefully consider all the information contained in this Prospectus, including the risk factors described below, before deciding to invest in the Offer Shares. The occurrence of any of the following events, or other events not currently anticipated, could have material adverse effect on the Company's business, financial condition and results of operations and cause the market price of the Offer Shares to decline. All or part of an investment in the Offer Shares could be lost.

The means by which the Company intends to address the risk factors discussed herein are principally presented under the captions "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry", and "Board of Directors and Senior Management—Corporate Governance" of this Prospectus. This risk factor discussion does not purport to disclose all of the risks and other significant aspects of investing in the Offer Shares. Investors should undertake independent research and study the trading of securities before commencing any trading activity. Investors should seek professional advice regarding any aspect of the securities such as the nature of risks involved in the trading of securities, and specifically those of high-risk securities. Investors may request publicly available information on the Common Shares and the Company from the Philippine SEC.

RISKS RELATING TO THE COMPANY'S BUSINESS

The Company's growth is highly dependent on its ability to open new stores in strategic locations.

A key part of the Company's growth strategy is to successfully open new stores in emerging urban areas in the Philippines and operating those stores on a profitable basis. The Company expects this to be the case for the foreseeable future. In 2015, it opened 3 stores and as of the date of this Prospectus, it has opened 2 new stores in the first nine months of 2016. The Company may not be able to open new stores as quickly as planned. In the past, it has experienced delays in opening some stores due to construction delays and delays in obtaining local permits. Such delays could happen again in future store openings. Delays or failures in opening new stores could materially and adversely affect the growth strategy and business, financial condition and results of operations of the Company.

In addition, one of the biggest challenges is locating and securing an adequate supply of suitable new store sites in the Company's target markets. Competition for those sites is intense among other home improvement retail stores and there is no guarantee that a sufficient number of suitable sites will be available in desirable areas or on terms that are acceptable to the Company in order to achieve its growth plan.

The ability of the Company to open new stores also depends on other factors, including:

- identifying, hiring and training qualified employees for each site;
- punctual commencement and completion of construction activities;
- engaging qualified independent contractors;
- managing construction and development costs of new stores, particularly in competitive markets;
- generating sufficient funds from operations or obtaining acceptable financing to support its future development;
- securing required governmental approvals, permits and licenses (including construction and business permits) in a timely manner and responding effectively to any changes in applicable laws and regulations that adversely affect the Company's costs or ability to open new stores;
- negotiating leases with acceptable terms;
- timely delivery of leased premises from landlords;
- unforeseen engineering or environmental problems with leased premises; and,
- avoiding the impact of inclement weather, natural disasters and other calamities.

The Company's progress in opening new stores from period to period may occur at an uneven rate. If the Company does not open new stores in the future according to plan, the delay could adversely affect its business, financial condition and results of operations.

For more information on the Company's efforts to address this risk, see Store Selection" on page 98 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company may encounter significant competition in key provincial cities outside Metro Manila.

A significant portion of the Company's medium-term expansion strategy is to open new stores in the various regions of the Philippines, particularly in areas outside of Metro Manila. The retail market in these areas is dominated by independent local operations. Expansion into these areas exposes the Company to operational, logistical and other risks of doing business in new territories. The Company may also find difficulties in obtaining regulatory or local government approvals for new stores in these areas due to differences in local requirements and processes. The Company may experience difficulty in building the "Wilcon" brand name in these new areas as some of these competitors may have been in the area for a long time. Operationally, the Company may experience supply, distribution, transportation and/or inventory management issues due to the limited presence of large retailers and underdevelopment of distribution networks. More so, with competitors who have or will stores within close proximity to the Company's stores may affect the Company's results of operations in the form of loss of sales or a squeeze in margins due to competitive pricing or greater operating costs. Any difficulty the Company experiences with respect to developing its business presence in emerging urban areas outside Metro Manila could materially affect its growth strategy, financial condition and results of operations.

For more information on the Company's competition, see "Industry — Competition" on page 116 and "Management's Discussion and Analysis of Financial Condition and Results of Operations — Factors Affecting Results of Operations — Competition" on page 72 and "Business — Competition" on page 105 of this Prospectus.

New stores will place additional burden on Company's existing resources, which may adversely affect its business.

The Company's plans for expansion will place additional burden on its existing operational, managerial, financial and administrative resources. There is a risk that the Company's existing resources could fail to accommodate the increased number of stores, which in turn could compromise the operations of existing stores through deteriorating quality of its customer service, lack of product selection, poor management of inventory, among others. This in turn could result in a decline in the financial performance of existing stores.

For information on the Company's efforts to improve existing resources to accommodate new stores, see "Business — Key Strategies" on page 92 of this Prospectus.

The Company's operations may require significant capital expenditure and financing which it may not be able to secure.

The Company's growth depends largely on significant capital expenditures for refurbishment of existing stores and/or the acquisition of new stores. There is no assurance that the Company will be able to fund capital improvements or acquisitions solely from cash from its operating activities or proceeds from the Offering and it may not be able to obtain additional debt or equity financing. The Company may also require additional financing to fund day-to-day operational needs and debt service payments. Additional financing may not be available as and when required. If the Company incurs additional debt, it will result in increased debt service obligations and could result in additional operating and financing covenants, or liens on the assets of the Company, that would restrict its operations. Without required financing, the Company may not be able to continue its operations, hire, train, and retain employees or respond to competitive pressures.

There can be no assurance that necessary financing will be available in amounts or on terms acceptable to the Company, or at all.

For more information on the Company's efforts to address this risk, see "Use of Proceeds" on page 37 of this Prospectus. There can be no assurance that these efforts will be successful.

Increase in operating and other expenses could lead to a material impact on the Company's financial position.

The Company's operations may be subject to increases in expenses due to various factors including, but not limited to, any of the following:

- increase in construction, repair and maintenance costs for new and existing stores;
- increase in lease rates;
- a change in statutory laws, regulations or government policies which increases the cost of compliance with such laws, regulations or policies;
- increase in labor costs;
- increase in the rate of inflation;
- adverse changes in the cost of existing and future debt financing;
- increase in insurance premiums; and,
- increase in the cost of utilities

Both the amount and timing of expenditures will have an impact on the cash flow of the Company. Due to the nature of the home improvement retail industry and the retailer-supplier relationship, margins are generally low in the Philippine home improvement retail industry. The resulting buffer available to account for changes to costs is consequently small. If the stores do not generate revenue sufficient to meet operating expenses and debt service and capital expenditure requirements, the Company's business, results of operations and financial condition could be materially and adversely affected.

For more information on the Company's efforts to address this risk, see "Business – Competitive Strengths" on page 89 of this Prospectus. There can be no assurance that these efforts will be successful.

The success of the Company's business is reliant on the Company's continuing capability to source and sell the appropriate mix of products that meet customer preferences.

The Company's success is dependent on its ability to source and sell products that meet quality standards and at the same time satisfy customers' preferences. The Company has a team of employees primarily responsible for sourcing the right portfolio of products, studying and anticipating trends in customer behavior, and appropriately responding to these trends. Its ability to source and market such products, or to accurately forecast or quickly adapt to changing customer preferences, will affect the level of customer transactions in the Company's stores, which could have an effect on the Company's business.

For information on the Company's efforts to enhance its product offerings, see "Business — Key Strategies" on page 92 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company may not be able to maintain and develop good relationships with its current and future suppliers, and failure to do so may adversely affect its business.

The Company's success is reliant on its relationships with current and future suppliers. The Company has had long-standing relationships with multiple local and foreign suppliers. The ability of the Company to build relationships with new suppliers and to maintain or further strengthen existing relationships with suppliers is important in enabling the Company to source its desired portfolio of products at the preferred price. The strong relationship with its suppliers enables the Company to obtain discounts, rebates and other form of compensation which allows the Company to impose competitive prices. The loss of any of these relationships or its market position may lead to an adverse effect on the Company's competitive position.

For information on the Company's efforts to develop and maintain its relationships with current and future suppliers, see "Business — Competitive Strengths – Solid long-term business relationship with its key suppliers" on page 91 and "Business — Key Strategies – Further strengthen synergies with suppliers…" on page 93 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company's financial performance may be materially and adversely affected by an increase in the prices and disruption in the supply of key products.

The price of the products the Company sells may be significantly affected by the cost of the raw materials used to produce those products (for example, oil, plastic, wood, metal, and gold) in the source markets of the Company's suppliers. Wherever practicable the Company seeks to put in place supply contracts which ensure the supply of products for the period that they are anticipated to be offered by the Company and in such quantities as its forecasts require. Failure to continue to source products at the stipulated or normal range of cost from international markets or to forecast accurately the required quantities could result in the Company having to buy products from other suppliers on short term contracts which could result in additional cost. Any increases in the prices of products where prices have not been fixed under contractual supply agreements could materially adversely affect the Company's business, reputation, financial condition and/or operating results.

For information on the Company's efforts to properly manage pricing and supply of key products, see "Business — Competitive Strengths – Solid long-term business relationship with its key suppliers" on page 91 and "Business — Key Strategies – Further strengthen synergies with suppliers…" on page 93 of this Prospectus. There can be no assurance that these efforts will be successful.

A deterioration of the value of the Company's brand name, "Wilcon", and trademarks may have an adverse effect on its business.

The Company relies on the strength of Company's brand name and trademarks. The Company's reputation attracts customer to its stores as well as entices international brands to partner with it. Any destruction in the value of the Company's brand name due to product recalls, customer complaints, negative publicity, legal action or other factors could have a material adverse effect on its business, financial condition and results of operations.

Moreover, the trademarks covering the Company's products are registered in the Philippines only. There can be no assurance that any steps that have been taken to secure these trademarks and other intellectual properties will be sufficient or third parties will not infringe or challenge such rights. If the Company is unable to protect its intellectual property rights from infringement, it may have an adverse effect on its business.

The Company however, remains vigilant in monitoring sale in the market of products that infringe or will infringe on its registered trademarks. At the same time, it also ensures that its partners have valid and existing trademarks to its international brands, which can be enforced in the Philippines.

The Company's business and operations are dependent upon key executives.

The Company's success is reliant on the ability, knowledge, business relationships and expertise of its directors, senior management and key personnel. Should any of these key members decide to leave, the Company may find difficulties in replacing such individual. Accordingly, this could lead to a material effect on the Company's business, results of operations and financial condition.

The Company, thus, continues to put emphasis on training its employees including managers and supervisors in order for them to be competent and fully knowledgeable of the business and the industry. For information on the Company's efforts to train its employees, see "Business — Competitive Strengths – Excellent customer service…" on page 90 and "Business — Employees – Personnel Training" on page 104 of this Prospectus. There can be no assurance that these efforts will be successful.

The Company's day-to-day operations may be affected by failures, interruptions, damage, unavailability and delays of its physical operating infrastructure (warehousing, logistics/distribution network)

The Company's ability to distribute products to its stores and to sell and distribute such products to its customers is reliant on its physical operating infrastructure, particularly the efficient functioning of its warehouses, depots and distribution network. The Company's physical operating infrastructure may be vulnerable to failure or interruptions caused by fire, structural damage, natural disaster, terrorist activity or industrial action at one of the Company's main offices, warehouses or depots. The Company has contingency plans in place to deal with such occurrences which, however, may not be able to prevent any delays or interruptions in the delivery or distribution of products to the Company's customers that might cause significant losses to its business. Structural damages may result in productivity losses and potential inoperability of the store premises for significant periods of time. Significant delays could also cause unanticipated disruptions in service, loss of inventory, decreased customer service and customer satisfaction and harm to the Company's reputation, which could have a material adverse effect on its business, financial condition and results of operations.

For information on the Company's efforts to properly manage its inventory and logistics, see "Business — Inventory and Logistics Management – Inventory Management" on page 102. There can be no assurance that these efforts will be successful.

Systems failures, breaches of security, delays and failure to optimize its information technology systems could adversely affect the Company.

The Company manages its inventory and logistical operations through the use of various information technologies, including intranet, networked personal computers, servers and automated inventory management systems. The Company's systems and operations may be vulnerable to damage or interruption from human error, data inconsistency, natural disasters, power loss, computer viruses, intentional acts of vandalism, breach of security and similar events, thus, the Company has contingency plans in place to deal with such events. However, there is no assurance that these will prevent its systems from suffering failures or delays that might cause significant losses to its business. Equipment breakdowns may result in productivity losses and potential inoperability of store trading software for significant periods of time. Significant systems failures and delays could also cause unanticipated disruptions in service, loss of inventory, decreased customer service and customer satisfaction and harm to the Company's reputation, which could have a material adverse effect on its business, financial condition and results of operations.

In an effort to manage this risk, the Company protects the integrity of its records through the maintenance of manual counterparts of all its electronic transactions. The Company's database is backed up regularly – daily, monthly and annually. The backup files are stored separately, in the head office and off-site. A second server is also being maintained by the Company and will be transferred to a pre-screened site that will enable the real time updating of all the transactions done in the current server.

The Company currently relies on distributors and service providers for its logistics requirements.

The Company relies on distributors and third party service providers for transportation and deliveries of products to its stores. Any deterioration in its relationships with these distributors or service providers or other changes relating to these parties, including changes in supply and distribution chains, could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, there is no assurance that the Company will be able to continue to effectively coordinate its logistics strategy to the degree necessary for realization of its growth plans. As the Company expands into other regions outside Metro Manila, the Company will need to ensure that it secures similarly efficient distributors and service providers for its stores to be opened in these regions. Compared to its Manila and Luzon operations, which are relatively more developed, the Company may not have the same logistical network and contacts with respect to the delivery of its products across these other regions in the Philippines. Any failure to establish such a network could have a material adverse effect on the Company's expansion plans, operating costs and its results of operations.

The Company has been able to establish and continues to improve its solid long-standing relationships with its service providers throughout the years. There can be no assurance, however, that these efforts will be successful.

The Company may be adversely affected by complaints, adverse publicity or litigation in relation to its products and services.

The Company may be adversely affected by complaints and litigation from customers or regulatory authorities resulting from product quality, illness, injury or other safety concerns or other issues stemming from one or more products, their packaging or advertising. The Company requires its product suppliers to satisfy certain standards regarding the quality and specification of its products. However, in the event of a product liability claim or product recall being required in circumstances where the financial consequences are not satisfied by a supplier, it may have a material adverse effect on the financial performance of the Company. Any litigation or complaints and any adverse publicity surrounding such allegations and/or actions could materially adversely affect the Company's business, reputation, financial condition and/or operating results. The Company may also experience reduced demand for its products as a result of negative publicity surrounding the retail sector in general or in relation to products sold by other retailers.

The Company however, continues to put emphasis on continuously training its employees to ensure that the products it offers to its customers are of high quality and training them to adequately respond to any complaint by its customers. For information on the Company's efforts to train its employees, see "Business — Competitive Strengths – Excellent customer service." on page 90 and "Business — Employees – Personnel Training" on page 104 of this Prospectus. There can be no assurance that these efforts will be successful.

Changes in the retail and real estate market environment in the Philippines could affect the Company's business.

The Company's home improvement business is dependent on the favorable growth and performance of the retail and real estate markets. The largest retail market of the Company is Metro Manila. The Company's stores in Metro Manila account for approximately 54%, 55%, 57% and 61% of the Company's revenue in the first nine months of 2016, and in the years ended 2015, 2014, 2013, respectively. Demand for the Company's products is driven by new and existing real estate projects in the market including, but not limited to, residential houses, condominiums, offices and commercial buildings.

Any changes in these markets, including further consolidation among the Company's competitors, change of consumer preferences, decline in the Company's brand recognition, adverse regulatory developments or adverse developments in consumer disposable income in Metro Manila, slow roll-out of housing and other real estate projects, in particular, could have an adverse effect on the Company's business.

The Company however, as it has done throughout the years, monitors and analyzes these markets in order for it to successfully anticipate changes and sufficiently respond to any development and continue to provide more and various choices to its customers. For more information on its efforts to manage this risk, see "Business – Key Strategies" starting on page 92. There can be no assurance that these efforts will be successful.

The Company is exposed to currency exchange risk.

While the Company's sales are all denominated in Philippine Peso, its operations involve the purchase of products denominated in currencies other than Philippine Peso, principally the US Dollar. Fluctuations between the value of the Philippine Peso and other currencies may have an adverse effect on the Company's financial performance.

The Company however, evaluates its requirements and maintains an average inventory with enough buffer in order to address this risk. For information, see "Business — Inventory and Logistics Management – Inventory Management" on page 102. There can be no assurance that these efforts will be successful.

The Company is party to a large number of related party transactions.

Certain companies controlled by the Belo Family have significant commercial transactions with the Company. The Company's aggregate rental to related parties for commercial properties on which its stores are located amounted to approximately ₱418 million and ₱445 million for the nine-month periods ended September 30, 2016 and 2015. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Belo Family. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise between the Belo Family and the Company in a number of other areas relating to its businesses, including:

- major business combinations involving the Company and its subsidiaries
- transfers of affiliated companies into the Company;
- plans to develop the respective businesses of the Company; and,
- business opportunities that may be attractive to both the Belo Family and the Company.

A continued high level of related party transactions may have a material adverse effect on the Company's business or results of operations.

The terms of these related party transactions however, are pursuant to rates determined by an independent third party appraiser that was engaged by the Company to ensure the fairness of these transactions.

The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration.

The Company is required to maintain licenses, permits and other authorizations, including licenses and certain construction activities. The Company is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. The Company's licenses, permits and other authorizations contain various requirements that must be complied with to keep such licenses, permits and other authorizations valid. If the Company fails to meet the terms of any of its licenses, permits or other authorizations necessary for operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences. In addition, the Company cannot be certain that any given license, permit or authorization will be deemed sufficient by the relevant governmental authorities to fully cover activities conducted in reliance on such license, permit or authorization.

There can be no assurance that the Company will continue to be able to renew the necessary certificates for its stores as necessary or that such approvals will not be revoked. If the Company is unable to obtain or renew them or is only able to do so on unfavorable terms, it could have a material adverse effect on its business, financial condition and results of operations.

In view of the foregoing, the Company in the conduct of its business has always closely monitored all its establishments to determine strict compliance with the local and national laws including amendments thereto as well as the terms and conditions of its permits and licenses. However, there can be no assurance that these efforts will be successful.

The Company's continued compliance with, and changes in, various laws relating to environmental laws and regulations may adversely affect the Company's business.

The Company is required to comply with various laws relating to environmental matters. These laws provide that the Company may be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the Company's operations on such site and could potentially also result in claims against the owner by private plaintiffs

In addition, we cannot predict what environmental legislation or regulations will be amended or enacted in the future, how existing or future laws or regulations will be enforced, administered or interpreted, or the amount of future expenditures that may be required to comply with these environmental laws or regulations or to respond to environmental claims. The introduction or inconsistent application of, or changes in, laws and regulations applicable to our business could have a material adverse effect on our business, financial condition and results of operations.

The Company however, as part of the regular due diligence that is required in the conduct of its business has always closely monitored developments in local and national laws in order for it to adapt and sufficiently address any change or the passage of new laws. However, there can be no assurance that these efforts will be successful.

Tax liabilities incurred by the Company's parent may adversely and materially affect the Company's operations.

WC has received preliminary tax assessments from the BIR for its operations for taxable years 2010, 2011, and 2012 but has submitted the necessary papers as required by law to establish the basis and accuracy of its tax payment for these years. As at September 30, 2016, the tax assessment for taxable year 2010 has already been settled. See "*Business — Legal Proceedings*". Notably, the assessments are purely on WC, and as such, it may be argued that the assessments cannot be enforced against the Company. In the event the assessments are not settled or successfully challenged, the BIR may enforce the assessments against WC's properties. Worst case, this may possibly expose WC's shares in the Company and WC's landholdings, where the Company has its operations, to levy by the BIR. The actions to be taken by the government for enforcement of the assessments cannot be foreseen and may thus adversely and materially affect the operations of the Company. Thus, the Company continues to monitor the progress of the case to ensure that this matter is sufficiently addressed and challenged. However, there can be no assurance that these efforts will be successful.

RISKS RELATING TO THE PHILIPPINES

The Company is exposed to business, political, operational, financial, and economic risks in the Philippines.

There is no assurance that there will be no occurrence of an economic slowdown in the Philippines. Factors that may adversely affect the economy include but are not limited to:

- decreases in business, industrial, manufacturing, or financial activity in the Philippines or in the global market;
- scarcity of credit or other financing, resulting in lower demand for products and services;
- the sovereign credit ratings of the country;

- exchange rate fluctuations;
- a prolonged period of inflation or increase in interest rates;
- an increase in unemployment levels or decrease in consumer confidence;
- a decrease in remittances from overseas Filipino workers;
- changes in the relevant government's taxation policies;
- natural disasters, including typhoons, earthquakes, fires, floods, and similar events;
- a re-emergence of Severe Acute Respiratory Syndrome (commonly known as SARS) or avian influenza (commonly known as the bird flu), Middle East respiratory syndrome coronavirus (commonly known as MERS-CoV) or the emergence of another similar disease in the Philippines or in other countries in Southeast Asia such as the Zika virus;
- political instability, terrorism, or military conflict in the Philippines, other countries in the region or globally; and,
- other regulatory, political, or economic developments in or affecting the Company

Changes in law including unexpected changes in regulatory requirements, affect the Company's business plans. Increases in duties and taxation and a potential reversal of current tax or other currently favorable policies encouraging foreign investment or foreign trade by host countries may lead to the imposition of government controls, changes in tariffs, or trade restrictions on imported products.

Actions which may be taken by foreign governments pursuant to any trade restrictions, such as "most favored nation" status and trade preferences, as well as potential foreign exchange and repatriation controls on foreign earnings, exchange rate fluctuations, and currency conversion restrictions may adversely affect the Company's business and financial condition.

Under existing foreign exchange controls in the Philippines, as a general rule, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. Restrictions exist on the sale and purchase of foreign exchange in the Philippine banking system. In the past, the Government has instituted restrictions on the ability of foreign companies to use foreign exchange revenues or to convert Philippine pesos into foreign currencies to satisfy foreign currency- denominated obligations, and no assurance can be given that the Government will not institute such or other restrictive exchange policies in the future.

The occurrence of natural disasters or other catastrophes, severe weather conditions, or outbreaks of contagious diseases may materially adversely affect the Philippine economy and disrupt the Company's operations.

The Philippines has experienced a number of major natural catastrophes including typhoons, droughts, floods, volcanic eruptions and earthquakes. In October 2013, a 7.2 magnitude earthquake affected Cebu and the island of Bohol, and in November, 2013, Super Typhoon Haiyan (called Yolanda in the Philippines) caused destruction, devastation, and casualties of unprecedented levels in Tacloban City, certain parts of Samar, and certain parts of Cebu, all of which are located in the Visayas, the southern part of the Philippines. There can be no assurance that the occurrence of such catastrophes will not materially disrupt the Company's operations. The Company could experience substantial property loss as a result of any such catastrophe and might not be able to rebuild or restore operations in a timely fashion. The Company's property insurance may not cover all cases of loss of material property. Any such accident could have a material adverse effect on the Company's business, financial condition and results of operations.

Any political instability in the Philippines may adversely affect the Company's business, results of operations and financial condition.

The Philippines has from time to time experienced political and military instability. The May 2016 elections paved the way for the new administration of President Rodrigo R. Duterte. Leadership change and shifting political alliances could alter national and local political dynamics and result in changes of policies and priorities. In addition, organized armed threats from communist insurgents and Muslim separatists persist in certain parts of the country. Any of these political risks could materially and adversely affect the Company's business, financial condition and results of operations.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on the Company's business and financial condition.

The Philippines has been subject to a number of terrorist attacks since 2000. In recent years, the Philippine military has also been in conflict with the Abu Sayyaf organization, which claims to have ties to the al-Qaeda terrorist network and the ISIS, and has been identified as being responsible for certain kidnapping incidents and other terrorist activities, particularly in the southern part of the Philippines. Moreover, isolated bombings have taken place in the Philippines in recent years, mainly in cities in that part of the country. On January 25, 2011, a bomb was detonated on a bus in the northern city of Makati, Metro Manila, killing five persons. Although no one has claimed responsibility for these attacks, it is believed that the attacks were the work of various separatist groups, possibly including the Abu Sayyaf organization. An increase in the frequency, severity or geographic reach of these terrorist acts could destabilize the Philippines, and adversely affect the country's economy.

The Government and the Armed Forces of the Philippines ("AFP") have clashed with members of several separatist groups seeking greater autonomy, including the Moro Islamic Liberation Front ("MILF"), the Moro National Liberation Front ("MNLF") and the New People's Army ("NPA"). On October 19, 2011, 19 AFP troops were killed in a firefight with MILF members in the southern Philippines. On December 16, 2011, five AFP soldiers were killed in a clash with NPA members. In September 2013, MNLF members seized hostages in Zamboanga City, leading to a standoff and clashes with AFP troops. More than 50 people have been killed since these clashes began. On January 25, 2015, 44 members of the Special Action Force of the Philippine National Police were killed in an operation intended to capture or kill wanted Malaysian terrorist and bomb-maker Zulkifli Abdhir and other Malaysian terrorists and/or high-ranking members of the Bangsamoro Islamic Freedom Fighters and the MILF. These continued conflicts between the Government and separatist groups could lead to further injuries or deaths by civilians and members of the military, which could destabilize parts of the country and adversely affect the country's economy.

There have also been a number of violent crimes in the Philippines, including the September 2, 2016 night market bombing in Davao City, killing at least 14 and injuring more than 60 people. Moreover, since the beginning of President Duterte's term as President, more than 1,000 alleged drug users and dealers have been killed in police operations, and more than 1,300 people drug users and dealers have been killed by supposed vigilantes. High-profile violent crimes have, in the past, had a material adverse effect on investment and confidence in, and the performance of, the Philippine economy.

RISKS RELATING TO THE OFFER AND THE OFFER SHARES

There can be no guarantee that the Offer Shares will be registered with the SEC and listed on the PSE, or that there will be no other regulatory action that could delay or affect the Offer.

Purchasers of Offer Shares will be required to pay for such Offer Shares on the Settlement Date, which is expected to be on March 31, 2017. Although the PSE is expected to approve the Company's applications to list the Offer Shares because the Listing Date is scheduled to occur after the Settlement Date, there can be no guarantee that listing will occur on the anticipated Listing Date or at all. Furthermore, there is no guarantee that the shares will be registered with the SEC. Delays in registration with the SEC and admission and the commencement of trading in shares on the PSE have occurred in the past. If the SEC does not approve the registration of the shares and the PSE does not admit the Offer Shares onto the PSE, the market for the Offer Shares would be illiquid and shareholders may not be able to trade the Offer Shares. This may materially and adversely affect the value of the Offer Shares.

There has been no prior market for the Shares, so there may be no liquidity in the market for the Offer Shares and the price of the Offer Shares may fall.

As there has been no prior trading in the Common Shares, there can be no assurance that an active market for the Offer Shares will develop following the Offer or, if developed, that such market will be sustained.

The Offer Price has been determined after taking into consideration a number of factors including, but not limited to, the Company's prospects, the market prices for shares of companies engaged in related businesses similar to the Company's and prevailing market conditions. The price at which the Common Shares will trade on the PSE at any point in time after the Offer may vary significantly from the Offer Price.

The Offer Shares may not be a suitable investment for all investors.

Each prospective investor in the Offer Shares must determine the suitability of that investment in light of its own circumstances. In particular, each prospective investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Company and its businesses, the merits and risks of investing in the Offer Shares and the information contained in this Prospectus;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Offer Shares and the impact the Offer Shares will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Offer Shares, including where the currency for purchasing and receiving dividends on the Offer Shares is different from the potential investor's currency;
- understand and be familiar with the behavior of any relevant financial markets; and,
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The market price of the Common Shares may be volatile, which could cause the value of investors' investments in the Company to decline.

The market price of securities can and does fluctuate, and it is impossible to predict whether the price of the Common Shares will rise or fall or even lose all of its value. The market price of Common Shares could be affected by several factors, including:

- general market, political and economic conditions;
- changes in earnings estimates and recommendations by financial analysts;
- changes in market valuations of listed shares in general and other retail shares in particular;
- the market value of the assets of the Company;
- changes to Government policy, legislation or regulations; and,
- general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of the Common Shares.

In part as a result of the global economic downturn, the global equity markets have experienced price and volume volatility that has affected the share prices of many companies. Share prices for many companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. Fluctuations such as these may adversely affect the market price of the Common Shares.

Shareholders may be subject to limitations on minority shareholders rights.

The obligation under Philippine law of majority shareholders and directors with respect to minority shareholders may be more limited than those in certain other countries such as the United States or United Kingdom. Consequently, minority shareholders may not be able to protect their interests under current Philippine law to the same extent as in certain other countries. There can be no assurance that legal rights or remedies of minority shareholders will be the same, or as extensive, as those available in other jurisdictions or sufficient to protect the interests of minority shareholders.

The Philippine Corporation Code, however, provides for certain protective rights to minority shareholders by requiring a vote by the shareholders representing at least two-thirds of the Company's outstanding capital stock for certain corporate acts.

The Company may be unable to pay dividends on the Common Shares.

Dividends declared by the Company on its shares of stock are payable in cash or in additional shares of stock. The Company has approved a dividend policy of maintaining an annual cash and/or share dividend pay-out of up to 25% of its net income from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. The Company's Board may, at any time, modify the Company's dividend policy depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future.

Declaration of cash dividends by the Company requires the approval of the Board, the declaration of stock dividends by the Company requires the approval of its Board and the approval of stockholders representing at least 2/3 of the outstanding capital stock.

RISKS RELATING TO CERTAIN STATISTICAL INFORMATION IN THIS PROSPECTUS

Certain information contained herein is derived from unofficial publications

Certain information in this Prospectus relating to the Philippines, the industries in which the Company competes and the markets in where the Company operates, including statistics relating to market size, are derived from various Government and private publications. This Prospectus also contains industry information which was prepared from publicly available third-party sources. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information is not guaranteed. The information contained in the Industry section may not be consistent with other information. Similarly, industry forecasts and other market research data, including those contained or extracted herein, have not been independently verified by the Company, the Issue Manager and Joint Lead Underwriters, nor any of their respective affiliates or advisors, and may not be accurate, complete, up-to-date or consistent with other information compiled within or outside the Philippines. Prospective investors are cautioned accordingly.

Non-verification of Certain Information

The section of this Prospectus entitled "Industry" was not independently verified by the Company, the Issue Manager and Joint Lead Underwriters, or any of their respective affiliates or advisors.

USE OF PROCEEDS

The Company expects to raise gross proceeds amounting to ₱7,039.2 million from the Offer. After deducting the applicable underwriting fees, costs and expenses for the Offer payable by the Company, the estimated net proceeds will be ₱6,739.9 million.

Based on the Offer Price of ₱5.05 per Offer Share, details on the proposed use of proceeds are as follows:

Use of Proceeds	Estimated Amount ₱ millions	Percentage	Estimated Timing of Disbursement
Store network expansion	6,111.8	91%	2017-2021
Debt repayment	428.1	6%	2017-2018
General corporate purposes	200.0	3%	2017-2018
Total	**6,739.9**	**100%**	

In the event that the Offer proceeds are less than the expected amount, the Company intends to allocate the proceeds in order of priority as follows:

1. Store network expansion
2. Debt repayment
3. General corporate purposes

Store Network Expansion

The Company intends to use majority of the net proceeds from the Primary Offer for store network expansion which includes:

a. Building fit out including furniture and fixtures, equipment, mechanical, electrical and plumbing works; permitting and licensing; and initial inventory
b. Construction cost of owned buildings; prepaid rent for leased properties and/or funding for potential acquisition of existing home improvement retail outlets.

As part of its strategy, the Company intends to further its market position as well as increase scale economies. The Company plans to open 8 stores in 2017 and targets a total of 29 new stores in the next 5 years in the following locations: Cavite, Zamboanga, Iloilo, Tacloban, Cabanatuan, Bicol, General Santos, Davao, Lucena, Isabela, Tagum, Tuguegarao and Surigao.

Of the eight (8) stores planned in 2017, four (4) of them are being funded by WC and are in various stages of development and construction. The remaining stores will be constructed by the Company using the net proceeds of the Offer. Out of the ₱6,111.8 million of the net proceeds intended for store network expansion, ₱2,361.8 million will be allotted for equipment, furniture and fixtures, and initial inventory, while ₱3,750.0 million is allotted for building fit-out, construction cost of new buildings and/or funding for potential acquisitions. The Company plans to lease store buildings and construct its own store buildings as well. The Company will fund the construction of its own buildings to augment its pool of properties targeted for lease to have more flexibility in its expansion program.

When an opportunity arises for an accelerated expansion, the Company may acquire other home improvement retail outlets. The Company's target acquisitions must have a strategic fit with its current operations and opportunities for the Company to explore other business segments and add value to the new businesses using its existing competitive strengths. The Company is still in the early stages of evaluating this option and there are no definitive agreements signed.

Debt Repayment

The Company intends to use a portion of the net proceeds amounting to ₱428.1 million as payment for the outstanding financial obligation, in the form of various promissory notes with several local banks (Allied Banking Corp., BDO Unibank, Inc., Bank of the Philippine Islands, and Rizal Commercial Banking Corp.), carrying interest rates of 2.5% to 2.75% p.a. The loans were availed to fund the Company's various capital expenditures. As of September 30, 2016, the outstanding balance of the loans was ₱1,476.02 million.

BDO Unibank, Inc. is the parent of BDO Capital, the Joint Lead Underwriter of the Offer.

General corporate purposes

The Company intends to allocate ₱200.0 million for additional working capital for the new and existing stores as a result of the expected increase in revenues to be generated from new and existing customers.

The proposed use of proceeds described above represents a best estimate of the use of the net proceeds of the Offer based on the Company's current plans and expenditures. Other than as described above, no part of the net proceeds from the Offer shall be used to acquire assets outside of the ordinary course of business or finance the acquisition of other businesses, or to reimburse any officer, director, employee or shareholder of the Company for services rendered, assets previously transferred, money loaned or advanced, or otherwise. No amount of the net proceeds of the Offer will be lent to subsidiaries.

To the extent that the Offer proceeds are insufficient to finance the above-mentioned purposes, additional financing from loans and internally-generated cash flows will be utilized as necessary.

The actual amount and timing of disbursement of the net proceeds from the Offer for the uses stated above will depend on various factors which include, among others, changing market conditions or new information regarding the cost or feasibility of the Company's expansion projects. The Company's cost estimates may change as plans develop, and actual costs may be different from the Company's budgeted costs. To the extent that the net proceeds from the Offer are not immediately applied to the above purpose, the Company will invest the net proceeds in interest-bearing short-term demand deposits and/or money market instruments. Aside from underwriting and selling fees, the Issue Manager and Joint Lead Underwriters will not receive any of the net proceeds from the Offer.

In the event of any material deviation or substantial adjustment in the planned use of proceeds, the Company shall inform its shareholders, the SEC and the PSE in writing at least 30 days before such deviation or adjustment is implemented. Any material or substantial adjustments to the use of proceeds, as indicated above, will be approved by the Company's Board of Directors and disclosed to the SEC and the PSE. In addition, the Company shall submit via the PSE's Electronic Disclosure Generation Technology ("PSE EDGE") the following disclosure to ensure transparency in the use of proceeds:

i) any disbursements made in connection with the planned use of proceeds from the Offer;
ii) Quarterly Progress Report on the application of the proceeds from the Offer on or before the first 15 days of the following fiscal quarter, the quarterly progress reports should be certified by the Company's Chief Financial Officer or Treasurer and external auditor;
iii) annual summary of the application of the proceeds on or before 31 January of the following year, the annual summary report should be certified by the Company's Chief Financial Officer or Treasurer and external auditor; and,
iv) approval by the Company's Board of Directors of any reallocation on the planned use of proceeds, or of any change in the Work Program. The actual disbursement or implementation of such reallocation must be disclosed by the Company at least 30 days prior to the said actual disbursement or implementation.

The quarterly and annual reports required in items (ii) and (iii) above must include a detailed explanation for any material variances between the actual disbursements and the planned use of proceeds in the Prospectus, if any. The detailed explanation must state the approval of the Board as required in item (iv) above.

Expenses

Based on the Offer Price of ₱5.05 per Offer Share, the Company estimates that the total proceeds, total expenses, and the net proceeds from the Offer will be:

	Estimated Amounts (₱ millions)
Total proceeds from the Offer	**₱ 7,039.2**
Less: Expenses	
Underwriting and selling fees	
(including fees to be paid to the PSE Trading Participants, incl. GRT)	189.2
Documentary Stamps Tax	7.0
SEC registration, filing and research fees	3.3
PSE Processing Fees (incl. VAT)	20.0
IPO Tax	70.4
Estimated professional fees	
(including legal, audit, and financial advisory fees)	7.5
Others	2.0
Total estimated expenses from the Offer	**299.4**
Estimated net proceeds from the Offer	**₱ 6,739.9**

DIVIDENDS AND DIVIDEND POLICY

Limitations and Requirements

Under Philippine law, dividends may be declared out of a corporation's Unrestricted Retained Earnings which shall be payable in cash, in property, or in stock to all stockholders on the basis of outstanding stock held by them. The amount of retained earnings available for declaration as dividends may be determined pursuant to regulations issued by the SEC. The approval of the Board of Directors is generally sufficient to approve the distribution of dividends, except in the case of stock dividends which requires the approval of stockholders representing not less than two-thirds of the outstanding capital stock at a regular or special meeting duly called for the purpose. From time to time, the Company may reallocate capital among its Subsidiaries, if any, depending on its business requirements.

The Philippine Corporation Code prohibits stock corporations from retaining surplus profits in excess of 100% of their paid-in capital stock, except when justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the corporation is prohibited under any loan agreement with any financial institution or creditor from declaring dividend without its consent, and such consent has not yet been secured, or when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation.

The Philippine Corporation Code generally requires a Philippine corporation with retained earnings in excess of 100% of its paid-in capital to declare and distribute as dividends the amount of such surplus. Notwithstanding this general requirement, a Philippine corporation may retain all or any portion of such surplus in the following cases: (i) when justified by definite expansion plans approved by the board of directors of the corporation, (ii) when distribution is prohibited under any loan agreement with any financial institution or creditor without its consent, and such consent has not been secured, (iii) when retention is necessary under special circumstances, such as when there is a need for special reserves for probable contingencies, or (iv) when the non-distribution of dividends is consistent with the policy or requirement of a Government office.

Record Date

Pursuant to existing SEC rules, cash dividends declared by the Company must have a record date not less than 10 nor more than 30 days from the date of declaration. In case no record date is specified, it is deemed to be fixed at 15 days after the company's declaration. For stock dividends, the record date should not be less than 10 nor more than 30 days from the date of the shareholders' approval, provided however, that the set record date is not to be less than 10 trading days from receipt by the PSE of the notice of declaration of stock dividend. In the event that a stock dividend is declared in connection with an increase in authorized capital stock, the corresponding record date is to be fixed by the SEC.

Dividend History

The Company was incorporated on December 17, 2015 and has not declared dividends since that date.

Dividend Policy

The Company is authorized under Philippine law to declare dividends, subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the Company's earnings, cash flow and financial condition, among other factors. The Company may declare dividends only out of its unrestricted retained earnings. These represent the net accumulated earnings of the Company with its unimpaired capital, which are not appropriated for any other purpose. The Company may pay dividends in cash, by the distribution of property, or by the issue of shares. Dividends paid in cash or property are subject to the approval by the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and at least two-thirds of the outstanding share capital of the shareholders at a shareholders' meeting called for such purpose.

The Company has approved a dividend policy of maintaining an annual cash and/or share dividend pay-out of up to 25% of its net profit after tax from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Dividends must be approved by the Board (and shareholders in case of a share dividend declaration) and may be declared only from the unrestricted retained earnings of the Company. The Company's Board of Directors may, at any time, modify the Company's dividend policy, depending upon the Company's capital expenditure plans and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future.

DETERMINATION OF THE OFFER PRICE

The Offer Shares shall be listed and traded on the Main Board of the PSE under the symbol "**WLCON**". For a description of the PSE, see "The Philippine Stock Market" beginning on page 142. Since the Offer Shares have not been listed on any stock exchange, there has been no market price for the Offer Shares derived from day-to-day trading.

The Offer Price has been set at ₱5.05 per Offer Share. The final Offer Price was determined through a book-building process and discussions between the Company, the Issue Manager, and the Joint Lead Underwriters.

The factors considered in determining the Offer Price were, among others, the Company's ability to generate earnings and cash flow, its short and long term prospects, the level of demand from institutional investors, overall market conditions at the time of launch of the Offer and the market price of listed comparable companies, with reference to the relevant country's stock market index. The Offer Price does not have any correlation to the book value of the Offer Shares.

CAPITALIZATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization and indebtedness as shown in the audited financial statements of the Company as at September 30, 2016 and as adjusted to give effect to the issuance of the Offer Shares, after payment of the estimated offering fees and expenses. This table should be read in conjunction with the Company's audited financial statements, including the notes thereto, included elsewhere in this Prospectus. Other than as described below, there has been no material change in the Company's capitalization since September 30, 2016.

(In ₱ millions)	**As at September 30, 2016**	**As at September 30, 2016 As adjusted after giving effect to the Offer**
Total Debt	**₱1,476**	**₱1,476**
Stockholder's Equity		
Assigned Capital (including 'deposit for stock subscription')	**2,706**	**9,446**
Other Comprehensive Loss	**(9)**	**(9)**
Retained Earnings	**426**	**426**
Total Stockholder's Equity	**3,123**	**9,862**
Total Capitalization	**₱4,598**	**₱11,338**

DILUTION

The book value attributable to the Company's Common Shareholders, based on the equity shown in the audited financial statements as at 30 September 2016, was ₱3,122 million. The book value attributable to the Company's Common Shareholders represents the amount of the Company's total equity attributable to equity holders of the Parent Company. The Company's book value per share is computed by dividing the book value attributable to the Company's shareholders by the equivalent number of Common Shares corresponding to the total equity as of September 30, 2016. Without taking into account any other changes in such book value after 30 September 2016 other than the sale of 1,393,906,200 Offer Shares at the Offer Price of ₱5.05 per Offer Share, and after deduction of the underwriting discounts and commissions and estimated offering expenses of the Offer payable by the Company, the Company's net book value as of listing would increase to ₱9,862.2 million, or ₱2.41 per Common Share. This represents an immediate increase in book value of ₱1.25 per Common Share to existing shareholders, and an immediate dilution of ₱2.64 per Common Share to purchasers of Offer Shares at the Offer Price of ₱5.05 per Offer Share.

Dilution in pro-forma book value per share to investors of the Offer Shares represents the difference between the Offer Price and the pro-forma book value per share immediately following the completion of the Offer. The pro-forma book value per share immediately following the completion of the Offer represents the book value per share as of 30 September 2016 after giving effect to the Offer.

The following table illustrates dilution on a per share basis based on the Offer Price of ₱5.05 per Offer Share:

Offer Price per Offer Share	₱5.05
Book value per Common Share as at 30 September 2016	₱1.15
Increase in book value per Common Share as at 30 September 2016	₱1.25
Pro-forma book value per Common Share immediately after completion of the Offer	₱2.41
Dilution to investors of the Offer Shares (based on pro-forma book value per Common Share)	₱2.64

The following table sets forth the shareholdings and percentage of Common Shares outstanding of existing and new shareholders of the Company immediately after completion of the Offer of 1,393,906,200 Offer Shares:

	Common Shares	
	Number	**%**
Existing Shareholders	2,705,817,916	66%
New Investors	1,393,906,200	34%
Total	**4,099,741,116**	**100.0%**

SELECTED PRO-FORMA FINANCIAL AND OPERATING INFORMATION

The following tables present selected financial information for the Company and should be read in conjunction with the independent reports, the Company's examined pro-forma financial statements and notes thereto contained in this prospectus and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company was created as a spin-off of WC home improvement retail business, which was effective as of April 1, 2016. In the Company's examined pro-forma financial statements, the Company as of in conjunction with the independent reports, as of the beginning of the periods presented. The examined pro-forma financial statements included in this prospectus are for informational purposes only and do not purport to present what the financial position, financial performance and cash flows of the Company would have been had the transactions occurred at an earlier date or purport to project the financial position, financial performance and cash flows of the Company for any future period.

The pro-forma financial statements included in this prospectus as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015 are based on the audited financial statements of the Company as at and for the nine-month period ended September 30, 2016, audited financial statements of the Parent Company as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015, and carved-out special purpose statements of the Trading Business of the Parent Company prepared by management as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015 and as at and for the nine-month period ended September 30, 2015, after giving effect to the pro-forma adjustments described in the following paragraph.

The pro-forma financial statements as at and for the years ended December 31, 2015, 2014 and 2013 are based on carved-out special purpose statements for the trading business of WC prepared by management as at and for the years ended December 31, 2015, 2014 and 2013, after giving effect to the pro-forma adjustments described below.

The examined pro-forma financial statements assume that (i) the Parent Company charged the Company rental fee for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software owned by the Parent Company; and (ii) the capital stock and deposit for stock subscription as at September 30, 2016 represents the audited balances as at the same date; (iii) the amount of the Company's net assets as at December 31, 2015, 2014 and 2013 is equal to the total equity of the Company as at the same date. The components of equity include capital stock, deposit for stock subscription, other comprehensive loss, retained earnings and the effect of the pro-forma adjustments. The capital stock and deposit for stock subscription as at December 31, 2015, 2014, and 2013 were reclassified from assigned capital. The retained earnings and other comprehensive loss are the pro-forma cumulative net income and losses from January 1, 2013 to September 30, 2016.

The examined pro-forma financial statements should be read in conjunction with the audited financial statements and audited carve-out special purpose statements of the Company and the notes thereto included elsewhere in this prospectus, as well as other information contained in this prospectus. The Company's examined pro-forma financial statements, the audited financial statements and the audited carve-out special purpose statements prepared in compliance with PFRS, were examined and audited, as the case may be, by Reyes Tacandong & Co., and are included elsewhere in this prospectus. The summary financial information presented below as at and for the nine-month period ended September 30, 2016 and 2015 and for the years ended December 31, 2015, 2014 and 2013 were derived from the Company's examined pro-forma financial statements. Except as otherwise indicated, all financial data and discussions thereof in this prospectus are based on the Company's examined pro-forma financial statements, and all descriptions of the Company in this prospectus are made on a basis consistent with the assumptions made in the examined pro-forma financial statements.

The information below is not indicative of the results of future operations.

PRO-FORMA STATEMENTS OF COMPREHENSIVE INCOME

Amounts in ₱ millions	**For the nine-month periods ended September 30**		**For the years ended December 31**		
	2016	**2015**	**2015**	**2014**	**2013**
Net sales	₱11,729	₱10,638	₱14,450	₱13,596	₱11,862
Cost of sales	8,773	7,976	10,840	11,076	9,301
Gross income	2,956	2,662	3,610	2,520	2,561
Operating expenses	(2,265)	(2,195)	(2,848)	(2,428)	(2,194)
Interest expense	(34)	(56)	(61)	(76)	(71)
Other income - net	35	51	68	41	47
Income before income tax	692	462	769	57	343
Income tax expense (benefit)					
Current	238	148	242	51	124

Deferred	(29)	(9)	(11)	(34)	(21)
	209	138	231	17	103
Net income	***483***	***323***	***538***	***40***	***240***
Other comprehensive loss *Item not to be reclassified to profit or loss*					
Remeasurement loss on retirement liability, net of deferred income tax	(10)	(39)	(52)	-	(11)
Total Comprehensive Income	**₱473**	**₱284**	**₱486**	**₱40**	**₱229**

PRO-FORMA STATEMENTS OF FINANCIAL POSITION

Amounts in ₱ millions	**As at September 30**	**As at December 31**		
	2016	**2015**	**2014**	**2013**
ASSETS				
Current Assets				
Cash	₱235	₱323	₱243	₱ 188
Trade and other receivables	453	365	332	279
Due from Parent Company	599	-	-	-
Merchandise inventories	6,791	7,153	5,766	5,660
Other current assets	798	120	222	184
Total Current Assets	***8,876***	***7,961***	***6,563***	***6,311***
Noncurrent Assets				
Property and equipment - net	324	296	169	219
Deferred tax assets	199	166	140	106
Other noncurrent assets	168	158	106	105
Total Noncurrent Assets	***691***	***620***	***415***	***430***
TOTAL ASSETS	**₱9,567**	**₱8,581**	**₱6,978**	**₱6,741**
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term borrowings	₱504	₱843	₱1,335	₱2,080
Current portion of long-term debt	258	180	16	79
Trade and other payables	4,679	3,745	3,051	2,254
Income tax payable	61	-	-	37
Total Current Liabilities	***5,502***	***4,768***	***4,402***	***4,450***
Noncurrent Liabilities				
Long term debt- net of current portion	714	968	1,181	21
Retirement liability	404	358	237	196
Total Noncurrent Liabilities	***1,118***	***1,326***	***1,418***	***217***
Total Liabilities	**6,620**	**6,094**	**5,820**	**4,667**
Equity				
Assigned Capital stock /assigned capital	50	50	889	1,845
Deposit for stock subscription	2,656	1,683	-	-
Other comprehensive loss	(73)	(64)	(11)	(11)
Retained earnings	1,301	818	280	240
Effect of the pro-forma adjustments	(987)	-	-	-
Total Equity	**2,947**	**2,487**	**1,158**	**2,074**
TOTAL LIABILITIES AND EQUITY	**₱9,567**	**₱8,581**	**₱6,978**	**₱6,741**

PRO-FORMA STATEMENTS OF CASH FLOWS

Amounts in ₱ millions	For the nine-month periods ended September 30		For the years ended December 31		
	2016	2015	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES					
Income before income tax	₱692	₱462	₱769	₱57	₱343
Adjustments for:					
Depreciation and amortization	56	70	97	94	82
Provision (reversal of allowance) for impairment losses on receivables	42	(8)	(11)	44	4
Interest expense	34	56	61	76	71
Retirement benefits	32	35	47	40	37
Provision for inventory write down and losses	17	-	-	-	4
Interest income	(1)	-	-	-	-
Operating income before working capital changes	873	615	963	311	541
Decrease (increase) in:					
Trade and other receivables	(130)	(26)	(23)	(97)	(28)
Merchandise inventories	345	(1,469)	(1,388)	(106)	(1,360)
Other current assets	(678)	6	102	(38)	(162)
Increase in trade and other payables	934	368	695	797	817
Net cash generated from (used for) operations	**1,343**	**(506)**	**349**	**867**	**(192)**
Income taxes paid	(177)	(112)	(233)	(88)	(87)
Interest received	1	-	-	-	-
Net cash provided by (used in) operating activities	**1,167**	**(618))**	**116**	**779**	**(279)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Due from Parent Company	(600)	-	-	-	-
Additions to property and equipment	(83)	(117)	(224)	(44)	(90)
Increase in other noncurrent assets	(10)	(52)	(52)	(1)	(86)
Cash used in investing activities	**(693)**	**(169)**	**(276)**	**(45)**	**(176)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Effect of the pro-forma adjustments	(987)	-	-	-	-
Additions to deposit for stock subscription	973	633	-	-	-
Increase (decrease) in assigned capital	-	-	844	(956)	(7)
Net availments (payments) of short-term debt	(339)	17	(493)	(744)	1,211
Payments of long-term debt	(175)	(119)	(470)	(83)	(617)
Proceeds from availments of long-term debt	-	415	420	1,180	25
Interest paid	(34)	(56)	(61)	(76)	(71)
Net cash provided by (used in) financing activities	**(562)**	**890**	**240**	**(679)**	**541**
NET INCREASE (DECREASE) IN CASH	**(88)**	**103**	**80**	**55**	**86**
CASH AT BEGINNING OF PERIODPERIOD	**323**	**243**	**243**	**188**	**102**
CASH AT END OF PERIODPERIOD	**₱235**	**₱346**	**₱323**	**₱243**	**₱188**

KEY PERFORMANCE INDICATORS

The following are the major performance measures used by the Company:

Amounts in ₱ millions	(Pro-forma) **For the nine-month periods ended September 30**		(Pro-forma) **For the years ended December 31**		
	2016	**2015**	**2015**	**2014**	**2013**
Net Sales	₱11,729	₱10,638	₱14,450	₱13,596	₱11,862
Sales Growth (%)	*10.26%*	-	6.28%	14.62%	-
Gross Profit	₱2,956	₱2,662	₱3,610	₱2,520	₱2,561
Gross Profit Margin (%)	*25.20%*	*25.02%*	24.98%	18.53%	21.59%
Net Income	₱483	₱323	₱538	₱40	₱ 240
Net Income Growth (%)	*49.54%*	-	1,245.00%	(83.33%)	-

SELECTED AUDITED FINANCIAL AND OPERATING INFORMATION

The following table sets forth the summary financial information for the Company and should be read in conjunction with the auditors' reports and the Company's financial statements, including the notes thereto, included elsewhere in this Prospectus and the section entitled "Management's Discussion and Analysis of Audited Financial Condition and Results of Operations". The summary financial information presented below as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 and one-month period ended December 31, 2015 was derived from the audited financial statements of the Company prepared in accordance with PFRS. Our independent auditor for the periods indicated was Reyes Tacandong & Co. The Company's summary financial information below should not be considered indicative of the results of future operations.

The information below is not indicative of the results of future operations.

AUDITED STATEMENTS OF COMPREHENSIVE INCOME

Amounts in ₱ millions	**For the nine-month period ended September 30, 2016**	**For the one-month period ended December 31, 2015**
Net sales	₱8,062	₱-
Cost of sales	(6,174)	-
Gross income	1,888	-
Operating expenses	(1,537)	(1)
Interest expense	(21)	-
Other income – net	31	-
Income (loss) before income tax	361	(1)
Income tax expense (benefit)		
Current	127	-
Deferred	(193)	-
	(66)	-
Net income (loss)	427	(1)
Other comprehensive loss *Item not to be reclassified to profit or loss*		
Remeasurement loss on retirement liability, net of deferred income tax	(10)	-
Total Comprehensive Income (Loss)	**₱417**	**(₱1)**

AUDITED STATEMENTS OF FINANCIAL POSITION

Amounts in ₱ millions	**As at September 30,2016**	**As at December 31,2015**
ASSETS		
Current Assets		
Cash	₱235	₱50
Trade and other receivables	453	-
Due from Parent Company	599	-
Merchandise inventories	6,791	-
Other current assets	798	-
Total Current Assets	***8,876***	***50***
Noncurrent Assets		
Property and equipment - net	324	-
Deferred tax assets	197	-
Other noncurrent assets	96	-
Total Noncurrent Assets	617	-
TOTAL ASSETS	**₱9,493**	**₱50**

LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	504	-
Current portion of long-term debt	258	-
Trade and other payables	4,472	1
Income tax payable	18	-
Total Current Liabilities	5,252	***1***
Noncurrent Liabilities		
Long term debt - net of current portion	714	-
Retirement liability	405	-
Total Noncurrent Liabilities	***1,119***	***-***
Total Liabilities	**6,371**	**1**
Equity		
Assigned Capital stock /assigned capital	50	50
Deposit for stock subscription	2,656	-
Other comprehensive loss	(10)	-
Retained earnings (deficit)	426	(1)
Total Equity	**3,122**	**49**
TOTAL LIABILITIES AND EQUITY	**₱9,493**	**₱50**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF PRO-FORMA FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Prospective investors should read the following discussion and analysis of the Company's financial condition and results of operations together with examined pro-forma financial statements of the Company and the notes thereto included elsewhere in this prospectus and the section entitled "Selected Financial and Operating Information". Unless otherwise indicated, this discussion and analysis of the Company's financial condition and results of operations, as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015 and as at and for the years ended December 31, 2015, 2014 and 2013 are based on the Company's examined pro-forma financial statements.

The pro-forma financial statements included in this prospectus as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015 are based on the audited financial statements of the Company as at and for the nine-month period ended September 30, 2016, audited financial statements of the Parent Company as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015, and carved-out special purpose statements of the Trading Business of the Parent Company prepared by management as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015 and as at and for the nine-month period ended September 30, 2015, after giving effect to the pro-forma adjustments described in the following paragraph.

The pro-forma financial statements as at and for the years ended December 31, 2015, 2014 and 2013 are based on carved-out special purpose statements for the trading business of WC prepared by management as at and for the years ended December 31, 2015, 2014 and 2013, after giving effect to the pro-forma adjustments described below.

The examined pro-forma financial statements assume that i) the Parent Company charged the Company rental fee for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software owned by the Parent Company; and (ii) the capital stock and deposit for stock subscription as at September 30, 2016 represents the audited balances as at the same date; (iii) the amount of the Company's net assets as at December 31, 2015, 2014 and 2013 is equal to the total equity of the Company as at the same date. The components of equity include capital stock, deposit for stock subscription, other comprehensive loss, retained earnings and the effect of the pro-forma adjustments. The capital stock and deposit for stock subscription as at December 31, 2015, 2014, and 2013 were reclassified from assigned capital. The retained earnings and other comprehensive loss are the pro-forma cumulative net income and losses from January 1, 2013 to September 30, 2016.

Factors Affecting the Company's Results of Operations and Financial Condition

Wilcon's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected Wilcon's results in the past and which Wilcon expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on Wilcon's results of operations and financial condition in the future. See "Risk Factors".

Expansion of the Company's Store Network

The volume of products that the Company is able to sell is mainly affected by the number of stores and store locations the Company is able to open and operate in. The Company continuously strive to expand its market coverage by opening new stores in various growth areas in the country.

In 2002, the Company made the strategic thrust for an accelerated expansion strategy and targeted to open an average of two (2) to three (3) stores per year while pushing for four (4) when opportunities arise and resources allow. Since the Company's main store format, the depot, requires substantial land area, the incubation period for a store to be opened is relatively lengthier. It requires more time to scout for a suitable location, negotiate for the acquisition or lease of the properties and recruit and train the personnel to man the stores. The Company's product lines require more technical knowledge from its sales and service personnel, hence more specialized training programs are given to these personnel. Operating in varied locations governed by different local regulators and authorities also entails dealing with diverse local laws and regulations which require customized approaches and processes that may impede the set up and opening of new stores as scheduled. Laws and regulations at the local level change more frequently and the changes can impose additional costs and other compliance requirements that the Company may not be able to immediately address. Succeeding years' same store sales, which contribute the bulk of the Company's total revenues, is adversely affected when scheduled new store openings are delayed. Delay in the rollout of new stores will adversely affect the business, results of operation and financial condition of the Company.

From 2013 to September 30, 2016, the Company operated the following no. of stores:

No. of Stores	**2013**	**2014**	**2015**	**September 30, 2016**
Depot	25	25	28	30
Home Essentials	5	6	6	6
Total	**30**	**31**	**34**	**36**

Total net selling space (sqm)	**2013**	**2014**	**2015**	**September 30, 2016**
Depot	219,506	219,506	245,957	257,907
Home Essentials	12,800	14,400	14,400	14,400
Total	**232,306**	**233,906**	**260,357**	**272,307**

In addition, while new store openings increase revenues of the Company, fixed costs also increase especially during construction and set-up period at a time when the newly opened stores have not reached their full revenue potential. Based on experience, following a store opening, it would take nine months to two (2) years depending on the store location for a store to stabilize and achieve its expected revenue performance.

Economic, Social and Political Conditions in the Philippines

The Company's market is 100% domestic and as such the Company's operations have been substantially affected and will continue to be affected by the economic, social and political conditions in the Philippines. The continuing demand for and the prevailing prices of home improvement and construction products are directly related to the strength of the Philippine economy, including overall growth rate and volume of business activities in the country.

The Philippine economy, in the last few years, has been in a continuous growth curve. The country's growth has been and continues to be driven by domestic demand. Domestic demand in 5 out of 7 years grew by at least 5%, higher than the country's GDP. This signifies that domestic demand is robust enough and the country is adequately resilient against any external shocks.

Some of the products and/or brands carried by the Company are discretionary consumer products such as imported and luxury-brand fixture, furniture and construction finishing products, the demand for which tend to decline during economic downturn or when consumer disposable income contract. With the healthy growth the Philippine economy has been achieving in the last few years, the Company was able to capitalize on this and expand its high-value, differentiated product lines thereby improving its margins.

The Company, on the other hand, also carries an extensive array of construction and home improvement staples, the demand for which are likely to remain constant and will be affected to a lesser degree by any economic slowdown. In general, any weakening of the Philippine economy may adversely affect consumer sentiment and lead to a decrease in demand for the Company's products.

Real Estate and Construction Industries

The construction industry continues to be one of the foundations and growth engines of the economy as it contributed an average of 5.6% to the country's Gross Domestic Product (GDP) from 1990-2015. Despite a brief slowdown in 2011, this sector's contribution to the economy continued its upward trend in the last 10 years. For 2015 alone, the share of the construction sector to the country's GDP reached 6.9% from 6.4% in 2014, the highest during the 26-year review period.

In terms of composition, public spending on construction via the government's infrastructure projects accounted for 32% of the industry's output from 1990-2015 while the private sector accounted for 68% of the construction activities. Interest rates have also been favorable in the past few years, widening and easing the access to credit by developers and individuals. Sales of all of the Company's product categories are largely driven by the number of major home improvement projects and to a lesser extent regular upkeep, repair and maintenance of homes. Hence, the Company's sustained and favorable financial performance depends mostly on the stability of the housing, residential construction and home improvement markets.

Competition

The Company operates under highly competitive conditions. Although the Company is one of the country's largest retailers in home improvement and construction supplies, it has numerous and varied direct and indirect competitors at the national and local/provincial levels, including smaller-format hardware stores, mall-based stores, and the established retailers with depots. Competition may intensify as new competitors enter into the markets especially big real estate developing conglomerates looking into expanding or integrating both vertically and horizontally. Competition is characterized by many factors, including variety, advertising, price, quality, service, location, reputation and credit availability. If the Company does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

Supply and Price of Products and Shipping Costs

The Company sources its products from both domestic and international vendors. While the Company can exercise more control over the supply and prices of products sourced from local suppliers, being the dominant player in the industry, the same cannot be said for its international suppliers. Most of the Company's high-value high-margin products are imported particularly from China, Europe and the United States. House brands are manufactured in China and exclusively distributed brands are mostly sourced from Europe and the United States. These products are subject to price volatility caused by several factors, such as government controls, changes in the supply and demand of the raw materials by the Company's suppliers, and other factors that may affect the production costs of the Company's suppliers. The prices of these products are also affected by the Philippine peso's relative strength against the currencies of the countries of its suppliers, the Yuan, Euro and the US Dollar.

Critical to the Company's success is also the ability of these suppliers to reliably and efficiently fulfill their part of the supply agreement. Financial instability, labor unrest, weather-related incidents, shipping capacity and other transport restraints of the suppliers causing delays in inventory and product out-of-stocks can negatively affect operating results.

Changes in Customer Tastes and Preferences

The home improvement retail industry especially the high-value high-margin product lines are subject to shifts in consumer trends and consumer spending. The Company's sales and operating results depend, in part, on its ability to predict or respond to changes in design trends and consumer preferences in a timely manner. The Company develops new retail concepts and continuously adjusts its market positioning in branded product categories in an effort to satisfy customer demand. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on the Company's business. Consumers' discretionary spending impacts the Company's sales and may be affected by many factors outside of the Company's control, including general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods, and the effects of weather or natural disasters.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of Wilcon's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex.

The significant accounting and financial reporting policies that have been used in the preparation of the pro-forma financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated. For more information on Wilcon's significant accounting and financial reporting policies,, see Note 4, starting on page 8 of the pro-forma financial statements of Wilcon included elsewhere in this Prospectus.

Financial Instruments
Date of Recognition. Financial instruments are recognized in the pro-forma statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 financial instrument, except for financial instruments at fair value through profit or loss (FVPL). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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 as expense or income.

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

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

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables, due from Parent Company and container deposits (presented as part of other current assets), and security and electricity deposits and refundable cash bonds (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

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 when:

- the right to receive cash flows from the asset has expired;
- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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 pro-forma 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.

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

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

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

Fair Value Measurement

The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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.

<u>Other Current Assets</u>
Other current assets consists of net amount of value-added tax (VAT) recoverable from taxation authority, deferred input VAT, prepaid expenses and container deposits.

VAT. The VAT recoverable from tax authority is net of output liability. 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.

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 input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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 year are classified as current assets. Otherwise, these are classified as noncurrent assets.

<u>Other Noncurrent Assets</u>
Other noncurrent assets comprise of computer software, security, rental and electricity deposits and refundable cash bonds. These, except advance rental, qualify as financial assets and are disclosed under financial instruments.

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.

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

Electric Deposits. Electricity deposits are carried at cost less any impairment value, and will be refunded upon mutual agreement.

Advance Rental. Advance rental represents deposits made in relation to the lease agreements entered into by the Company. These are carried at cost less any impairment in value, and will be applied at the end of the lease term.

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. The cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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.

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

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

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.

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. 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 periods. A reversal of an impairment loss is recognized immediately in profit or loss.
Nonfinancial assets include property and equipment and computer software.

Equity
Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction from proceeds, net of tax.
Deposit for Stock Subscription. Deposit for stock subscription represents the deposit received by the Company from an entity, an existing stockholder, to subscribe for the portion of the increase in the Company's authorized capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 as issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as an account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
b. There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and
c. The application for the approval of the proposed increase has been filed with the SEC.

If the foregoing conditions are not met, the "Deposit for stock subscription" is presented as a liability.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period. Other comprehensive loss pertains to cumulative remeasurement losses on retirement liability.

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

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

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

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 Expenses 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.

Employees Benefit

Short-term Employee Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting 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 pro-forma 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 benefit 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.

Foreign Currency-denominated Transactions
Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

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 date.

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 can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

The adjustment on deferred tax expense amounting to ₱178,437,774 as disclosed in Note 2 to pro-forma financial statements was the tax effects of the pro-forma adjustments under Note C in Notes to Pro-forma Adjustments.

Derecognition of deferred tax assets on temporary differences on assets and liabilities transferred to the Company amounting to ₱179,888,251 are broken down as follows: (i) Retirement liability – 107,470,010; (ii) Allowance for Impairment of refundable cash bonds – 25,022,980; (iii) Allowance for Impairment of losses on receivables – 12,795,939; (iv) Allowance for Inventory obsolescence 9,748,815; (v) Deferred income tax on carved-out March 31, 2016 balances – 13,918,126; (vi) unearned revenue –5,015,996; (vii) Accrual of rent expense per PAS 17 – 4,837,603; (viii) Accrual of documentary stamp tax – 1,310,741; (ix) NOLCO (227,253); and Unrealized foreign exchange gain – (4,703). Recognition of deferred tax asset on the accrual of rent expense per Philippine Accounting Standard 17, Leases, amounting to P1,450,477.

Earnings per Share

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

Pro-forma Results of Operations

Nine-month period ended September 30, 2016 compared with nine-month period ended September 30, 2015

Revenues
The Company generated revenues of ₱11,729 million for the nine-month period ended September 30, 2016, a 10.26% or ₱1,091 million upswing from the same period in 2015, which closed at ₱10,638 million. The increase was driven primarily by the hike in revenues of existing stores which jumped by ₱855 million while the sales from the two new stores that opened during the year made up for the balance. Sales from the depots still made up the bulk of total revenues, accounting for 96.70%, while the home essentials comprised the remaining 3.30%. As of September 30, 2016, the Company has opened two new stores in Molino, Cavite and Sta. Rosa, Laguna, both areas have seen remarkable growth in real estate development for industrial, commercial and residential purposes. These stores are expected to become significant contributors to total revenues in the future given the demographics of their locations.

Cost of Sales
Cost of sales for the three quarters ended September 30, 2016 closed at ₱8,773 million, 9.99% or ₱797 million increase over the same period in 2015 which closed at ₱7,976 million. The rise is attributable mainly to the increase in revenues. The Company was able to maintain its gross profit margin which registered at 25.20% for the three quarters of 2016 versus the 25.02% of the same period in 2015 as a result of the continued positive performance of higher margin products.

Operating Expenses
The Company's operating expenses settled at ₱2,265 million at the close of the first nine months of 2016, a modest 3.19% or a ₱70 million increase from the same period in 2015. The uptick was attributed to the increased business volume in 2016, which drove manpower expenses and rent expense higher partly offset by cost savings in other streamlined expense items.

Other Income/(Charges)
For the first nine months of 2016, other income closed lower at ₱35 million from ₱51 million for the same period the previous year. The drop is traced mainly to the decrease in rent income and reimbursable costs for the use of lightings, signage, banners and window displays among others.

Income Tax Expense
Income tax expense jumped by 50.36% from ₱139 million in the third quarter of 2015 to ₱209 million for the first nine months of 2016 in view of the 49.78% or ₱230 million upswing in income before tax, which closed at ₱692 million for the first nine months of 2016 from ₱462 million for the same period the prior year.

Net income
Net income for the nine months ended September 30, 2016 closed at ₱483 million a 49.54% or ₱160 million upsurge from the same period of the prior year of ₱323 million driven by the increase in revenues, favorable performance of high-margin products and contained operating expenses.

Year ended December 31, 2015 compared with year ended December 31, 2014

The succeeding comparison of the results of the Company's performance is based on its reviewed pro-forma financial statements.

Revenues
For the year ended December 31, 2015, the Company recorded revenues of ₱14,450 million, a 6.28% or a ₱854 million improvement from the ₱13,596 million in the year ended December 31, 2014. The increase was mostly contributed by revenues from new store openings. The Company opened three (3) new stores, two of which in highly progressive and established high-growth markets, Makati and San Pablo in the province of Laguna.

The Company opened a second depot in Makati City in 2015 to take advantage of the continuing and increasing surge of new high rise residential developments in the area. Expectedly, this branch's sales accounted for the bulk of the increase for the year. The modest growth was mainly traced to the stable performance of the Company's older stores partly offset by delay in the opening of new stores in the prior years with only one store opened in 2014 and an average of two stores a year from 2012 to 2014. Stiffer competition was also faced by the Company with the proliferation not only of mall-based hardware stores but of depot operators especially in high growth areas.

Cost of Sales
The Company's cost of sales for the year ended December 31, 2015 totaled ₱10,840 million, a 2.13% or ₱236 million decline over the prior year's level of ₱11,076 million. The decrease in the current year's cost of sales was attributable mostly to the improvement in the performance of the Company's higher margin products and trade and volume discounts provided by its suppliers.

Operating Expenses
At the close of 2015, the Company's operating expenses reached ₱2,848 million, ₱420 million or 17.30% higher than the expenses incurred of ₱2,428 million in 2014. The Company's major operating expenses include manpower, rent, utilities and trucking expenses. The increases in the various expense accounts are traced primarily to the increased volume of sales.

Other Income/(Charges)
For the year ended December 31, 2015, other income net of charges totaled ₱68 million, a 65.85% or a ₱27 million increase from the prior year's other income balance amounting to ₱41 million. Other income from miscellaneous sales and others exceeded interest expenses in 2015.

Income Tax Expense
Provision for income tax for the year 2015 amounted to ₱231 million compared to ₱17 million for 2014. The substantial ₱214 million jump is attributable mainly to the significant increase in income before tax, which rose by ₱712 million from ₱57 million in 2014 to close at ₱769 million by the end of 2015.

Net income
Net income for the year ended December 31, 2015 reached ₱538 million, a significant ₱498 million or approximately 1,245.00% hike from the prior year's balance of ₱40 million. Net margin likewise improved to 24.98% in 2015 compared to the previous year's less than half a percent. This is due to the improved operating and financial performance in 2015 brought about by store expansion, increased availment of volume and term discounts from suppliers, and increased revenue share of high-margin products.

Year ended December 31, 2014 compared with year ended December 31, 2013

Revenues
For the year ended December 31, 2014, revenues generated by the Company reached ₱13,596 million, a 14.62% or a ₱1,734 million upswing over revenues of ₱11,862 million in the year ended December 31, 2013. The substantial growth came entirely from same store sales growth partly offset by the decrease in new store contribution. The Company only opened one home essential format store in 2014. Market conditions and local regulatory issues in the target store locations pushed back the roll out schedule, which resulted in the decrease in new store sales.

With the exception of two home essential branches, all of the Company's stores' revenues increased in 2014. As a result, the contribution of home essential stores to total revenues decreased to 3.5% in 2014 from the 2013 level of 5.7%. The only store opened in 2014 contributed less than 1% to total revenues. Majority of the Company's big stores recorded significant increases in revenues with the depot branch located along C5 in Quezon City registering a 41.8% jump in revenues, accounting for approximately 9.0% of total revenues in 2014.

Cost of Sales
The Company's cost of sales for the year ended December 31, 2014 reached ₱11,076 million, a 19.08% or a ₱1,775 million hike over the prior year's level of ₱9,301 million. The substantial increase was due primarily to the increase in sales volume. The increase in cost of sales was also attributable to the additional handling and demurrage of inventories resulting from the port congestion. In addition, the Company was not able to take full advantage of the trade/volume discount available from its suppliers which the Company utilized in 2015. Hence the increase in the cost of sales outpaced the increase in revenues despite the acceleration in the expansion of higher margin products.

Operating Expenses
By the end of 2014, the Company's operating expenses amounted to ₱2,428 million, increasing by ₱234 million or 10.67% from the operating expenses incurred in 2013 totaling ₱2,194 million. The increase was due mainly to higher sales volume and number of branches with the increase in provisions for impairment losses also contributing to the total rise in expenses.

Other Income/(Charges)
For the year ended December 31, 2014, Other Income (net of charges) totaled ₱41 million, a 12.77% or a ₱6 million decrease from the 2013 Other Income (net of charges) of ₱47 million.

Income Tax Expense
In view of the substantial drop in Income before tax, as a result of the higher increase in cost of sales than the increase in revenues in addition to the increase in operating expenses, provision for income tax significantly dropped by 83.50% or ₱86 million to settle at ₱17 million from the 2013 level of ₱103 million.

Net income
For the year ended December 31, 2014, net income amounted to ₱40 million, a ₱200 million or 83.33% decline from the ₱240 million income recorded at the close of 2013. The significant decline is traced mainly to the extraordinary growth in the cost of sales versus the growth in revenues.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity requirements are for both operating and capital expenditures which are comprised of inventory purchases, store improvements, logistical infrastructure and store network expansion among others.

The Company's principal sources of liquidity are from internally generated cash from operations and short-term bank loans. For the nine-month period ended September 30, 2016, the Company had, on a pro-forma basis, total current assets of ₱8,876 million, of which cash and cash equivalents accounted for 2.65% or ₱235 million. This was against the Company's total current liabilities of ₱5,502 million, 86.15% of which, or ₱4,740 million, were non-interest bearing payables.

The Company expects a growth in its working capital due to increased sales and market share expansion. Moving forward, the Company expects to fund these requirements from its operating cash flows, borrowings and proceeds of the Offer. The Company intends to use a portion of the proceeds from the Offer to partially pay off debt financing arrangements and to support working capital requirements. See "Use of Proceeds" beginning on page 37 of this Prospectus.

The Company may also, from time to time, seek other sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions. In the course of conducting its business, the Company has, and will continue, to incur short-term debt from several banking institutions.

The following table sets forth the selected information from the Company's pro-forma statements of cash flows for the period indicated:

	For the nine-month periods ended September 30		**For the years ended December 31**		
	2016	**2015**	**2015**	**2014**	**2013**
Net cash provided by (used in) operating activities	₱1,167	(₱618)	₱116	₱ 779	(₱279)
Net cash used in investing activities	(693)	(169)	(276)	(45)	(176)
Net cash provided by (used in) financing activities	(562)	890	240	(679)	541
Net increase in cash	(88)	103	80	55	86
Cash at beginning of year	323	243	243	188	102
Cash at end of year	₱235	₱346	₱323	₱243	₱188

Cash flows from operating activities

The net cash generated from the Company's operations for the year ended December 31, 2015 was ₱116 million which consisted of income before income tax of ₱769 million. Working capital changes which comprised of increases in inventories and trade receivables as the Company expanded its store networks, offset by the increase in trade payables and in other net operating assets, meanwhile, amounted to ₱614 million.

For the year ended December 31, 2014, cash used by operating activities amounted to ₱779 million. While trade and other payables increased to ₱3,051 million from ₱2,254 million, the cash generated from operations was boosted mainly due to the minimal increase in inventory levels vis-à-vis that of other years.

In 2013, net cash used in operating activities totaled ₱279 million. Operating activities after adjustments generated cash of ₱541 million but working capital changes yielded a net outflow of ₱733 million. Substantial increase in inventory levels with the addition of three (3) new stores and the slight increase in receivables exceeded the rise in trade payables and the negative change in other net operating assets.

Cash flows from investing activities

For the year ended December 31, 2015, the Company's net cash used in investing activities comprising of store and office equipment and furniture and fixtures, amounted to ₱276 million. For the year 2014, cash used in investing activities totaled ₱45 million while in 2013, a total of ₱176 million cash was used. All cost and expenses for the acquisition of land, construction of store buildings and the improvements thereon were shouldered by the property owners or lessees.

Cash flows from financing activities

The net cash provided by financing activities for the year ended December 31, 2015 totaled ₱240 million comprising of increase in assigned capital and proceeds from availment of long-term debt. For 2014, net cash flows from financing activities amounted to ₱679 million consisting of ₱1,097 million in long-term debt availment partly offset by payment of ₱744 million in short term borrowings and a decrease of ₱956 million from a decrease in assigned capital . In 2013, net cash provided by financing activities reached ₱541million, with short term borrowings availed reached ₱1,211 million while long term loan payments totaled ₱592 million.

Capital Expenditures

Pursuant to its business expansion, the Company will invest in the construction of new stores, warehouses, computers and information systems, logistical support systems, training facilities and transport equipment, among others.

The table below sets forth the components of the pro-forma capital expenditures of Wilcon for the periods indicated.

(in ₱ millions)	**For the nine-month period ended September 30**	**For the years ended December 31**		
	2016	**2015**	**2014**	**2013**
Building (Construction in Progress)	₱ -	₱109	₱-	₱-
Store Improvements	134	14	47	89
Store & Office Equipment & Furniture	190	173	122	130
Total	**₱324**	**₱296**	**₱169**	**₱219**

The Company (pro-forma) has historically sourced funding for capital expenditures through internally generated cash from operations and short-term bank loans.

The Company will use the net proceeds as well to fund capital expenditures that will support its store network expansion, improve existing stores, and overall achieve higher profitability. For more information on the capital expenditure plans of the Company, please see "*Use of Proceeds*" beginning on page 37 of this Prospectus.

The Company's capital expenditure plans are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditure plans are subject to a number of variables, including availability of financing on acceptable terms, the identification of new projects and potential acquisitions, and macroeconomic factors such as the Philippine's economic performance and interest rates. There can be no assurance that the Company will execute their capital expenditure plans as contemplated at or below estimated costs.

Contractual Obligations and Commitments

The following table sets forth the Company's contractual obligations and commitments as of September 30, 2016.

Principal Payments Due by Period *(in ₱ millions)*	**Contractual Obligations and Commitments**			
	Total	**2017**	**2018-2020**	**After 2020**
Interest-bearing loans and borrowings	1,476	868	569	39
Trade and other payables	short term- all within 2016	-	-	-
Lease Payables	-same-	-	-	-
Advances from related parties	-	-	-	-
Other long-term liabilities	-	-	-	-
Total	1,476	292	569	39

Debt Obligations and Facilities

Wilcon's total amount of pro-forma short-term debt as of September 30, 2016 was ₱5,502 million which was comprised ofshort-term bank loans of ₱504 million, current portion of long-term debt of ₱258 million, trade and other payables of ₱4,679 million and income tax payable of ₱61 million. The total amount of pro-forma long-term debt as of September 30, 2016 was ₱1,118 million which was comprised of long-term debt of ₱714 million and retirement liability of ₱404 million.

The following table sets forth Wilcon's pro-forma total indebtedness as of the periods indicated:

	As of September 30, 2016	**As of December 31 2015**	**2014**	**2013**
Short-term debt.................................	₱5,502	₱4,768	₱4,402	₱4,450
Long-term debt	1,118	1,326	1,418	217
Total..	₱6,620	₱6,094	₱5,820	₱4,667

Wilcon intends to repay, with proceeds from the Offer, existing indebtedness of up to ₱972 million relating to loans with terms over one year which were incurred primarily to fund working capital requirements given expanding sales revenue. See "*Use of Proceeds*" beginning on page 37 of this Prospectus.

KEY PERFORMANCE INDICATORS

Below are the major performance measures that the Company uses. The Company employs analyses using comparisons and measurements based on the financial data for current periods against the same period of the previous year.

Amounts in ₱ millions, except for %	(Pro-forma) **For the nine-month period ended September 30**		(Pro-forma) **For the years ended December 31**		
	2016	**2015**	**2015**	**2014**	**2013**
Net Sales	11,729	10,638	14,450	13,596	1,862
Sales Growth (%)	*10.26%*	-	*6.28%*	*14.62%*	-
Gross Profit	2,956	2,662	3,610	2,520	2,561
Gross Profit Margin (%)	*25.20%*	*25.02%*	*24.98%*	*18.53%*	*21.59%*
Net Income	438	323	538	40	240
Net Income Growth (%)	*49.54%*	-	*1,245.00%*	*(83.33%)*	

FINANCIAL RISK DISCLOSURE

The Company is not aware of any known trends, demands, commitments, events, or uncertainties that will have a material impact on the Company's liquidity.

The Company is not aware of any event that will trigger direct or contingent financial obligation that is material to the Company, including default or acceleration of any obligation.

The Company does not have any off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons created during the reporting period.

The Company is not aware of any trends, events, or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Company does not have any significant elements of income or loss that did not arise from its continuing operations.

The Company does not have any seasonal aspects that had a material effect on the financial conditions or results of operations.

QUALITATIVE AND QUANTITATIVE DISCLOSURE OF MARKET RISK

Credit Risk
Credit risk is the risk that the Company's counterparties to its financial assets will fail to discharge their contractual obligations. The Company's credit risk exposure relates primarily to its holdings of cash and cash equivalents and short-term investments and receivables from customers and other third parties.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company's exposure to liquidity risk relates primarily to its short and long-term obligations.

Interest Rate Risk
The Company's exposure to market risk for changes in interest rates relates primarily to its long-term debt obligations with floating interest rates. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt

The Company does not and will not engage in interest rate derivative or swap activity to hedge its exposure to increases in interest rates

Foreign Currency Risk
The Company's foreign exchange risk results primarily from movements of the US$ against other currencies. The Company also has transactional currency exposures arising from sales or purchases denominated in other than the Company's functional currency.

The Company manages its foreign exchange exposure risk by matching, as far as possible, receipts and payments in each individual currency. Foreign currency is converted into the relevant domestic currency as and when the management deems necessary. The unhedged exposure is reviewed and monitored closely on an ongoing basis and management will consider to hedge any material exposure where appropriate.

Commodity Risk

The Company mitigates commodity risk through sales and purchase agreements with various vendors and distributors to ensure availability of materials and maintain competitive prices.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF AUDITED FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of WDI's recent financial results should be read in conjunction with the auditors' reports, selected financial and operating information of WDI, and the corresponding notes thereto, contained in this Prospectus and the section entitled "Selected Audited Financial and Operating Information".

The selected financial and operating information of the Company as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 and one-month period ended December 31, 2015 were derived from the audited financial statements of the Company prepared in accordance with PFRS and audited by Reyes Tacandong & Co.

Factors Affecting the Company's Results of Operations and Financial Condition

Wilcon's results of operations are affected by a variety of factors. Set out below is a discussion of the most significant factors that have affected Wilcon's results in the past and which Wilcon expects to affect its financial results in the future. Factors other than those set out below could also have a significant impact on Wilcon's results of operations and financial condition in the future. See "Risk Factors".

Expansion of the Company's Store Network

The volume of products that the Company is able to sell is mainly affected by the number of stores and store locations the Company is able to open and operate in. The Company continuously strive to expand its market coverage by opening new stores in various growth areas in the country.

In 2002, the Company made the strategic thrust for an accelerated expansion strategy and targeted to open an average of two (2) to three (3) stores per year while pushing for four (4) when opportunities arise and resources allow. Since the Company's main store format, the depot, requires substantial land area, the incubation period for a store to be opened is relatively lengthier. It requires more time to scout for a suitable location, negotiate for the acquisition or lease of the properties and recruit and train the personnel to man the stores. The Company's product lines require more technical knowledge from its sales and service personnel, hence more specialized training programs are given to these personnel. Operating in varied locations governed by different local regulators and authorities also entails dealing with diverse local laws and regulations which require customized approaches and processes that may impede the set up and opening of new stores as scheduled. Laws and regulations at the local level change more frequently and the changes can impose additional costs and other compliance requirements that the Company may not be able to immediately address. Succeeding years' same store sales, which contribute the bulk of the Company's total revenues, is adversely affected when scheduled new store openings are delayed. Delay in the rollout of new stores will adversely affect the business, results of operation and financial condition of the Company.

From December 31, 2015 to September 30, 2016, the Company operated the following no. of stores:

No. of Stores	**December 31, 2015**	**September 30, 2016**
Depot	-	30
Home Essentials	-	6
Total	**-**	**36**

Total net selling space (sqm)	**December 17, 2015**	**September 30, 2016**
Depot	-	257,907
Home Essentials	-	14,400
Total	**-**	**272,307**

In addition, while new store openings increase revenues of the Company, fixed costs also increase especially during construction and set-up period at a time when the newly opened stores have not reached their full revenue potential. Based on experience, following a store opening, it would take nine months to two (2) years depending on the store location for a store to stabilize and achieve its expected revenue performance.

Economic, Social and Political Conditions in the Philippines

The Company's market is 100% domestic and as such the Company's operations have been substantially affected and will continue to be affected by the economic, social and political conditions in the Philippines. The continuing demand for and the prevailing prices of home improvement and construction products are directly related to the strength of the Philippine economy, including overall growth rate and volume of business activities in the country.

The Philippine economy, in the last few years, has been in a continuous growth curve. The country's growth has been and continues to be driven by domestic demand. Domestic demand in 5 out of 7 years grew by at least 5%, higher than the country's GDP. This signifies that domestic demand is robust enough and the country is adequately resilient against any external shocks.

Some of the products and/or brands carried by the Company are discretionary consumer products such as imported and luxury-brand fixture, furniture and construction finishing products, the demand for which tend to decline during economic downturn or when consumer disposable income contract. With the healthy growth the Philippine economy has been achieving in the last few years, the Company was able to capitalize on this and expand its high-value, differentiated product lines thereby improving its margins.

The Company, on the other hand, also carries an extensive array of construction and home improvement staples, the demand for which are likely to remain constant and will be affected to a lesser degree by any economic slowdown. In general, any weakening of the Philippine economy may adversely affect consumer sentiment and lead to a decrease in demand for the Company's products.

Real Estate and Construction Industries

The construction industry continues to be one of the foundations and growth engines of the economy as it contributed an average of 5.6% to the country's Gross Domestic Product (GDP) from 1990-2015. Despite a brief slowdown in 2011, this sector's contribution to the economy continued its upward trend in the last 10 years. For 2015 alone, the share of the construction sector to the country's GDP reached 6.9% from 6.4% in 2014, the highest during the 26-year review period.

In terms of composition, public spending on construction via the government's infrastructure projects accounted for 32% of the industry's output from 1990-2015 while the private sector accounted for 68% of the construction activities. Interest rates have also been favorable in the past few years, widening and easing the access to credit by developers and individuals. Sales of all of the Company's product categories are largely driven by the number of major home improvement projects and to a lesser extent regular upkeep, repair and maintenance of homes. Hence, the Company's sustained and favorable financial performance depends mostly on the stability of the housing, residential construction and home improvement markets.

Competition

The Company operates under highly competitive conditions. Although the Company is one of the country's largest retailers in home improvement and construction supplies, it has numerous and varied direct and indirect competitors at the national and local/provincial levels, including smaller-format hardware stores, mall-based stores, and the established retailers with depots. Competition may intensify as new competitors enter into the markets especially big real estate developing conglomerates looking into expanding or integrating both vertically and horizontally. Competition is characterized by many factors, including variety, advertising, price, quality, service, location, reputation and credit availability. If the Company does not compete effectively with regard to these factors, its results of operations could be materially and adversely affected.

Supply and Price of Products and Shipping Costs

The Company sources its products from both domestic and international vendors. While the Company can exercise more control over the supply and prices of products sourced from local suppliers, being the dominant player in the industry, the same cannot be said for its international suppliers. Most of the Company's high-value high-margin products are imported particularly from China, Europe and the United States. House brands are manufactured in China and exclusively distributed brands are mostly sourced from Europe and the United States. These products are subject to price volatility caused by several factors, such as government controls, changes in the supply and demand of the raw materials by the Company's suppliers, and other factors that may affect the production costs of the Company's suppliers. The prices of these products are also affected by the Philippine peso's relative strength against the currencies of the countries of its suppliers, the Yuan, Euro and the US Dollar.

Critical to the Company's success is also the ability of these suppliers to reliably and efficiently fulfill their part of the supply agreement. Financial instability, labor unrest, weather-related incidents, shipping capacity and other transport restraints of the suppliers causing delays in inventory and product out-of-stocks can negatively affect operating results.

Changes in Customer Tastes and Preferences

The home improvement retail industry especially the high-value high-margin product lines are subject to shifts in consumer trends and consumer spending. The Company's sales and operating results depend, in part, on its ability to predict or respond to changes in design trends and consumer preferences in a timely manner. The Company develops new retail concepts and continuously adjusts its market positioning in branded product categories in an effort to satisfy customer demand. Any sustained failure to anticipate, identify and respond to emerging trends in lifestyle and consumer preferences could have a material adverse effect on the Company's business. Consumers' discretionary spending impacts the Company's sales and may be affected by many factors outside of the Company's control, including general economic conditions, consumer disposable income levels, consumer confidence levels, the availability, cost and level of consumer debt, the costs of basic necessities and other goods, and the effects of weather or natural disasters.

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of Wilcon's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex.

The significant accounting and financial reporting policies that have been used in the preparation of the pro-forma financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated. For more information on Wilcon's significant accounting and financial reporting policies,, see Note 4, starting on page 8 of the pro-forma financial statements of Wilcon included elsewhere in this Prospectus.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the pro-forma statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 financial instrument, except for financial instruments at fair value through profit or loss (FVPL). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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 as expense or income.

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

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

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables, due from Parent Company and container deposits (presented as part of other current assets), and security and electricity deposits and refundable cash bonds (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

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 when:

- the right to receive cash flows from the asset has expired;
- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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 pro-forma 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.

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

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

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

Fair Value Measurement
The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

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 consists of net amount of value-added tax (VAT) recoverable from taxation authority, deferred input VAT, prepaid expenses and container deposits.

VAT. The VAT recoverable from tax authority is net of output liability. 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.

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 input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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 year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Other Noncurrent Assets
Other noncurrent assets comprise of computer software, security, rental and electricity deposits and refundable cash bonds. These, except advance rental, qualify as financial assets and are disclosed under financial instruments.

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.

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

Electric Deposits. Electricity deposits are carried at cost less any impairment value, and will be refunded upon mutual agreement.

Advance Rental. Advance rental represents deposits made in relation to the lease agreements entered into by the Company. These are carried at cost less any impairment in value, and will be applied at the end of the lease term.

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. The cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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.

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

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

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.

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. 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 periods. A reversal of an impairment loss is recognized immediately in profit or loss.
Nonfinancial assets include property and equipment and computer software.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction from proceeds, net of tax.
Deposit for Stock Subscription. Deposit for stock subscription represents the deposit received by the Company from an entity, an existing stockholder, to subscribe for the portion of the increase in the Company's authorized capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 as issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as an account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
b. There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and
c. The application for the approval of the proposed increase has been filed with the SEC.

If the foregoing conditions are not met, the "Deposit for stock subscription" is presented as a liability.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period. Other comprehensive loss pertains to cumulative remeasurement losses on retirement liability.

Revenue Recognition

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

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

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

The deductions against gross sales pertain only to discounts and rebates granted to customers. Pursuant to paragraph 9 of Philippine Accounting Standard (PAS) 18, Revenue, revenue shall be measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts and volume rebates allowed by the Company.

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 Expenses 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.

Employees Benefit
Short-term Employee Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting 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 pro-forma 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 benefit 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.

Foreign Currency-denominated Transactions
Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

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 date.

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 can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting date 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
Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Events after the Reporting Date

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

Audited Results of Operations

Nine-month period ended September 30, 2016 compared with one-month period ended December 31, 2015

Revenues
The Company generated revenues of ₱8,062 million for the nine months ended September 30, 2016, representing net sales from April 1, 2016, the start of the Company's commercial operations under Wilcon Depot, Inc. Sales from the depots still made up the bulk of total revenues, accounting for 96.80%, while the home essentials comprised the remaining 3.20%. During the period, the Company opened two new stores in Molino, Cavite in April and Sta. Rosa, Laguna in September, both areas have seen remarkable growth in real estate development for industrial, commercial and residential purposes. These stores are expected to become significant contributors to total revenues in the future given the demographics of their locations.

Cost of Sales
Cost of sales for the period ended September 30, 2016 closed at ₱6,174 million, resulting in a gross profit margin of 23.42% for the two quarters of operations.

Operating Expenses
The Company's operating expenses closed at ₱1,537 million at the end of the two-quarter period. Manpower costs and rent expense comprised the bulk of the expenses, accounting for 56.93% of the total operating expenses. For the one-month ended December 31, 2015, operating expenses totaled ₱1 million consisting of taxes and licensing and professional fees.

Other Income/(Charges)
For the period, the Company generated a net other income of ₱31 million consisting of rent income from gondola lightings, façade billboards and display windows among others.

Income Tax Expense (Benefit)
Income tax benefit for the period netted out at ₱66 million. This consisted of current income tax totaling ₱127 million representing regular corporate income tax and a ₱193 million deferred tax benefit. The Company has no current income tax for the one-month period ended December 31, 2015 since it was in a loss position and will only be subject to the minimum corporate income tax in 2019.

Net income
Net income for the period ended September 30, 2016, as a result, reached ₱427 million for a 5.30% net profit margin.

Financial Condition

Assets

Current assets. Cash increased by ₱185 million or 370.00% to close at ₱235 million by the end of the six-month operating period, September 30, 2016 from the ₱50 million cash balance as at December 31, 2015. The ₱50 million cash balance in 2015 represented the initial equity infusion which was augmented by cash generated from the first six months of operations.

Trade and other receivables totaled ₱453 million, comprising 5.10% of current assets and representing trade receivables from customers, rental income for the use of façade billboards, signages and lighting and refundable deposits or advances to suppliers, among others.

Due from parent company are non-interest bearing advances for the working capital requirements of the parent company. All of the cash balances of the parent were transferred to the Company upon spin off. After the spinoff, the parent company's initial revenue source is the rent payment from the Company.
Merchandise inventories totaled ₱6,791 million comprising 71.54% of total assets and 76.51% of current assets.

Noncurrent assets. The Company's noncurrent assets totaled ₱617 million as at September 30, 2016, comprising 6.50% of total assets. Property and equipment account for more than half of the total noncurrent assets which consist of leasehold improvements, furniture and equipment among others transferred from the parent company.

Liabilities

Current liabilities amounted to ₱5,252 million comprised of short term borrowings of ₱504 million, current portion of long term debt of ₱258 million, trade and other payables of ₱4,472 million and income tax payable of ₱18 million. Current liabilities account for 82.44% of total liabilities.

Noncurrent liabilities totaled ₱1,119 million, representing long term debt of ₱714 million and retirement liability of ₱405 million from December 17, 2015 to December 31, 2015 since the Company has not started commercial operations.

Equity

Total equity amounted to ₱3,122 million representing capital stock of ₱50 million, deposit for future subscription of ₱2,656 million and retained earnings of ₱426 million. The parent company on April 1, 2016 subscribed 2,656 million shares of the Company in exchange for the trading or retail business of the parent, including the related assets and liabilities, amounting to ₱2,656 million. The subscription of shares and transfer of assets by the parent company was approved by the SEC on November 15, 2016.

LIQUIDITY AND CAPITAL RESOURCES

The Company's principal liquidity requirements are for both operating and capital expenditures which are comprised of inventory purchases, store improvements, logistical infrastructure and store network expansion among others.

The Company's principal sources of liquidity are from internally generated cash from operations and short-term bank loans. For the period ended September 30, 2016, the Company's total current assets of ₱8,876 million, of which cash and cash equivalents accounted for 2.65% or ₱235 million. This was against the Company's total current liabilities of ₱5,252 million, 85.49% of which, or ₱4,490 million, were non-interest bearing payables.

The Company expects a growth in its working capital due to increased sales and market share expansion. Moving forward, the Company expects to fund these requirements from its operating cash flows, borrowings and proceeds of the Offer. The Company intends to use a portion of the proceeds from the Offer to partially pay off debt financing arrangements and to support working capital requirements. See "Use of Proceeds" beginning on page 37 of this Prospectus.

The Company may also, from time to time, seek other sources of funding, which may include debt or equity financing, depending on its financing needs and market conditions. In the course of conducting its business, the Company has, and will continue, to incur short-term debt from several banking institutions.

The following table sets forth the selected information from the Company's audited financial statements of cash flows for the period indicated:

	Sept 30, 2016	**Dec 31, 2015**
	Nine Months	**One Month**
Net cash provided by operating activities	₱906	₱-
Net cash used in investing activities	(671)	-
Net cash provided by (used in) financing activities	(50)	50

Net increase in cash	185	50
Cash at beginning of year	50	-
Cash at end of year	₱235	₱50

Cash flows from operating activities

The net cash generated from the Company's operations for the period ended September 30, 2016 was ₱906 million which consisted of cash generated from operations of ₱1,015 million offset by income taxes paid of ₱109 million. The biggest contributor to the cash generated from operations was the increase in trade payables which reached ₱1,009 million for the first six months of operation. No cash was generated for the one-month period ended December 21, 2015 since the Company has not started commercial operations.

Cash flows from investing activities

For the period ended September 30, 2016, the Company's net cash used in investing activities comprising of purchase of store and office equipment and furniture and fixtures, computer software and advances to the parent company amounted to ₱671 million. The bulk of this amount is the advances to the parent company totaling ₱599 million which were funds already used by the parent company in its daily operating activities as of and from the cut-off date of the spin off. The cash balance of the parent as of the spin off cutoff date was transferred to the Company. These advances will be offset by rent payments of the Company to the parent.

Cash flows from financing activities

The net cash used in financing activities for the period ended September 30, 2016 totaled ₱50 million comprising mainly of payments of long and short term debts partly offset by cash transferred from the parent company.

Capital Expenditures

Pursuant to its business expansion, the Company will invest in the construction of new stores, warehouses, computers and information systems, logistical support systems, training facilities and transport equipment, among others.

The table below sets forth the components of the audited capital expenditures of Wilcon for the periods indicated.

(in ₱ millions)	**For the nine-month period ended September 30, 2016**	**For the one-month period ended December 31, 2015**
Building (Construction in Progress)	₱ -	₱ -
Store Improvements	-	-
Store & Office Equipment & Furniture, Computer Software	25	-
Total	**₱25**	**-**

The Company will use the net proceeds to fund capital expenditures that will support its store network expansion, improve existing stores, and overall achieve higher profitability. For more information on the capital expenditure plans of the Company, please see "*Use of Proceeds*" beginning on page 37 of this Prospectus.

The Company's capital expenditure plans are based on management's estimates and have not been appraised by an independent organization. In addition, the Company's capital expenditure plans are subject to a number of variables, including availability of financing on acceptable terms, the identification of new projects and potential acquisitions, and macroeconomic factors such as the Philippine's economic performance and interest rates. There can be no assurance that the Company will execute their capital expenditure plans as contemplated at or below estimated costs.

Contractual Obligations and Commitments

The following table sets forth the Company's contractual obligations and commitments as of September 30, 2016.

Principal Payments Due by Period *(in ₱ millions)*	**Contractual Obligations and Commitments**			
	Total	**2017**	**2018-2020**	**After 2020**
Interest-bearing loans and borrowings	1,476	868	569	39
Trade and other payables	short term- all within 2016	-	-	-
Lease Payables	-same-	-	-	-
Advances from related parties	-	-	-	-
Other long-term liabilities	-	-	-	-
Total	1,476	868	569	39

Debt Obligations and Facilities

Wilcon's total amount of audited short-term debt as of September 30, 2016 was ₱5,252 million which was comprised of short-term bank loans of ₱504 million, current portion of long-term debt of ₱258 million, trade and other payables of ₱4,472 million and income tax payable of ₱18 million. The total amount of long-term debt as of September 30, 2016 was ₱1,119 million which was comprised of long-term debt of ₱714 million and retirement liability of ₱405 million.

The following table sets forth Wilcon's total indebtedness as of the periods indicated:

	As of September 30, 2016	**As of December 31 2015**
Short-term liabilities	₱5,252	₱1
Long-term liabilities	1,119	-
Total..	₱6,371	₱1

Wilcon intends to repay, with proceeds from the Offer, existing indebtedness of up to ₱972 million relating to loans with terms over one year which were incurred primarily to fund working capital requirements given expanding sales revenue. See "*Use of Proceeds*" beginning on page 37 of this Prospectus.

BUSINESS

OVERVIEW

Wilcon Depot is the Philippines' leading home improvement and construction supplies retailer based on gross sales in 2015, according to a study conducted by University of Asia and the Pacific - Center of Research and Communication ("CRC") Foundation, Inc. in October 2016. The Company caters to the fast-growing segment of middle- to high-income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. The Company's complete spectrum of product offerings includes local and international brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, hardware and tools, furniture, furnishings and houseware, paints, appliances and building materials, among others.

The Company believes that its strong reputation and industry leadership is built on its extensive portfolio of high-quality brands and products, excellent customer service, highly trained sales personnel, and a carefully conceptualized store layout and design, which collectively provide a unique, convenient and comfortable shopping experience for its customers. The Company further sets itself apart from its competitors through its focus on the direct offering and distribution of its own exclusive brands and products.

The Company operates 36 stores nationwide and offers its products via two retail formats, namely the Depot store format and Home Essentials store format.

- *Depots*. The Company conducts its operations primarily through a format under the name "Wilcon Depot". As of September 30, 2016, the depot format accounted for 96% of the Company's revenues. Each Depot format store carries 90,000–200,000 SKUs and offers a broad variety of large-scale home and construction supply products. The net selling space of the Company's depot stores ranges from 2,800sqm to 31,000sqm, with an average net selling space of 9,500sqm. As of September 30, 2016, the Company had 30 depots located in all the major cities across the Philippines.

- *Home Essentials*. The Company also operates a smaller format known as "Wilcon Home Essentials". The Home Essentials format was launched in 2009 as a community store-type outlet aimed at customers who require easy access to a basic range of tools and materials for simple housing repair and maintenance. Home Essentials stores range in size from 1,000sqm to 5,200sqm with an average net selling space of 2,400sqm. As of September 30, 2016, the Company had 2 mall-based Home Essentials stores and 4 stand-alone branches for a total of 6Home Essentials stores.

For the nine months ended September 30, 2016, the Company's pro-forma revenues increased by 10.26% to ₱11,729 million from ₱10,638 million in the nine months ended September 30, 2015. Pro-forma net income for the nine months ended September 30, 2016 grew by 49.54% to ₱483 million from ₱323 million in the first nine months ended September 30, 2015. For the years ended December 31, 2015, 2014, and 2013, pro-forma revenues were ₱14,450 million, ₱13,596 million, and ₱11,862 million, respectively. Pro-forma net income for the same periods were ₱538 million, ₱40 million and ₱240 million, respectively.

HISTORY

Wilcon Depot was incorporated on December 17, 2015 to operate the home improvement retail businesses of the Belo family. It officially started operations on April 1, 2016.

Wilcon Depot traces its history to WC, formerly known as Wilcon Builder's Depot Inc. ("WBDI" or the "Group"), a leading home improvement and construction supplies retailer in the Philippines.

The Group, founded by Mr. William T. Belo, opened its first branch in 1977, a modest 60-sqm store carrying a variety of local brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, and hardware and tools. Mr. Belo gradually expanded the pioneer Wilcon branch as business picked up opening three more branches with an average area of 2,400 sqm from 1989-1995. In 2002, Wilcon established a store in Davao City, the Company's first store outside of Metro Manila.

In 2003, the Group incorporated WBDI and later that year launched its 6th store in Las Piñas, the first store utilizing the Depot format. At 10,000sqm., the Depot format was larger than their previous stores, which had an average size of 4,223sqm. Its product selection was more comprehensive and included more international brands and new product lines and categories such as furniture, furnishings and houseware, paints, and building materials, among others. Over the next 13 years, the Group rapidly expanded its operations with the opening of 27 more Depot format stores around the country.

In 2009, the Group incorporated Wilcon Home Essentials, Inc. ("WHEI") to operate small-format mall-based stores under the brand name "Wilcon Home Essentials". These community store-type outlets targeted customers that require easy access to a basic range of tools and materials for simple housing repair and maintenance. This concept was adopted by a few of the Group's old stores and subsequently applied to 3 more new stores from 2009 to 2013.

Over the years, the Group has garnered numerous awards and recognitions from its suppliers, cities and municipalities where its stores are located, and several organizations and associations. The following are some of its notable awards:

- 2015 – James Hardie Trailblazer Award
- 2015, 2014, 2013, 2012 – Ogills Pinnacle Awardee
- 2015, 2014, 2013 – Dewalt Tough Ten Award
- 2011 – Valenzuela City Top Job Provider
- 2008, 2007 – Philippine Retailer's Association Most Outstanding Retailer "Killer Category"
- 2008 – Dewalt Top Dealer
- 2007 – Kohler Top Sales
- 2005 – Mariwasa Siam Top Distributor

Aside from the above awards, Mr. William T. Belo, the founder and Chairman of the Group, received the prestigious Bossing Award from PLDT SME Nation and Go Negosyo in 2013.

CORPORATE RESTRUCTURING

In the course of expansion, several Group companies were organized for additional branches and store formats. WBDI was incorporated on December 15, 2004 for the larger store formats.

In 2012, the Group began consolidating its companies to achieve economies of scale and promote operational efficiencies.

On April 21, 2012, Cole Pacific Inc., Extenso Marketing Inc., Liberum Marketing Inc., and Vincit Marketing Inc. were merged into WBDI, the surviving entity. This was approved by the SEC on August 16, 2012.

On October 24, 2013, Wilcon Builder's Supply, Inc. ("WBSI"), WHEI, Lomarc Realty Corp. and WBS Realty & Development Corporation were merged into WBDI, the surviving entity. This was approved by the SEC on December 27, 2013.

On December 17, 2015, Wilcon Depot was incorporated as a wholly-owned subsidiary of WBDI to operate the Group's home improvement retail businesses. On April 1, 2016, WBDI transferred its retail business to the Company. The following transactions occurred in relation to the spin-off:

- The net assets comprising the retail business were transferred to Wilcon Depot. The land, intellectual property, and investment properties remained with WBDI, the Parent.

- The Company entered into lease agreements with its Parent for the lease of land assets used by its stores.

On November 11, 2016, the SEC approved the amendment to the articles of incorporation of WBDI changing its name to WC. It remains the parent company of Wilcon Depot.

As of the date of this Prospectus, all material transactions and agreements relative to the spin-off have been completed.

Wilcon Corporation ("WC" or the "Group", with respect to WC and all the related entities and subsidiaries incorporated for the purpose of conducting the principal business of the Group, as a whole) (Formerly: Wilcon Builders Depot, Inc.) spun-off all of its retail assets to, and consolidated all of its retail businesses under, Wilcon Depot, which is 99.06% owned by WC and is WC's sole subsidiary. Wilcon Depot was formally incorporated on 17 December 2015 and officially began its trading operations on April 1, 2016. However, Wilcon Depot's retailing business, which it acquired and inherited from WC, has been in existence for over 38 years. All of the figures presented and discussed in the appropriate sections in this Prospectus are figures pertaining to such retailing business. As a newly incorporated company, Wilcon Depot will be relying on the track record of its parent, WC, specifically in respect of its retailing business. In this respect, WC complies with the PSE's track record of profitable operations requirement, as follows: (i) a cumulative consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA), excluding non-recurring items, of at least ₱50 million for three full fiscal years immediately preceding the application for listing, (ii) a minimum EBITDA of ₱10 million for each of the three fiscal years, (iii) engaged in materially the same businesses and has a proven track record of management throughout the last three years prior to the filing of application. With WC's EBITDA of ₱1,194 million, ₱521 million, ₱741 million for 2015, 2014, and 2013, respectively, the Company's parent company is in full compliance with the financial requirements. Moreover, the retailing business has been operating since 1977 and has had a proven track record of management since then.

The corporate restructuring has brought operational and administrative efficiencies such as reduction in administrative overhead.

WC and the Company have not been subject to: (i) any bankruptcy, receivership or similar proceedings or (ii) any material reclassification, merger (other than as a surviving entity) consolidation of purchase or sale of significant amount of assets.

The BIR issued the corresponding Certification dated 26 January 2017, docketed as SN-001-2017, confirming that the above-described restructuring is not subject to income tax/capital gains tax/expanded withholding tax and donor's tax.

COMPETITIVE STRENGTHS

The Company's key competitive strengths include:

Industry leader in the booming home improvement sector in the Philippines

As the leading player in the home improvement retail industry, the Company is well-positioned to take advantage of the continued growth opportunities and positive outlook of the Philippine home improvement sector. According to CRC, the home improvement industry is expected to sustain its growth for the next five years supported by household spending growing at least 6% per annum. The home improvement sector is also expected to benefit from the growth in the construction and housing market. In the same study by CRC, the country's construction sector's growth can be traced to the respectable performance of the private sector where it grew at an average rate of 5.3% from 2009-2015 compared to the public sector growing at an average of 3.9% for the same period. Furthermore, since 2008, the total floor area for residential construction has been robust posting an average 7.6% year-on-year growth. This is also backed by the pressure to increase housing production to close the housing gap of 4-million units as well as the steadily increasing incomes of Filipino families. Any efforts to close the housing gap shall positively affect the companies in the industry.

According to data consolidated by CRC, in 2015, the Company was the leading depot in terms of sales amounting to ₱15 billion. As of September, 2016, the Company has a store count to 36 stores. In terms of geographic concentration, the Company has 17 stores in Metro Manila as of September 30, 2016. Revenues in this area grew year-on-year by 10% in September 30, 2016. Its established presence in this area gives the Company a strong foothold in the Philippine home improvement sector.

Well-recognized brand and a favored retailer offering a wide selection of home improvement products

Being an industry player for over 40 years, the Group has built a successful Wilcon brand name that resonates as a one-stop shop and a favored destination for customers' home improvement needs. The Group's strong reputation and brand equity can be attributed to its ability to offer a broad array of high-quality local and international brands and products. The Company carries over 2,000 brands across various product categories with the larger Depot format carrying approximately 90,000-200,000 SKUs and the Home Essentials format carrying approximately 30,000-50,000 SKUs. The Company is also an exclusive distributor of a number of renowned international brands. Its extensive selection of brands and products continue to address different customer needs and preferences in price, style, and quality.

Aside from being recognized for its wide selection of products, the Company's brand has also become associated with convenience and comfort. The Company has designed its stores to provide a comfortable atmosphere that enhances the customer's shopping experience. The Company offers free parking, ample ventilation and air-conditioning, well-lit shopping areas, a coffee shop or snack bar, and a uniform easy-to-navigate store layout in all its stores. The Company continues to ensure the completeness of these features in its stores to maintain customer satisfaction and loyalty.

Excellent customer service, through highly-trained sales teams and design consultants, and reliable after-sales support

The Company sets itself apart by the quality of its and people and believes that this positively impacts the shopping experience of its customers. Wilcon Depot ensures that they are properly trained to be knowledgeable about all the products and are aware of the latest design trends and consumer behavior. They also have the ability to understand and address customer requirements quickly. Moreover, its sales persons are fully-equipped with superior design and product knowledge and experience. This enables the Company's customers to enjoy the convenience of dealing with a single sales person, who is prepared to respond to all their needs and queries. Wilcon Depot also hires design consultants who offer very personalized assistance. They are able to identify or suggest the best specifications based on a customer's requirements and preferences. Each Wilcon store has a "design hub" where customers can provide the design consultants a floor plan to design. These consultants utilize a 3D software program that can reconfigure a customer's floor plan and populates it with a select range of Wilcon Depot's products in any available type, color, pattern, or feature to help the customer achieve the desired design before purchasing. Moreover, the software can conveniently calculate the number of tiles needed and the total purchase price for the chosen items, among others.

Quality customer service is also met by the Company's reliable and efficient after-sales support which is ready to address customer concerns in a timely manner. Wilcon Depot offers full warranties and a 30-day return policy for its products.

Wilcon Depot continuously finds ways to improve its customer service. It recognizes that customers' preferences and expectations are constantly changing; hence, customer surveys are regularly conducted to gather timely feedback and measure satisfaction. These surveys have effectively assisted Wilcon Depot in anticipating and meeting customer demands and expectations.

Solid long-term business relationships with its key suppliers

The Group sources its products from over 400 local and foreign suppliers and has been dealing with most of them for an average of 25 years. The Company's scale of inventory procurement enables it to develop and maintain substantial long-term relationships with its suppliers. This has benefited in terms of lowering costs, sourcing exclusive products, and obtaining products that are in short supply. Furthermore, the Company actively collaborates with its top suppliers to further improve the quality of their products.

The Group's long-standing relationship with its suppliers is valuable to its ability to deliver an extensive selection of value-for-money products that are competitively priced. It also signifies their trust in Wilcon Depot's strong management, solid business model, and robust sales network.

Strong portfolio of in-house brands

The Group has a proven track record of successfully developing its own brands. As of September 30, 2016, it has 16 in-house brands across various product categories which are produced by foreign original equipment manufacturers. In order to ensure the quality of its in-house brands, the Company's quality control teams oversee the manufacturing process and conduct product inspections at the manufacturing facilities. Among its popular brands are Pozzi and Crown Sink for plumbing and sanitary products, Arte Ceramiche, Sol, for tiles and flooring, Heim, and Heritage for furniture and houseware. These in-house brands translate to higher margins and remain the highest revenue contributor of the Company.

Through its 40 years of experience, the Group has developed an excellent grasp of the home improvement industry, giving it the ability to determine exactly the needs of the market and the knowledge to develop new products to fit such needs, and adapt to any changes in customers' tastes and preferences. Furthermore, the Company has a strong ability to bring its products to market using innovative marketing strategies. Its marketing programs are developed by a highly experienced in-house marketing team. To promote its in-house brands, the Company utilizes extensive marketing campaigns, brand communication campaigns, and advertising campaigns above and below the line, via all media platforms such as digital, traditional newspaper, magazine, billboards, television and radio. It continuously collaborates with industry professionals, academe and institutional resource persons. The Company's ability to develop new products and successfully bring them to market allows the Company to further segment each product category and tailor it to consumer preferences and prevent product commoditization.

Dual-format with wide array of products, efficient and scalable business model positioned for further expansion

The Company's ability to achieve a strong track record of growth has largely been due to a business model that emphasizes the following: (1) a dual-format offering Depots and Home Essentials; (2) strategic store locations, (3) wide-variety of products and brands, and (4) efficient and scalable operations. The Company believes that this business model differentiates it from its competitors and places it in a position to achieve further expansion.

The Company's stores are strategically-located to be able to maximize coverage and penetration of its targeted market segments. The Company offers a specific store format with distinct products and brands that are suitable for different localities such as in commercial areas or residential areas. In terms of location, the Company assesses through informal market research whether a proposed store will be within the catchment area of, and easily accessible by, its target customers. The Company believes that its careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

Highly experienced management team

The Company is led by an experienced and dedicated management team with a proven track record of success. Members of the management team have an average of over 20 years of industry experience, particularly in the retail, home improvement and construction industries. Some of its members have garnered recognition and awards. Mr. William T. Belo, the Chairman and President, was a recipient of the 2013 Bossing Award given by PLDT SME Nation and Go Negosyo. The succession planning efforts of Mr. Belo has been evident as seen in the active involvement of his children, Lorraine Belo-Cincochan, Mark Belo and Careen Belo, in the Company's day-to-day operations. The children hold positions in the Board and senior management and have a combined 40 years of experience in the Company.

The management has effectively led the Company both through times of strong economic development and through periods of economic downturn and political instability. The Company's key officers and executives' market experience and knowledge in the retail industry, and the business relationships they have developed with suppliers and customers will continue to benefit the Company in the long run.

The Company also puts emphasis in developing high potential employees into future leaders for the Company through structured training programs (i.e. leadership trainings, career management programs, in-house soft and technical skills trainings) that equip its management trainees and supervisors with leadership and management skills, sales, marketing, customer service skills and other core values that are important to the Company.

Customized and integrated management information systems that optimize inventory control, product assortment, quality and pricing

The Company has a customized and integrated management information technology system that allows real-time monitoring of critical business information from merchandising, inventory and point-of-sale (''POS'') data to customers, to financial management systems and business intelligence software. This system allows the Company to improve its operational efficiency and adjust product offerings in line with market demand based on the sales data accumulated by such systems. As a result, the Company's management information system is a powerful enabler to the Company's growth, providing an in-depth understanding of local demographics and ability to respond quickly to changing consumer preferences. In addition, its effective inventory and operational management has allowed it to keep optimal stock levels, minimize operating expenses and losses resulting from overstocking or inventory write downs.

KEY STRATEGIES

In order to drive sustainable growth, the Company continues to pursue the following strategies:

Expand store network in dominant markets and penetrate fast-growing cities

The Company shall solidify its presence in existing markets and expand its foothold in fast-growing cities through the expansion of its store network. Wilcon Depot plans to expand its store network in key locations and fast-growing emerging urban centers over the coming years, particularly in the Visayas and Mindanao regions. Wilcon Depot shall focus on the growth of its depot format and expects to open 8 stores in 2017 and targets a total of 29 new stores in the next 5 years. This is in line with the Company's objective is to remain as the leading home improvement retailer in the Philippines.

Continue to appeal to existing customers and attract new customers

The Company intends to continue to improve and renovate existing stores by upgrading them to address the changing needs and preferences of customers and enhance their overall shopping experience. These efforts include, among others, remodeling store layouts by optimizing and/or expanding the sales floor areas of existing stores to further improve the visitor traffic, optimally positioning promotional items and continually maintaining and upgrading store decor. These efforts constitute the Company's desire to maintain and strengthen customer satisfaction and loyalty.

Further strengthen synergies with suppliers and other strategic business partners and customers

The Company plans to further strengthen its strategic partnerships and other business relationships with its suppliers and other business partners, such as institutional contractors. The Company intends to do this by raising brand awareness and supporting their growth strategies. To further build its relationship with its customers, the Company plans to provide customer loyalty incentives to be able to further strengthen its market position.

Leverage extensive product portfolio, market leadership and purchasing scale

The Company shall build upon its market leading position in various home improvement product categories. It will do so by developing and optimizing the product range and brand offerings to meet customer expectations. Because of its purchasing scale, the Company would continue to achieve competitive cost prices and develop long-term supplier relationships. It will further utilize its scale and expertise in sourcing and logistics to be able to provide value for money and a wide choice of products to its customers in an increasingly competitive market, while at the same time protect its overall profit margin.

Increase focus on continuous introduction of in-house and exclusive brands

The Company will continuously introduce in-house brands and exclusive brands which will further enhance the Company's selection of product offerings. As a market leader, the Company is in a unique position to take advantage of the market knowledge and expertise it has to gather and analyze customers' needs and behavior in order to expand its in-house and exclusive brand offerings and price them competitively. The Company shall continue to capitalize on the strength of its brand to identify trends and opportunities in the market.

Improve operating efficiencies through streamlining logistics and cost-engineering

The Company is focused on increasing the efficiency of its existing operations and implementing targeted cost-saving initiatives in its businesses. Such initiatives include the following:

- Decentralization of the deliveries per store
- Implementation of an express check-out counter dedicated to small purchases in all stores and the special counters devoted to the processing of customers' advanced product orders for store pick-up, thereby improving the speed and service level towards the customers.
- Implementation of a queuing system that tracks the efficiency of service from customer order to preparation of goods to cashier up to releasing of goods.
- The usage of a mobile digital platform that focuses on improving service flow through optimum use of both human and technological resources
- Outsourcing of the delivery and distribution services through a professional logistics company

The Company is also able to leverage its economies of scale to further rationalize its logistics costs. Realizing savings through cost reduction initiatives will improve the Company's profit margins and enable the Company to continue growing its portfolios of brands and products.

Further strengthen and increase brand awareness and visibility

The Company will continue to elevate brand awareness through advertising and marketing schemes. It will continue to tap various media outlets such as television, radio, newspapers, billboards, and social media to enhance customer's awareness of the Company's products and services. Moreover, the Company will continue to use brand ambassadors that would best represent the Company's products and brands. The

Company will also continue to actively participate in industry associations and trade conventions related to the construction and home improvement industry in order to increase its brand visibility. By doing so, the Company will be able to grow its target market and further strengthen its brand name.

BUSINESS OPERATIONS

Overview

The Company operates two types of store formats, namely "Wilcon Depot" and "Wilcon Home Essentials". As of September 30, 2016, the Company has 30 Wilcon Depot stores with an aggregate net selling space of approximately 250,000 sqm and an average selling space of approximately 9,500 sqm, and 6 Wilcon Home Essentials stores with an aggregate net selling space of approximately 14,000 sqm and an average selling space of approximately 2,400 sqm. These stores are located in 17 cities and 17 municipalities across the Philippines. In the first nine-month period ended September 30, 2016, the Company opened 2 additional stores, beginning with their new branch in Molino, Cavite which opened in April 2016 and in Sta. Rosa, Laguna in September 2016.

The Company has designed its stores to provide a comfortable atmosphere that will enhance the s customers' shopping experience. The Company's stores offer facilities such as free parking, ample ventilation and air-conditioning, well-lit shopping areas, a coffee shop or a snack bar, and a similar easy-to-navigate store layout in all its stores. The Company continues to ensure the completeness of these features in all of its stores to keep customers satisfied.

The following chart shows the Company's stores as of September 30, 2016:

Store format	Store location	Year opened	Area (sqm)
Depot	Quezon Ave., Quezon City	1977	4,933
	Matina, Davao City	2002	7,982
	Alabang Zapote Rd., Las Piñas City	2003	10,190
	Edsa A. Samson, Quezon City	2004	31,074
	E. Rodriguez Jr. Ave., Quezon City	2004	19,553
	Chino Roces Ave., Makati City	2005	5,587
	Mindanao Ave., Quezon City	2005	8,120
	Filinvest Coporate City, Muntinlupa City	2006	11,792
	Gapan-Olongapo Road, Mexico, Pampanga	2008	9,467
	San Rafael, Tarlac City	2008	6,233
	Dr. A. Santos Avenue, Parañaque City	2008	6,743
	Mabalacat, Pampanga	2008	8,791
	Commonwealth Ave., Quezon City	2009	8,977
	Dolores City Of San Fernando, Pampanga	2009	2,800
	National Road, Calamba City, Laguna	2009	5,587
	Manila East Road, Taytay, Rizal	2009	4,119
	Alangilan, Batangas City	2010	6,004
	Baliwag, Bulacan	2010	6,135
	Antipolo City, Rizal	2010	6,847
	Dasmariñas City, Cavite	2011	8,001
	Buttong, Laoag City	2011	8,216
	Talisay City, Cebu	2012	14,108
	Kawit, Cavite	2013	7,328
	Mandaue City, Cebu	2013	5,708
	Dalandanan, Valenzuela City	2013	5,208
	Pasong Tamo Extension, Makati City	2015	9,500
	San Pablo City, Laguna	2015	9,652
	National Highway, Pangasinan	2015	7,300
	Molino, Cavite	2016	9,311
	Sta. Rosa, Laguna	2016	10,695

Store format	Store location	Year opened	Area (sqm)
Home Essentials	Edsa, Quezon City	1989	5,200
	Malibay, Pasay City	1994	1,500
	Mindanao Ave., Quezon City	1995	1,500
	Alimall, Cubao, Quezon City	2009	1,800
	Visayas Ave., Quezon City	2012	2,800
	Sampaloc, Manila	2014	1,600

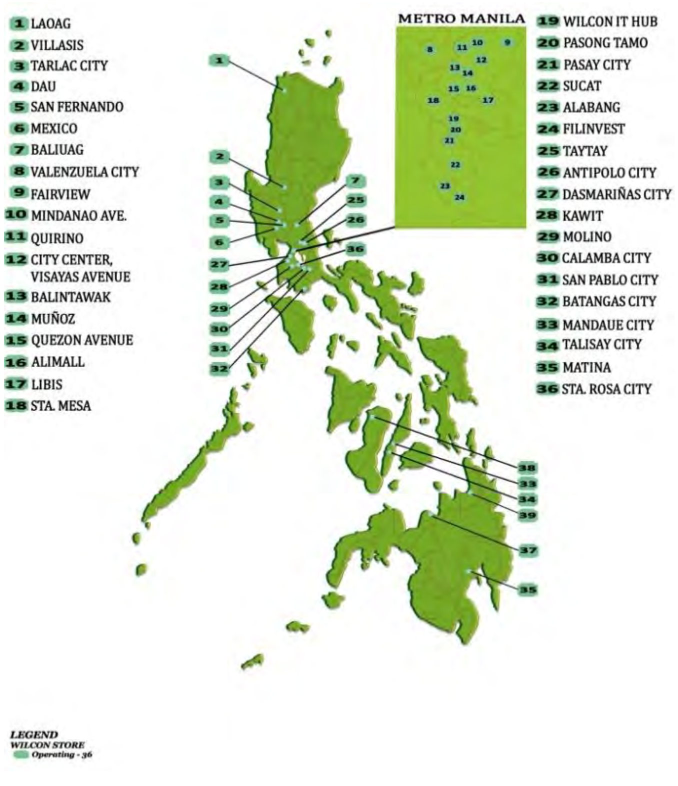
Store Location

The table below shows the breakdown of the Company's store location throughout the Philippines as of September 30, 2016:

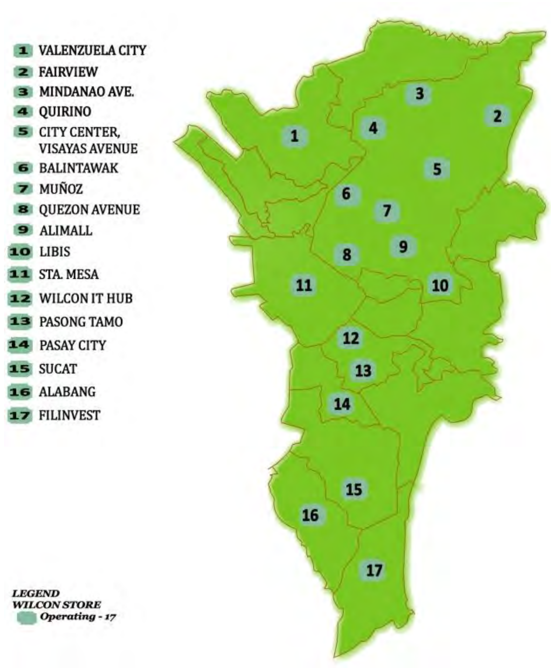
Store format	Region	Number of stores
Depot	Metro Manila	11
	Luzon	16
	Visayas	2
	Mindanao	1
Total Depot		**30**
Home Essentials	Metro Manila	6
Total Home Essentials		**6**

In the first nine months of 2016, the Company has built two (2) stores. As part of its expansion plans, the Company plans to open eight 8 stores in 2017.

The following map shows the location of the Company's existing stores throughout the Philippines as of September 30, 2016.



The following map shows the location of the Company's existing stores throughout Metro Manila as of September 30, 2016.



Store Format

The Company's principal store formats are the depot and the Home Essentials formats.

Depots

The Company conducts its operations primarily through a depot format known as "Wilcon Depot". WDI offers a variety of large-scale home improvement and construction supply products. Each Depot format store carries 90,000–200,000 SKUs and offers a broad variety of large-scale home and construction supply products.

WDI customers are consumers in the middle to high-income class. These retail customers are those individual homeowners who are building new homes or renovating existing homes and institutional accounts including independent contractors and property developers.

As of September 30, 2016, the Company has 30 depots located in all the major cities across the Philippines. The net selling space of the Company's depot stores ranges from 2,800sqm to 31,000sqm, with an average net selling space of 9,500sqm., as of September 30, 2016. Wilcon Depot store formats contribute approximately 96% of the Company's revenues.

Wilcon Depot branch in Libis, Quezon City

Home Essentials

On December 2009, the Company began operating branches under the "Wilcon Home Essentials" store name. The Company has 6 Home Essentials stores, which are mostly located in the Metro Manila area. These stores offer mainly replacement household and do-it-yourself ("DIY") products. The Home Essentials stores have a store layout similar to the Company's depot stores but on a smaller scale. Wilcon Home Essentials stores generally cater more to communities who require easy access to simple tools and materials for housing repair and maintenance. The net selling space of the Company's Home Essentials stores ranges from 1,500sqm to 5,200sqm, with an average net selling space of 2,400sqm as of September 30, 2016. Wilcon's Home Essentials store formats contribute approximately 4% of the Company's revenues.

Wilcon Home Essentials branch in Mindanao Avenue, Quezon City

Store Selection

Through the years, the Company has been able to successfully acquire prime locations across the Philippines for both its existing and planned stores.

The Company considers the following factors to evaluate potential locations for its Depot and Home Essentials stores:

Number of households. The catchment area for potential stores should have at least households, and a significant presence of horizontal residential developments or subdivisions.

Household segmentation. Significant presence of families within income classes A and B. These income classes have an average monthly income per household that ranges from ₱100,000.00 to above ₱ 250,000.00 per year as determined by the 2012 Family Income and Expenditure Survey ("FIES").

Existing commercial activity. There should be some presence of large or medium format businesses such as shopping malls and supermarkets.

Competition. The presence of retailers with similar product mixes and categories such as hardware shops and home improvement depots is heavily considered.

Labor force. There should be a sufficient labor force present to construct, operate and maintain the store.

Utilities. Utilities must be available at a reasonable cost.

Real estate. Land and buildings must be available at a reasonable cost.

Local governmental support. The local government's outlook on the proposed development should be supportive.

Security. The city or town must be stable and secure.

The Company's business development team, headed by Mr. William T. Belo, is responsible for selecting the locations for new stores. The Company ensures that the locations for the new stores provide a strategic fit for the Company's store expansion plans.

The construction of a new store takes around 6 to 8 months. After the construction of the store is completed, the operations team, through the help of the merchandising team will set up the store based on a templated design layout of the merchandise. Racking systems, vertical displays and vignettes are installed for products that need presentation. The operations and merchandising teams also determine a checklist of store equipment, furniture, supplies, and merchandise support prior to beginning the operations of the store.

Products

Wilcon Depot offers large scale home improvement and construction supply products across all product categories.

While Wilcon Home Essentials carries some product categories found in Wilcon Depot to a limited extent, it focuses more on the offering of replacement household do-it-yourself products.

Product Categories and Brands

Wilcon offers a broad range of products grouped into major product categories namely plumbing and sanitary hardware and tools, tiles and flooring, electrical and lighting, furniture, furnishing and houseware, paints, appliances, and building materials. As a matter of competitiveness, the Company continues to develop new products and services for its customers as seen in the launching of several in-house and exclusive products in the past.

The table below enumerates the list of major product categories and its products.

Product Category	Description
Plumbing and Sanitary wares	Over 1,100 products that include bath and shower mixers, bath fillers, faucets, shower, water systems, bath tubs, bidet, bowl, lavatory, pedestal, shower enclosure, urinal, watercloset and other accessories.
Hardware and Tools Products	Products such as door essentials, hand tools and hardware accessories, pipes, sundries, power tools and hand tools are found in this category.
Tiles / Flooring	Consists of locally made tiles and tiles from different countries such as China, Indonesia, Italy and Spain. Tiles are available in different sizes and different types such as ceramic, glass block, porcelain, and vinyl.
Electrical and Lighting	Includes electrical accessories and supplies, lamps, wiring devices, LED and lights.
Furniture, Furnishings and Houseware	Furniture products include those found in the bedroom, dining, kitchen, living room, office, and outdoor. Products include decorative items, organizers, wall hang decors, curtains, and blinds.
Paints	Provides a wide range of paints for different surface types.
Appliances	Products include air cooler, air conditioner, electric fan, entertainment appliances such as television, CD/DVD player, amplifier, kitchen appliances, washing machine, vacuum cleaner.
Building Materials	Products include building decors and supplies, ceiling and wall, floor and roofing.

Among the major product categories, plumbing and sanitary products and tiles and flooring products have the highest contribution to sales. For the nine-month period ended September 30, 2016, these accounted for 60% of Wilcon Depot's sales.

The Company carries over 2,000 brands across the different product categories translating to 80,000-300,000 SKUs. The Company further classifies these brands as follows: (i) in-house brands owned by the Company, (ii) exclusive international brands that are solely distributed by the Company, and (iii) other international and local brands that are not exclusively distributed by the Company.

The table below enumerates the list of major product categories and select brands under each brand classification.

Product Category	In-House Brands	Exclusive International Brands	Other Brands
Plumbing and sanitary products	Pozzi, Sefa, Kash, Crown Sink	Grohe, Franke, Kohler, Prussia	HCG, Toto, American Standard, Lotus
Hardware and Tools Products	Direct Hardware	Rubi, Baldwin,	Blum, Dewalt, Campbell, Stanley, Yale
Tiles / Flooring	Arte Cermiche, Sol Ceramica, Verona Tiles, Picasso Romantic	HQ Tiles, Roman, Ceramica Castelvetro, Gardenia Orchidea, Nocabell, Grespania, Inalco, Keratile, Oset	Apo, KCC, Kent Floors, Kronotex, Mariwasa, Tenzen, Hornitex
Electrical and Lighting	Alphalux, Kaze	Macroair	Philips, Panasonic, Firefly, GE, Osram, Hayes, Duraflex
Furniture, Furnishings and Houseware	Heim, Heritage	Natuzzi Editions, Bull	Wellmax, Chapin, Homz, Sleep Innovations, Charboil
Paints	N/A	N/A	Boysen, Davies, Rain or Shine, Destiny, Nippon
Appliances	Heritage	Ariston, Franke	Carrier, Condura, Fisher and Paykel, GE Appliances, La Germania, Samsung, Whirlpool
Building Materials	Forest Products, Woodland, Solutherm	N/A	Black and Decker, Novtek, Stone Works, Matwood, Knauf

Among the brand classifications, in-house brands have the largest contribution to the Company's sales. On average, it also has the highest margins compared to exclusive international brands and other brands it offers.

Product and Brand Selection

The Company undergoes periodic evaluation and review of the brands and products it carries. It takes advantage of the available information it has on fast- and slow-moving items, customer feedback, and product quality concerns, among others, to optimize its product mix, as well as explore new product types and categories.

The Company attends major local and international trade fairs and conferences annually to keep abreast with the latest products and trends in the global market. Further evaluation and market study is conducted to assess whether potential new products and brands would appeal to the Philippine market. The Company considers pricing, quality, and style in the selection of new items to bring in to its stores.

Quality Control

The Company's products are chosen and maintained with strict adherence to market-driven standards. The suppliers of products, particularly the high-margin, exclusively-distributed and in-house brand lines are chosen based on a set of market-based criteria, including the supplier's reputation and integrity and quality of products supplied. For in-house brand lines, the Company sends its personnel to visit the manufacturing facility to conduct quality inspections. Strong business relationships based on unfailing adherence to contract terms, agreed specifications and reasonable flexibility to address contingencies are developed by the Company with their suppliers to ensure consistency in quality of products delivered. In the event that there is a delivery of a product with wrong specifications or a quality-related complaint, the Company conducts various investigations and follow-up procedures to immediately address the issue.

Pricing

The Company's pricing model is designed to achieve significant competitive advantages by setting competitive prices in each product category. The Company's pricing model allows it to make higher quality products more affordable for customers, which encourages customer satisfaction and loyalty. The Company's regular pricing policy determines the selling price on the basis of cost plus a pre-determined profit margin. The Company also looks to its competition to ensure competitive pricing. It uses prices of competitors as a benchmark for pricing and prices its products at par or below. To ensure optimal pricing, the Company conducts a pricing review every month.

The Company engages in pricing strategies that aims to further strengthen its customer base, customer satisfaction and loyalty. Wilcon Depot regularly offers short-term promotions wherein it sells products at a lower price than its standard selling price. Furthermore, to entice its current and new customers, the Company occasionally bundles several items at a lower cost than if purchased separately. In the event that there are slow-moving items, overstocked items or end-of-season items, the Company imposes a price mark down to clear them from inventory.

Customers

Target Customers

Wilcon Depot's customers comprise homeowners from middle to high-income households, whose buying patterns are driven by new home construction, renovation, repair, maintenance, and other types of home improvement needs. Wilcon Depot also caters to independent contractors and project developers who require construction and building materials.

Customer Segments

The Company believes that its stores can address the needs of all of its customers through its wide product range from exclusive brands from local and domestic suppliers, and its own in-house brands.

The Company divides its customers into two categories:

- *Retail consumers (Income Class A and B)* – These consumers belong to households that have an average monthly income of ₱100,000 and above, according to the 2012 FIES cited by CRC in their study. Majority of the Company's revenues are generated from its retail consumers.
- *Institutional accounts* – Consisting of independent contractors and property developers. The Company generates a small portion of its revenue from institutional accounts.

Loyalty and Rewards Program – Wilcon Loyalty Card

Wilcon Depot launched its Wilcon Loyalty Card program in 2011. It is a loyalty and rewards program offered by Wilcon Depot to all its customers free of charge. Registered members can accumulate points based on the amount and quantity of their purchases from any Wilcon Depot branch. The accumulated points can be converted into its equivalent monetary value based on the program and redeemed by the Member. From a membership of 89,118 in end-2011, it has now grown to approximately 450,147 registered active members as of September 30, 2016.

Suppliers

The Company has over 400 local and multinational suppliers. Its major suppliers include Mariwasa Siam Ceramics, Inc., Hocheng Philippines Corp., and Lixi Philippines Ltd., all of which are local.

The Company purchases goods on a per order basis through purchase orders issued to suppliers. These purchase orders become the binding contracts between and among the Company and its suppliers. A purchase order provides the supplier details, terms of payment up to 60 days, discounts, entry date of order, delivery date and cancellation date, if any, SKU and description of products. For additional details of the Company's agreements with suppliers, see "Material Contracts" on page 158 of this Prospectus.

Consignors

Consignors operate within the selling area of Wilcon Depot and Wilcon Home Essentials stores and occupy an average of 30% of the total selling area. The Company charges a pre-determined mark-up on a consignor's cost on its products as its margins. For additional details of the Company's agreements with consignors, see "Material Contracts" on page 158 of this Prospectus.

Marketing and Advertising

The Company's marketing and advertising strategy aims to strengthen brand awareness, increase market share, facilitate entry into new markets, and deepen customer loyalty. In order to do so, the Company engages in promotions and offers outright discounts and short-term sales promotions from 1 to 3 days spread throughout the year. It also implements a loyalty and rewards program through the Wilcon Loyalty Card and through its partnership with RCBC Bankard.

For advertising, the Company utilizes various advertisements such as print, broadcast and social media. The Company has been engaging famous personalities to act as Wilcon brand and their personal testimonials as loyal customers of Wilcon Depot are published in magazines and newspapers. The Company also participates in national and regional exhibits and conventions, and direct sponsorship of related industry events, campaigns and programs to increase market visibility. In addition, the Company also participates in annual regional conventions as an exhibitor such as the Cebu Construction Convention, Davao Construction

Convention, Worldbex Exhibition, United Architects of the Philippines, and the Asia Pacific Retail Conference Convention and Exhibition.

Inventory and Logistics Management

Inventory Management

The Company utilizes a POS inventory system to coordinate its procurement activities and movement of its inventory. The system provides vital information to top management decision making in the rationalization of merchandise mix and the elimination of product redundancy. Store managers, store personnel and other personnel are also able to perform in-store operations such as inventory

As of September 30, 2016, the Company has four warehouses located in (i) Montalban, Rizal, (ii) Balintawak, Quezon City, (iii) Mexico, Pampanga, and (iv) Talisay, Cebu. Each sales outlet also has storage space for stocking products. All merchandise stored in the Company's warehouse is being monitored by the Company's information system. Items for replenishing are identified at regular interval. The Company's procurement team places orders with the relevant suppliers on an as-needed basis to ensure timely replenishment of merchandise sold. The Company performs stock take periodically as a control measure to ascertain the existence of the inventory. Wilcon Depot also checks its warehouse inventory on a monthly basis for damaged or obsolete inventory, including products returned from stores which are not in saleable condition. The Company then prepares monthly reports on its warehouse inventory, which include information on inventory levels and value. This allows the Company to regularly assess the sales performance of its inventory and to identify slow-moving inventory or products it no longer plans to offer at its sales outlet.

Logistics

The Company's efficient and scalable operations are enhanced by outsourcing various logistics and distribution functions to third parties, which the Company believes allows it to expand its store network rapidly while lowering its operating costs.

Replenishment of the Company's inventory is provided through direct store deliveries from suppliers for urgent requirements or deliveries to the Company's warehouses for regular restocking. Furthermore, the Company increasingly benefits from economies of scale in purchasing, merchandising, advertising and promotions and personnel costs. As the Company expands, its broad network of operations enables it to attract highly regarded concessionaires, negotiate favorable contract terms and establish close relationships with concessionaires and suppliers.

Information Technology Infrastructure

The Company currently utilizes an Enterprise Resource Planning solution by Infor which offers flexibility in operations, technology, and scale and is utilized by all stores. Infor empowers the organization to adapt to changing business needs. It provides flexibility in managing mixed-mode and complex environments and provides valuable data for customer sales and services, financial management, supply chain management, equipment management and controls. In addition, the Infor system allows interfacing with third party systems which provides the Company flexibility and functionality.

The Company also uses a POS that runs in the Microsoft Windows platform which is integrated with the Infor solution to facilitate seamless data convergence. In turn, this data is then translated through the Manthan Systems BI or Business Intelligence solution as a platform for business analysis and reports.

Insurance

The Company maintains the following types of insurance policies: vehicles insurance, fire, earthquake and flood insurance. The Company's insurance providers include QBE Seaboard Insurance Phils. Inc. and Malayan Insurance Company, Inc. The Company's insurance policies are generally renewable annually.

The Company considers that its insurance coverage is consistent with industry practice and is adequate for its business operations. From time to time, the Company reviews and assesses its risk and adjusts its insurance coverage as appropriate. As of September 30, 2016, the Company had not made nor had been subject to any material insurance claims and / or product liability claims.

Employees

As of September 30, 2016, the Company has 2,016 direct employees. The following table sets forth the breakdown of the Company's employees by function as of September 30, 2016:

Function	**Number of Employees**
Rank and File	1,537
Key Management, Managers and Supervisors	479
Total	**2,016**
Contractual	312
Probationary	99
Regular	1,605
Total	**2,016**

The rank and file employees of the Company are subject of a collective bargaining agreement effective until May 11, 2020. At present, no employees are on strike, or have been on strike in the past year or are threatening to strike.

The Company expects to hire new employees within the next 12 months subject to prevailing market conditions and the successful implementation of the Company's planned store network expansion.

Personnel Training

The Company aims to foster a strong sense of responsibility in a motivating environment to enhance its employees' incentives and loyalty. The Company conducts various trainings for different levels of staff, including trainings tailored to specific job duty, such as trainings on product knowledge for sales personnel. Staff remuneration typically comprises basic salaries and overtime allowance.

The Company has put in place a Leadership Enhancement and Development (LEAD) Program for all Managers and Supervisors conducted by external consultant. The LEAD Program is designed to equip managers and supervisors with leadership and management skills towards peak performance.

The Company also implements a Career Management Program (CMP) in order to ensure the continuous supply of competent key officers within the organization. This enables employees to realize their career aspirations through career development plans and interventions. To support the company's expansion plans this program was created identifying the critical posts or positions in every branch and the selection of high potential candidates. The candidates are place in the career management pipeline for future needs of the company. This program also allows for lateral transfers for employees who wish to learn new skills in other departments.

Sub-Contractors

The Company subcontracts the following services: janitorial, security, logistics and sales and promotions. As of September 30, 2016, the Company had 480 sub-contracted personnel.

Properties

The Company does not own real estate. It entered into lease agreements with WC and other third parties, to lease the land and/or buildings where its stores and warehouses are situated. For a more detailed discussion of the lease agreements, please refer to sections "Material Contracts" / "Related Party Transactions" on page 158/163 of the Prospectus.

The Company plans to enter into new leases in the next 12 months. The Company intends to continue to lease appropriate real estate properties that meet the Company's standards and requirements.

As of the date of this Prospectus, the Company's movable property consisted of computer software, furniture, and office and store equipment. In addition, the Company owned motor vehicles, including delivery trucks used to transport goods between stores or to and from the warehouse, motorcycles used by messengers for couriering documents between stores and cars used to service certain employees.

Intellectual Property

Wilcon Depot uses its other brand names and trademarks under a Trademark Licensing Agreement with its Parent. The licensing agreement grants the Company a royalty-free but non-assignable right to use the trademarks and brand names for a term of five years from April 1, 2016 to March 31, 2021, subject to renewal based on mutual agreement.

As of the date of this Prospectus, Wilcon Depot has not had any significant disputes with respect to any of its trademarks or other intellectual property rights.

Competition

The Company is operating in the construction and home improvement supply industry in the Philippines. The Company's direct competitors are retailers, wholesalers and distributors of constructions and home improvement supply. These include Cebu Oversea Hardware Co., Inc. ("COHCI"), CitiHardware, CW Hardware, Ace Hardware, and Handyman, among others.

The Company competes with these entities primarily in terms of the range and quality of products and services offered, pricing, target market, and sales network coverage.

Legal Proceedings

The Company and its management is not involved in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position or profitability.

There are no existing claims or encumbrances on any of the Offer Shares. None of the members of the Board of Directors, executive officers and shareholders of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

Tax Assessments against WC

Preliminary Assessment Notices (PAN) were issued by the Bureau of Internal Revenue (BIR) against WC for deficiency income tax, value-added tax, withholding taxes on compensation, expanded withholding tax, documentary stamp tax, and improperly accumulated earnings tax for taxable years 2010, 2011, and 2012. The PAN for taxable year 2010 is dated 11 June 2015 involved an aggregate amount of ₱57,626,376.71 has already been settled. The PAN for taxable year 2011 is dated 30 June 2016 and involves an aggregate amount of ₱1,202,974,786.68. Finally, the PAN for taxable year 2012 is dated 9 June 2016 and involves an aggregate amount of ₱3,826,560,640.99.

WC has sent its response and has submitted its documentary evidence to the BIR for all of the assessments within the required 15-day period but the BIR has not yet responded nor sent a formal demand to WC on any of the assessments.

The Company's legal department is responsible for ensuring continued compliance with applicable laws and regulations that may adversely affect its operations. It has secured, applied for, or is in the process of applying or renewing all material permits and licenses required to conduct its business. The Company expects to obtain these permits and licenses in the ordinary course.

A table summarizing the key permits and licenses necessary for the conduct of our business as of the date of this Prospectus is provided below and all these permits and licenses are valid and subsisting based on the review and legal opinion of the independent legal counsel.

Branch	Issuing Agency	Permit	Issued	Validity	Status
D01 - Alabang Zapote Rd, Las Pinas	City Of Las Piñas, Business Permits & Licensing Office	Business Permit	2/14/2017	December 31, 2017	
D02 - Balintawak, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
D03 - Libis, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
D05 - Chino Roces, Makati	Lungsod ng Makati, Business Permits Office	Business Permit	2/01/2017	December 31, 2017	
D06 - Talipapa, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
D07 - Filinvest, Muntinlupa	City Government of Muntinlupa (Business Permits and Licensing Office)	Business Permit			Renewal in Process
D08 - Mexico, Pampanga	Province of Pampanga, Municipality of Mexico	Business Permit	1/20/2017	December 31, 2017	
D09 - Sucat, Paranaque		Business Permit			Renewal in Process
D10 - Commonwealth	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
D11 - San Rafael, Tarlac	Province of Tarlac, City of Tarlac	Business Permit			Renewal in Process
D12 - Dau, Pampanga	City Government of Mabalacat (Business Permits & Licensing Office)	Business Permit			Renewal in Process
D15 - San Fernando	Province of Pampanga, City of San Fernando	Business Permit	2/23/2017	December 31, 2017	
D16 - Calamba, Laguna	Province of Laguna, City of Calamba (Business Permits & Tricycle Franchising Office)	Business Permit			Renewal in Process
D17 - Alangilan, Batangas	Batangas City, Office of the City Mayor (Business Permits & Licensing Office)	Business Permit	1/31/2017	December 31, 2017	
D18 - Taytay, Rizal	Lalawigan ng Rizal, Bayan ng Taytay, Office of the Mayor	Business Permit			Renewal in Process
D19 - Antipolo, Rizal	Province of Rizal, City of Antipolo	Business			Renewal in

		Permit			Process
D20 - Baliuag, Bulacan	Province of Bulacan, Municipality of Baliwag, Office of the Municipal Mayor	Business Permit	1/20/2017	December 31, 2017	
D21 - Dasmarinas, Cavite	Province of Cavite, Cit of Dasmariñas	Business Permit	1/20/2017	December 31, 2017	
D22 - Laoag, Ilocos	City Government of Laoag	Business Permit			Renewal in Process
D23 - Mandaue, Cebu	City of Mandaue	Business Permit			Renewal in Process
D24 - Talisay, Cebu	City of Talisay	Business Permit			Renewal in Process
D25 - Kawit, Cavite	Municipality of Kawit	Business Permit			Renewal in Process
D26 - Valenzuela	City of Valenzuela	Business Permit	1/20/17	December 31, 2017	
D27 - San Pablo, Laguna	City of San Pablo	Business Permit	1/20/2017	December 31, 2017	
D28 - Villasis, Pangasinan	Municipality of Villasis	Business Permit			Renewal in Process
D29 - Quezon Avenue, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/6/2017	December 31, 2017	
D30 - Davao City	City of Davao, Permits & Licensing Office	Business Permit			Renewal in Process
D31 - Pasong Tamo, Makati City	Lungsod ng Makati, Business Permits Office	Business Permit	2/01/2017	December 31, 2017	
D32 - Bacoor, Cavite	City of Bacoor	Business Permit			Renewal in Process
D33 - Sta.Rosa Laguna	City of Santa Rosa	Business Permit	1/17/2016	December 31, 2017	
HO2 - Alimall, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
HO3 - Visayas Avenue, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/6/2017	December 31, 2017	
HO5 - Sta.Mesa, Quezon City	City of Manila	Business Permit			Renewal in Process
HO6 - Mindanao Ave, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
HO7 - Munoz, Quezon City	Quezon City, Metropolitan Manila, Office of the Mayor (Business Permits and License Office)	Business Permit	2/06/2017	December 31, 2017	
HO8 - Pasay City	Pasay City	Business Permit			Renewal in Process
Montalban Warehouse	Lalawigan ng Rizal, Bayan ng Rodriguez	Business Permit	1/27/2017	December 31, 2017	

Investor Relations Office

The Investor Relations Office will be tasked with (a) the creation and implementation of an investor relations program that reaches out to all shareholders and informs them of corporate activities and (b) the formulation of a clear policy for accurately, effectively and sufficiently communicating and relating relevant information to the Company's stakeholders as well as to the broader investor community.

The IRO will also be responsible for ensuring that the Company's shareholders have timely and uniform access to official announcements, disclosures and market-sensitive information relating to the Company. As the Company's officially designated spokesperson, the IRO will be responsible for receiving and responding to investor and shareholder queries. In addition, the IRO will oversee most aspects of the Company's shareholder meetings, press conferences, investor briefings, management of the investor relations portion of the Company's website and the preparation of its annual reports. The IRO will also be responsible for conveying information such as the Company's policy on corporate governance and corporate social responsibility, as well as other qualitative aspects of the Company's operations and performance. The Company's Investor Relations Office will be located in No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Libis, Quezon City. Effective March 1, 2017, the Company's Investor Relations Officer will be Mary Jean Alger and she may be contacted at investor_relations@wilcon.com.ph or +(632) 634-8387.

INDUSTRY

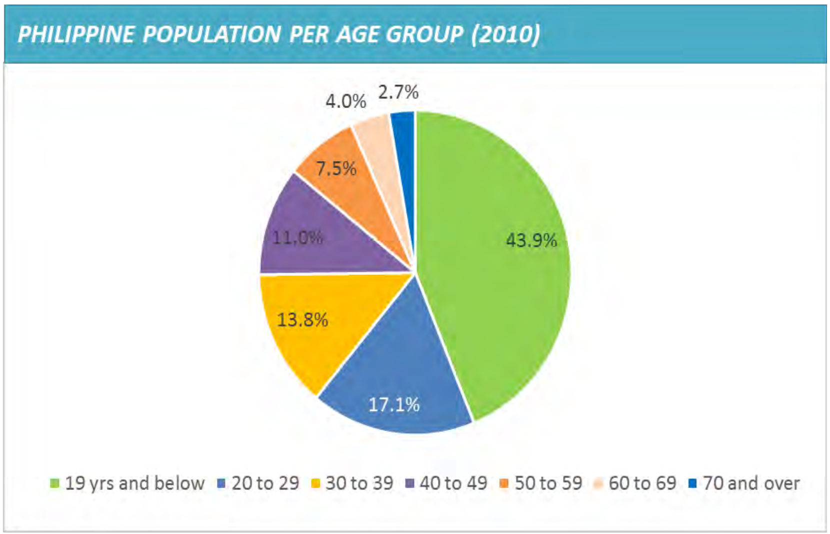
THE PHILIPPINE ECONOMY: A GENERAL OVERVIEW

The Philippine economy is geared towards a higher growth trajectory, driven by a number of positive catalysts such as robust domestic demand, low inflation, and higher purchasing power from the middle class.

The country's growth has been and continues to be driven by domestic demand. Domestic demandin 5 out of 7 years grew by at least 5% from 2008-2015, higher than the country's Gross Domestic Product ("GDP"). This signifies that the country's domestic demand remains robust and the country is resilient against any external shocks. Consequently, domestic demand will further be strengthened as headline inflation remains at the lower end of the government's target of 2-4%, which in turn will favor more spending and consumption as nominal prices of basic needs appear to be cheaper and stable. Also, lower inflation reduces the cost of borrowing, enabling consumers to buy durable goods such as houses and automobiles.

Aside from consumer demand, government spending is expected to thrust this year's GDP due to the national elections held in May. Previous data showed that election years typically add 0.5% to 1.5% to GDP to the surge in election expenses during campaigns such as government services, manufacturing of election materials, advertising and personnel recruitment. These factors impact the economy, particularly the country's GDP.

Contributing to the country's growth is the rising number of middle-aged Filipinos. An estimated 53% of the Philippine population is classified under the working class thus, increasing the number of potential earners. In the latest FIES in 2012, which presents the income elasticity[1] of each expenditure group (i.e. food, clothing, transport & communication, health, etc.) for every rise in income class, it showed that income classes B, C, D and E have greater demand elasticity for Education and Transport & Communication. Demand elasticity for housing related expenditures in particular is greatest among income classes A, B, C, and D[2].



Source: NSCB 2010 Census

[1]Income elasticity measures the % change in expenditure for every 1% change in income.

[2]Income classes were defined in the 2012 FIES according to the average monthly income per household: Class E - Under ₱40,000, Class D - ₱40,000-₱59,000, Class C - ₱60,000-₱99,000, Class B - ₱100,000-₱249,000, A - ₱250,000and above

THE HOME IMPROVEMENT INDUSTRY

This section provides a background on the market for the home improvement industry specifically in terms of the demand indicators, which will provide an overview of sectors that have driven and will continue to drive demand. Special focus is given on the following key demand drivers: construction sector, the housing supply movements, in particular the condominium and house and lot units across the years, the household budget for housing of the nation and across the regions, and importations of leading home improvement goods such as ceramics, carpets, iron and steel, tools and cutlery, and lighting fixtures.

Construction Sector

The construction sector continues to be one of the foundations and growth engines of the economy as it contributed an average of 5.6% to the country's GDP from 1990-2015. The sector remains on an upward trend and even reached a 26-year high in share to the country’s GDP in 2015 recording a 6.9% growth. The sector had also registered robust growth rates in recent years as gross value added (“GVA”) in construction posted a ten-year high of 18.5% year-on year growth in 2012 and 10.3%, 9.9%, and 8.9% from 2013-2015, respectively.

The construction sector is divided into public and private construction where public spending construction is done via government infrastructure projects while private construction includes construction of residential and commercial buildings. Public construction's share to the industry's output actually decreased in each decade since 1990 from 39% during the 90’s to 24% from 2010 to 2015, reflecting the government's decreasing participation in the construction industry. Private construction share on the other hand went up from 61% in the 90’s, to 76% from 2010 to 2015, on the back of an increasing number of residential and commercial buildings/structures being built.

The steady overall growth of the construction sector can be traced to the respectable performance of construction activities in the private sector. From 1999-2015, output in real terms grew by an average of 5.3%. Public construction for its part grew at an average of 3.2% from 1999-2015. (Source: Philippine Statistics Authority or “PSA”)

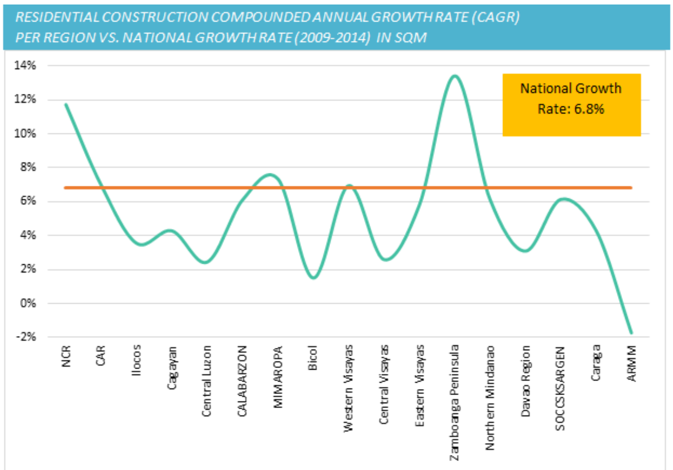
Performance of Residential Construction in the Philippines

From 2008 to 2014, the growth of the construction industry has been unceasing. In particular, the residential total floor area posted an average year-on-year growth 7.6%. As of year-end 2014, 25.07M square meters (sqm) in total floor area has been recorded by the PSA, largely composed of residential construction at 14.94Msqm, followed by commercial space at 7.82Msqm, and by industrial areas at 2.31Msqm.

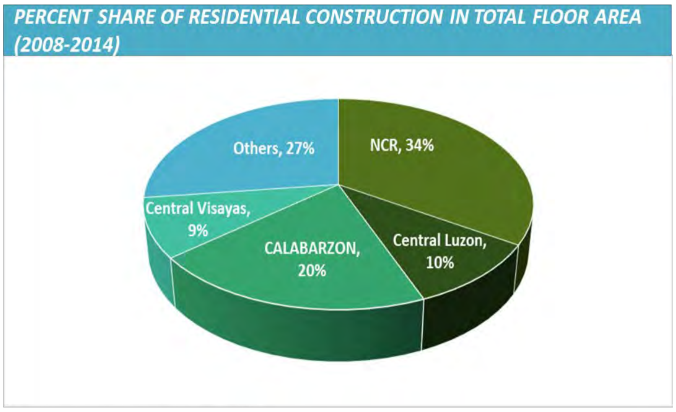
	2008	2009	2010	2011	2012	2013	2014
Residential	9,844,829	10,059,64	12,196,45	11,674,38	13,687,03	13,672,02	14,935,51
Industrial	1,148,209	885,224	1,664,587	1,661,698	2,090,148	2,288,568	2,309,684
Commercial	4,291,887	3,626,595	5,746,389	5,428,103	6,920,890	6,113,550	7,822,144

Source: Philippine Statistics Authority (PSA)

The growth in residential construction was boosted by rapid construction of particular regions which outperformed the national growth rate of 6.8% from 2009-2014. These regions include Zamboanga Peninsula (13.4%), National Capital Region ("NCR") (11.7%), MIMAROPA Region (7.3%), Cordillera Autonomous Region ("CAR") (7.0%), and Western Visayas Region (6.9%).



Source: Philippine Statistics Authority (PSA)



Source: Philippine Statistics Authority (PSA)
*Regions with less than 5% share are lumped in Others

In terms of percentage share, Luzon area mostly accounts for total space constructed in all types (from 2008-2014). In particular, NCR had the lion's share in the country's total floor area for residential and commercial at 34.3% and 40.4%, respectively.

The Philippine construction industry is directed towards more extensive and robust growth and development evident to the afore-stated indicators. Furthermore, the present government administration is keen in infrastructure developments which make it more favorable for construction and related developments. Total government infrastructure expenditures are expected to increase from a less than 3% to at least 5% of GDP in the next years to come.

Overview of the Philippine Housing Market

The housing sector remains as one of the growth sectors of the property market. With production just recently breaking the 200,000 units per annum levels, the housing sector is poised to support the fundamental growth of the home improvement industry in the future. With purchasing power and urbanization growing, housing production levels have yet to close the gap between housing demand and supply. The average annual increase in household formation stands at over 300,000 units annually. This persistent gap between demand

and supply levels has contributed to the yawning housing backlog, which is estimated at least at 4 million households. Any effort to close the gap augurs well for companies in the industry.

Housing Market: Segmentation and Production

The housing market is comprised of vertical housing, the condominiums, and horizontal housing, which includes house and lot units and simple subdivisions. Based on data from the Housing and Land Regulatory Board ("HLURB") on the growth in housing units from 2001 to 2015 as well as its share to housing market, horizontal housing units account for an average of 76.7% of total housing units produced from 2001-2015 while vertical housing units has a share of 23.4%.The number of vertical housing units has increased from 9,954 units in 2001 (14.2% of total housing units produced) to 67,699 units in 2015 (31.3% of total housing units produced) registering a CAGR of 14.7%. On the other hand, the number of horizontal housing units has increased from 60,302 units in 2001 to 148,804 units in 2015, registering a CAGR of 6.7%. Overall, the housing sector registered a healthy CAGR of 8.4% over the period covered.

Market Segments

The Philippine housing segments are categorized according to the current price ceilings set by the Housing and Urban Development Coordinating Council ("HUDCC"). The latest price ceilings as published August 31, 2012 in HLURB's website are as follows:

Housing segment	Price ceiling set by HUDCC
Socialized housing	PHP 450,000* and below
Low Cost	
• Level 1	above PHP 450,000* to PHP 1,700,000** (BP 220 standard)
• Level 2	above PHP 1,700,000 to PHP 3,000,000 (PD 957 standard)
Medium cost	PHP 3,000,000*** up to PHP 4,000,000
Open Housing	above PHP 4,000,000

**per HUDCC MC No. 1, Feb. 19, 2014*
***per HUDCC MC No. 2, Jun. 8, 2015*
****per HUDCC MC No. 4, Sep. 27, 2006*

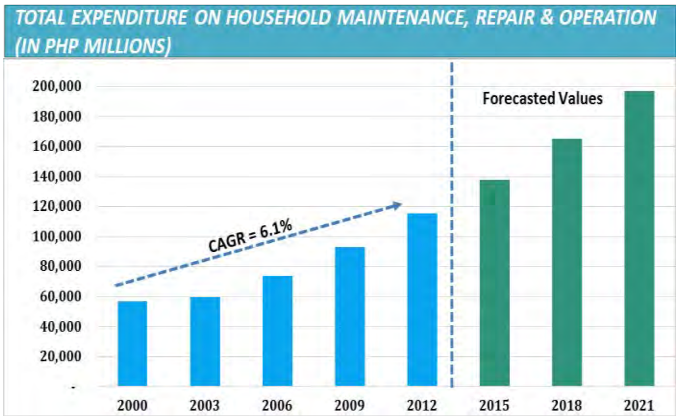
Based on the figures, total country production of housing segments is distributed accordingly: 33.1% in Economic, 20.2% in Socialized, 17.6% in High End, 14.7% in Mid Cost, and 14.4% in Low Cost. In all the regions except NCR, the Economic housing segment has the highest production. CALABARZON has the highest housing production at 847,519 units, accounting for 30.92% of the total from 2001-2015. Housing production in the region was primarily in the Economic segment (41.9%) followed by the Socialized segment (24.7%). NCR ranked second highest in total housing production with 726,028 units (26.5% of the total from 2001-2015). By segment, High End accounts for 32% followed by Low Cost at 25.7% then by Mid Cost at 23.4%.

Indicators of the Market Size and Trends for the Home Improvement Industry

Estimated Market Size of Home Improvements: National & Regional

In addition to looking at housing production as one of the indicators of retail demand for home improvement goods, the expenditure levels of the household is another reliable indicator of the present and potential market size of the industry.

Using data on household maintenance, repair, and operation expenditure, this graph shows the nation's estimated market size of the home improvement industry.



Source: Family Income and Expenditure Survey (FIES) 2000, 2003, 2006, 2009, & 2012; PSA

In 2012, it reached ₱115.5B, which represents 2.8% of the total expenditures of Filipino families. Since 2000 to 2012, the expenditure on home improvements has been growing at 6.1% CAGR. According to a study by CRCCRC, at the current CAGR, expenditure would have likely hit about ₱138B in 2015, and ₱165B by 2018. CRCCRC projects that for 2021, the total expenditure of household maintenance, repair & operation will be ₱197B.

The NCR, CALABARZON, and Central Luzon regions lead the pack, registering a share of 23.8%, 18.8%, and 12.2% of the total expenditure on household maintenance, repair and operations in 2012, respectively. All regions are exhibiting upticks, indicating a growing market and booming industry. Among the regions, CALABARZON has the highest 2012 growth rate as compared to 2009 with a 55.7% increase followed by CAR at 42%, Davao Region at 38.6%, SOCCSKARGEN at 31.9%, and Western Visayas at 26.1%.

Emerging Urban Areas

Several regions and cities outside of Metro Manila house several large retail format home depots as well as mall-based home improvement centers. Emerging urban areas around the country are likewise potential markets for expansion for retail formats in the home improvement sector. Below, we look at some key indicators that help us identify them.

1. Gross Regional Domestic Product ("GRDP") from 2010 to 2014 (Source: PSA)

   Regions leading by average growth rate in GRDP are CARAGA (9.35%), Central Visayas (9.03%) and Central Luzon (7.53%). By average contribution to GDP, the top regions include NCR (36.4%), CALABARZON (16.6%), and Central Visayas (14.44%). Davao region posted the highest GRDP growth in 2014 with a 9.4% increase from a 6.7% growth in 2013, followed by Central Luzon at 9% from a 4.4% growth in 2013.

2. GVA in the Construction Sector per Region from 2010 to 2014 (Source: PSA)

   The top regions by average growth rate in GVA for the period indicated are ARMM (47.7%), Central Visayas (15.7%), and Zamboanga Peninsula (15.5%). Based on average contribution to the country's GVA, NCR leads the pack at 24%, followed by CALABARZON at 14.44%, and Central Visayas at 11.64%. For 2014 alone, GVA in construction in the Central Visayas area expanded by 24.7% from a modest 2.2% growth in 2013. Western Visayas and Central Luzon also posted higher growth rates in 2014 with 17.3% and 8.4%, respectively from 13.3% and 3.9% in 2013.

3. No. of Approved Building Permits for Residential and Non-residential Structures from 2010 to 2015 (Source: PSA)

Cavite registered the highest number of approved building permits for the period indicated with 57,433, followed by Laguna with 27,795 and Bulacan with 26,756. Based on average annual growth rate of building permits, Davao Del Norte leads with 66.6%, followed by Bohol with 12.7%, and Bulacan with 9.6%. As of 2015, Cavite also posted the highest growth rate of 50% in the number of approved building permits among the top provinces with most building constructions.

4. Average Family Income (Sources: 2012 FIES, PSA)

   Average family income is highest in the NCR region with ₱379,000 per family. CALABARZON is second at ₱284,000 per family; while Central Luzon is third at ₱259,000 per family.

5. Revenues Sourced Internally from Municipalities and Cities from 2013 to 2014(Source: Bureau of Local Government and Finance)

   For the periods indicated, Cainta, Rizal generated the highest internal revenues with ₱542.9 Mn, followed by General Trias, Cavite at ₱496.8 Mn, and Carmona, Cavite at ₱331.8 Mn. The province of Bulacan has the most municipalities included in the top internal revenue generating areas in the country (i.e. Marilao, Sta. Maria, Baliuag, Norzagaray, and Guiguinto).

Philippine Import of Retail and Construction Materials and Related Products

Importations of major items demanded by the retail home improvement sector in the Philippines can also serve as a reliable indicator on the health and robustness of the home improvement industry. The manufacturing base of the Philippines, particularly those that supply the intermediate goods in the home improvement and construction industries is at best limited, if not inexistent. Majority of the companies that are closely interlinked with the booming construction sector have relied more on imports to meet its growing appetite for raw materials and finished goods to construct and furnish the residential, commercial and industrial establishments. China, Japan, the USA, together with some other southeast Asian countries like Thailand, Vietnam and Indonesia will remain a major supplier of imported goods sold in the home improvement industry. Items like Hardware and Tools Products, Tiles/ Floorings, and Building Materials will be major items imported by the industry in the medium term. Prominent manufacturers and importers include SCG in Thailand (owns 95% of Mariwasa tiles production), Tenzen in Taiwan, Eurotile, Floor Center, and Tile Center. In the Philippines, there are only a few local manufacturers, namely HCG and Cochin, Saniwares' maker.

In this section, the indicators are categorized under each related major product items pertaining to (a) plumbing and sanitary wares, (b) hardware and tools products, (c) tiles/floorings, (d) electrical and lighting, (e) furniture, furnishing and houseware, (f) paints, and (g) building materials. Appliances are also included as additional indicator of demand as depots have Appliances available despite minimal share in their total sales.

Over the last 5 years, importations of the major home improvement products exhibited double digit CAGR except for Paints. In terms of value excluding appliances, the top three importations are Building Materials, Hardware and Tools Products, and Electrical and Lighting. In the same period span, the fastest growing items, excluding Appliances, are Tiles/ Floorings, Building Materials and Plumbing and Sanitary Wares. Items like Hardware and Tools Products, Tiles/ Floorings, and Building Materials will be major items imported by the industry in the medium term. Building materials are the most imported items in the said industry followed by hardware and tools products as a result of the upswing in residential and commercial construction activities. Meanwhile, there is a slowdown in the growth of importation of furniture, furnishing and houseware in 2015 particularly kitchen furniture and living room furniture – durable items that are not regularly replaced. In contrast, importation of electrical and lighting products particularly the Light-Emitting Diode (LED) lamps and more energy efficient and advanced appliances and electronics is growing rapidly because of the market shift and growing demand for more efficient energy use. Importation of appliances is also expanding robustly albeit its minimal share in the total sales of the home improvement industry.

Summary of Ma or Import Items' alue (in 000 USD) and A e Gro th ( ), 2011-2015

Major Home Improvement Industry Items	Top Three Source Countries	Value (in '000 USD); PH total import	Average Growth Rate From 2011-2015
Tiles/ Flooring	China, Vietnam, Indonesia	277,068	30.40%
Building Materials	China, Rep. of Korea, Vietnam	569,682	26.70%
Plumbing and Sanitary Wares	China, Thailand, Vietnam	53,057	19.50%
Electrical and Lighting	China, Japan, USA	442,330	17.50%
Furniture, Furnishing and Houseware	China, Malaysia, Japan	299,418	17.20%
Hardware and Tools Products	China, Japan, USA	455,812	13.20%
Paints	Singapore, Japan, Thailand	101,156	7.60%
Total Excluding Appliances		**2,198,523**	**19.1%**
Appliances	China, Singapore, Hong Kong	1,285,574	21.1%
Total		**3,484,097**	**19.8%**

**Source: Authors' Calculation based on UN, COMTRADE Statistics 2016*

Including Appliances, the Home Improvement Industry Importation is estimated at USD 3.5 B with a robust double-digit CAGR at 19.8%. Home improvement industry's data on imported major items point out to a very robust and growing market for the retailers. Not only that the market size is large, but it is expected to sustain its growth at least in the next 10 years. This favorable importation is underpinned by (1) the anticipated boost in infrastructure, (2) construction for the housing deficit, (3) the growing population with its growing purchasing power due to increasing incomes, (4) low inflation and (5) easy financing terms assure a strong and sustained market demand for home improvement industry.

Large Retailers in the Home Improvement Industry

On the supply side of the home improvement industry are the industry players that as a response to competitive forces, continue to evolve. The home improvement industry may have started with small neighborhood shops and construction yards that may have expanded within the area and later to other neighboring provinces and regions. Now, large retail formats that resemble malls in terms of size and the diversity of its product lines and services proliferate the home improvement industry. To capitalize on the opportunities and respond to competitive forces, the companies that comprise this industry have become ubiquitous and dynamic and in the process also stimulate further market activities and opportunities.

Structure of Industry Players: Retail Formats

While companies in this industry are in the retail side of the construction industry, their formats can vary depending on the product lines they carry and services they offer. Some of the companies position themselves as depots, or large retail, one-stop-shop formats, complete with all the product lines and ancillary services that the target markets need. These companies are stand-alone structures normally large in size and more sophisticated in their supply chain logistics. Mall-based stores are another format almost of the same breadth in its product lines and services. With a footprint not as large as those of the depots, these stores are attached and therefore more dependent on the mall's operating hours and foot traffic. These mall-based construction retail players are usually owned or affiliated with the mall owners. There are also specialized stores that are either located inside a depot or mall as tenants or stand-alone. These stores have specialized product lines like tiles, furniture, beds, fixtures and lightings. Because of the small size of these stores, the relative simplicity of its operations and the low capitalization requirements, these stores can easily proliferate either inside the malls, expanding and following in and to areas where the big mall operators go, or as standalone structures that capitalize on niche opportunities available particularly in urban centers.

The Industry Value Chain

In addition to the formats of the stores, there are five key areas in which the companies in the industry engage their customer and to a large extent their suppliers.

Target market. The target market of the home improvement industry can be broadly categorized as (a) retail composed mostly of walk-in customers mostly households who are keen on building, furnishing, maintaining, repairing or renovating their houses; and (b) large institutional accounts composed primarily of contractors and even developers of various sizes and architects. Some walk-in retailers may have their interior designers and architects in tow in choosing the best finishing and furnishing materials for their houses. Contractors because of the huge volume and value of their purchases enjoy special privileges from the companies such as delivery, volume discounts and favorable credit terms.

Product lines. The product lines of the industry can range from (a) plumbing and sanitary wares, (b) hardware and tools products, (c) tiles/floorings, (d) electrical and lighting, (e) furniture, furnishing and houseware including appliances, (f) paints, and (g) building materials

Ancillary services and amenities. Ancillary services are provided to improve the customer experience in the store and out-of-the-store. Some of these include but not limited to the following: (a) online information on the product lines and location of the stores through company websites; (b) IT or software-based interior design proposals, furnishing ideas and the like; (c) on-store model unit furnishing and lay-outing; (d) free delivery of purchases; (e) warranty services; (f) installation and maintenance; (g) air-conditioned facilities; (h) on-store refreshments; and (g) loyalty privileges.

Degree of integration. Most of the large companies in the industry are vertically (i.e., backward and forward) and horizontally integrated. Some areas in the value chain these firms are vertically integrated include internal manufacturing capabilities in producing their own product lines and hence in-house brands, customer consulting services like interior design and furniture layout, exclusive franchise agreements that include exclusive distribution agreements on select product lines, operating systems and consulting services. Other firms, because of their affiliations with a larger entity, are horizontally integrated such as being exclusive tenants in malls, riding on retail and logistics systems and marketing and promotional activities and resources.

Facility size and networks. Because of the extensive product lines being carried, depots normally have larger building footprints to house the operations in contrast to specialized firms, which occupy a relatively smaller space. Mall-based retail players have relatively larger areas than specialized firms but are far smaller when compared to the depot operators.

Value Creation

Revenues. Companies in the home improvement industry generate their revenues from a combination of one or more activities: (a) retail activities of tradable goods earning mainly from retail margins; (b) lease of space to other specialized companies usually inside the depot to complement and expand the product line up and services; (c) product margins from in-house brands or product lines manufactured in-house; and (d) fees from ancillary services like delivery charges, warranties, repair and installation, etc.

Costs. Other firms in the industry lower costs through the scale and scope economies obtained from an extensive line up of products and a large space that most oftentimes also serve as both a showroom and as a warehouse. Installing an IT system to monitor the movements of the goods also keep a close lid on costs particularly on inventory levels, supplier payables, receivables and cash transactions.

Value Proposition

The business of retailing ceramics, tool, implements and cutlery, furniture, lighting and other fixtures are generally considered as homogenous services. Companies in the industry, however tend to distinguish or differentiate themselves from their competitors through the unique customer services. These services are as follows; (a) convenience from one-stop shopping for goods; (b) having to deal with one company in contrast to dealing with various suppliers of the goods; (c) ability to give good and sound advice and opinion on customer inquiries and concerns; (d) access to product lines that are either low-cost or exclusively available on limited outlets; (e) delivery, installation, warranty and repair services; and (f) pleasant customer experience while inside the facility such as clean toilets, fully air-conditioned facilities, comfortable moving areas and even refreshments.

Major Industry Competitors

The major industry competitors in the home improvement and supply industry, based on sale, either providing all the needed supplies (tools, implements, cutlery, furniture, fixtures, appliances and electronics, and automotive equipment) of a home or specializing in certain product are as follows:

TOP 10 MAJOR INDUSTRY COMPETITORS BASED ON REVENUE		
RANK	**COMPANY**	**CLASSIFICATION**
1	Wilcon Depot, Inc.	Depot
2	Ace Hardware Philippines, Inc.	Mall-based
3	Handyman	Mall-based
4	Cebu Oversea Hardware	Depot
5	CitiHardware	Depot
6	CW Marketing and Development Corporation	Depot
7	Robinsons True Value Hardware Philippines, Inc.	Mall-based
8	D.I.Y. (Do It Yourself) Shop Corp.	Mall-based
9	MC Home Depot, Inc.	Depot
10	AM Builders (RHI Builders and Contractors Depot Corp.)	Depot

Source: Center for Research and Communication (CRC), 2016; based on the annual 2014 data gathered from Securities and Exchange Commission (SEC).

These companies are the big retailers of the offerings that they have. Most of them have expanded nationwide and are prominent to many customers. Although not all are offering the full-range of home improvement and supply materials, some are leveraging in their specialized offerings like Uratex for furniture and D.I.Y. Shop Corp. for DIY items and find it successful and competitive in the market.

Profile of Top Players in the Depot Format

Most of the top players in the home improvement industry are located in key cities and have presence in Luzon, Visayas, and Mindanao. In terms of outlets, major mall-based home improvement retail stores which are affiliated with the large mall operators, are mostly present in Luzon while the large and independent top home improvement depots and specialized home essentials stores have strong presence in Visayas and Mindanao. These depots and specialized stores have been operating for about 40 years on average. Meanwhile, mall-based stores are relatively younger, with an average of 15 years in operation. The succeeding table show the top players in the depot format in terms of revenues (2014). Information about the companies' number of years in operation, number of stores/branches, geographical location and major shareholders are provided in the succeeding tables as well.

Among the leaders in the depot category are Wilcon, COHCI, CW and Citihardware. The large standalone formats used to dominate local markets where they began (Wilcon in Manila, Citihardware and COHCI in the Visayas) until they began their regional and provincial expansions.

TOP 5 DEPOTS			
COMPANY NAME	REVENUES (PHP B)**	NUMBER OF STORES	LOCATION
CITIHARDWARE	3.2	50	Luzon, Visayas & Mindanao
WILCON DEPOT, INC.	13.6 (14.5)	38	Luzon, Visayas & Mindanao
CW MARKETING* AND DEVELOPMENT CORPORATION	2.9 (3.3)	7	Luzon
CEBU OVERSEA HARDWARE CO., INC.	3.4 (3.8)	4	Visayas
PHILIPPINE TOPWOOD INDUSTRIES AND TRADING CORPORATION	0.5	1	Luzon

Source: Company websites and Securities and Exchange Commission
*CW Home Depot is a joint venture of COHCI and West Point Industrial Company. CW Home Depot is identified as COHCI's retail arm in their company website.
**Figures in parentheses are 2015 Revenue Data

Analysis of the Top Five Players in the Depot Category

Strategic Location. Location is a key ingredient to success for the depot format. The first mover advantage in the area and the rapid saturation of the market explain why depots tend to locate near or within emerging growth centers and erect large footprints. Citihardware has 50 branches across Luzon, Visayas and Mindanao. Wilcon Depot, on the other hand, has 36 branches in total. The COHCI has four branches located in the Visayas region. With its acquisition of CW Marketing and Development Corp. in 2012, COHCI has gained access to 9 areas in Luzon where CW Marketing Depots are located.

Entry barriers. The rapid market saturation and the normally escalating land cost and outlays in existing and emerging urban areas create formidable barriers against new players and copycats interested in penetrating the depot segment. Booming regions like NCR and CALABARZON and emerging urban centers like Western and Central Visayas as well as Northern and Southern Mindanao are all experiencing soaring land cost. Brand loyalty can be considered strong since the top players and the other industry players have already established their names in these growth areas.

Scope of services. The target markets of the depots are primarily walk-in retail and institutional (i.e., contractors and developers) accounts. As a result, most if not all the top five players are multi-product line providers and have air-conditioned facilities. They offer products such tolls, implements, cutlery, appliances, automotives, home interiors, electrical, furniture, tools, housewares among others. All offer sales, promos, technical and customer support. Wilcon Depot, Citihardware, COHCI and CW Marketing depots have very broad product lines such as tiles, do-it-yourself products, trading items, furniture, paint mix, hardware, sanitarywares, and many more. Each of the players has exclusive products (ex. ROCA, White Horse Cermaic, Baldocer Ceramica, Megaman Lighting for COHCI). Model rooms are also offered by COHCI and Wilcon Depot. In addition to Wilcon Depot's services, it has interior design or designer's hub while COHCI offers architectural support.

Sourcing of supply products. All players have local and international suppliers for its various products. Citihardware's products are mostly from China. Also, each player has exclusive product lines in its shelves. Developing an extensive logistics supply chain to source and distribute the retail goods are important. All the big players in the depot category have developed their own set of suppliers and Information technology set-ups to monitor the movements and inventory levels of their goods.

TOP 10 DEPOTS IN TERMS OF SALES AND MARKET SHARE[3]			
RANK	**DEPOT***	**2014 SALES (₱ B)**	**MARKET SHARE**
1	Wilcon Depot, Inc. doing business under the name and style of Wilcon Depot; Wilcon Home Essentials And Wilcon City Center Inc.	13.6 (14.5)	56%
2	COHCI	3.4 (3.8)	14%
3	Citihardware (Bacolod, Gensan, Davao & Mindanao Inc.)	3.2	13%
4	CW Marketing And Development Corporation	2.9 (3.3)	12%
5	Cebu Atlantic Hardware Inc.	0.429	2%
6	MC Home Depot, Inc.	0.314 (0.320)	1%
7	RHI Builders and Contractors Depot Corp (Robinsons Builders)	0.306 (0.820)	1%
8	Solid Gold Builders & Home Depot	0.109	0.4%
9	Moost Brand Inc.	0.089	0.4%
10	Robins Home Depot Inc.	0.081[4]	0.3%
TOTAL		24.428	100%

Source: Company websites and Securities and Exchange Commission
**Figures in parentheses are 2015 Revenue Data*

Market of Large Retail Formats

Target Market Segments & Distribution Channels

Different players in the home improvement/hardware industry target a diversified client base across all income class and market segment in the consumer pool. The target market identified in this study in terms of income class and market segment are homeowners (retail), contractors (retail and institutional account) as well as developers (retail and institutional account). For the income class, we will be identifying the target market based on the price and the quality of products being offered and sold, services offered, and store facilities/amenities by the top large retail format stores, hardware/construction suppliers, mall-based shops and specialized home-related product stores (furniture).

Large retail format stores like Wilcon Depot, Citihardware and CW Home Depot cater to the construction supply needs of home owners, contractors and developers who belong to the A to C class in the income stream of the consumer market. The store set up (grocery type set up) of these depots suits the retail needs of homeowners and contractors whether it be for replacement of fixtures, housing repair and maintenance or upgrade/renovation of home structures. Traditional hardware type stores such as COHCI and Philippine Topwood industries on the other hand cover a broader market segment which includes large scale or institutional/wholesale clients such as government offices because of their pioneer status in the home improvement or construction supply industry. Furthermore, they also target the lower income bracket of D to E in the market class with their lower priced products and simple yet straight forward store set-up (minus the amenities and features of the large retail format stores and home depots).

Major Product Segments, Brands For Home Construction & Improvements

The mentioned large retail format stores above offer a wide range of brands in their major product segments consisting of (a) Hardware and Tools Products, (b) Plumbing and Sanitary Wares, (c) Tiles/Floorings, (d)

[3]In this section the small retail players' revenues in the home improvement industry are not reflected and therefore cannot be included in the computation of the market share. Nevertheless, the revenue figures clearly indicate the key players in the industry segments (i.e., depot, mall based, specialized, etc.).

[4]Based on most recent available data (2013)

Electrical and Lighting, (e) Furniture, Furnishing and Houseware including Appliances, (f) Paints, and (g) Building Materials.

Wilcon Depot for instance carries trading items specifically major toilet and bathroom fixture brands such as American Standard and HCG. Their product lines in the bathroom fixtures also include Grohe, Franke, Kohler and their in house brands such as Pozzi (sanitary wares), Arte and Sol (tiles). They also showcase a wide variety of imported Spanish tiles such as Rocersa Ceramica as well as more popular tile brands such as Mariwasa and Tenzen. As for appliances, they carry brands in ventilation and air-conditioning such as Hanabishi, Carrier, and Condura and home entertainment brands like Sony, Samsung and Changhong.

Citihardware features lesser known but cheaper brands such La Fonza (toilet/bathroom fixtures under trading items), Boston Bay electric fans and air-conditioning (under appliances,) and Zigma light bulbs and lighting equipments (under trading items). They also have their set of in house brands such as CTX foldable tables in their limited furniture line-up and brands like Neo (fabricated doors under trading items) and Hausmann (door handles under DIY item).

CW Home Depot, the retail subsidiary of COHCI has major product lines namely Cool Bath System and Roca in its toilet and bath section (under trading items). It also offers brands like Cotto, Fino and White Horse in its tile product line (trading items). Most CW Home Depots has BLIMS furnitures as one of its major tenants to provide an exclusive range of furniture brands which include Cellini, Maestro and La-Z-Boy.

Cebu Atlantic Hardware for its part also carry the major toilet fixtures American Standard and HCG and Mariwasa tiles under trading items. Its product lines, however, are more concentrated on industrial-related and DIY items such as generators, water pumps for agriculture, air compressors, builder's hand tools/power tools (Bosch) and electrical related products like switches, breakers and light bulbs (Omni). It carries in-house brands such as electrical related items and Wellcoat (paint).

Other Drivers of Competition in the Large Retail Formats

Suppliers

In terms of supply of products/materials being sold in the home and retail improvement industry, China has been the main source of supply. Based on the data on import, China is the top source for imports in plumbing and sanitary wares (73% of total), hardware and tools (24%), tiles and floorings (82%), electrical and lightings (35%), furniture, furnishing and houseware (58%) and building materials (32%). On the other hand, Singapore is the top importer for paints with 17.4% share.

Looking into the different retail and construction supply formats, mall-based formats have franchise agreements with foreign entities like Handyman, Ace Hardware, True Value and D.I.Y. These foreign entities supply the products and materials for retail.

Depots are supplied by mostly imports and few local manufacturers (HCG, Cochin Saniwares, etc.). Depots of dominant players in the industry have in-house production capabilities or in-house brands. Their production materials and mechanism are mostly from China.

Specialty stores are supplied by imports and by their internal production capabilities (i.e., Mandaue Foam, Uratex, Dew Foam, etc.). The raw materials are sourced mostly from China, but the production process is done locally as these specialty stores have built their own factories alongside with their stand-alone stores.

Prospects of Home Improvement Industry

Key Industry Forecasts

The home improvement industry is expected to sustain its growth at least over the next 5 years. Household spending on this industry is expected to grow at least 6.0% per annum and to hit over ₱165B in 2018– up from the estimated ₱138B in 2015. Residential floor space estimated at 14.9 million sqm, and will continue to expand at least 7.0% per annum over the next five years.

The key drivers of growth are the following:

1. Government efforts to close the infrastructure gap increasing government infra spending from 2.5% of GDP to 5.0% of GDP. This infra spending in particular on tourism and agricultural roads will make areas once unreachable to development, accessible. As a result urbanization will continue to increase pushing more households to locate outside or around growth centers;

2. The sustained increase in household formation coupled with the increasing purchasing power from a growing domestic economy, benign inflation and low financing costs will stimulate households to build new homes and to either renovate and refurbish existing ones;

3. The stable peso-dollar rate from a relatively weak global economy and the ample dollar reserves of the country and the supply glut in the manufacturing sector of slow-growing neighboring countries especially China, Thailand and Europe will make importation of commodities for the industry more attractive and viable;

4. Pressure to increase housing production to close the housing gap of 4-million units will mount. Both government and the private developers will capitalize on the opportunities offered by the ready availability of public and private financing and the steadily increasing regular household incomes of at least 50% of Filipino families. The steady increase in household incomes will come from the booming BPO/KPO industry, recovery of the manufacturing sector, continuing expansion of the services and tourism sectors, and remittances of overseas Filipino workers;

5. In city migration, growing urbanization of areas outside Metro Manila and the expanding middle class will stimulate demand for housing facilities;

Key Industry Trends

In tandem with the growing market demand for home improvement retail services is also the increasing rivalry between existing and new players. Because of the competitive dynamics within the industry, the following key trends can be observed:

1. Expansion of existing areas and establishment of operations in new emerging urban areas will remain a dominant strategic theme of the industry players. As proven by the experience of the industry, the companies will have to capitalize on the advantages of a first-mover as well as rapid saturation of the market. The companies in the industry will either become bigger in size in terms of store footprint and size or in terms of the number of outlets. Attractive locations for expansion will be the emerging urban centers in NCR, Iloilo, Negros, Cebu, Davao, General Santos, Zamboanga and in most provinces of Region IV like Cavite, Laguna, Batangas and Rizal;

2. Companies in the industry will continue to rely on imports to source their goods. However, service differentiation will remain as a continuing challenge for an industry that tends to get standardized fairly fast because of imitation and standardization of services. More and more companies especially those at the depot and mall-based categories will differentiate their services by offering one-stop shopping service convenience; giving good and sound advice and opinion on customer inquiries and

concerns; giving access to product lines that are either low-cost or exclusively available as well as the typical delivery, installation, warranty and repair services, clean toilets, fully air-conditioned facilities, ample space and even refreshments;

3. The margin squeeze from growing competitive pressures and increasing operations costs (i.e., increases in energy and wage rates, land capital or leasing costs, provision of ancillary services etc.) of the industry will force companies to seek areas of value creation such as in-house production of in-company brands, expansion of retail space in order to increase the product lines at the same time double as a warehouse to store inventory, and an integrated IT system to connect with suppliers and on-time and on-line tracking of the movement of goods such as inventory and sales; and,

4. Industry consolidation through mergers and acquisitions are prevalent because of the need to achieve scale economies, extensive branch presence in the market and diversified product scope. As such, the Gokongwei Retail Group, in addition to Handyman, has already acquired controlling interests in mall-based True Value, AM Builders and DIY. Another is depot player COHCI and West Point Industrial Sales Co. forming a joint-venture - the CW Home Depot.

5. The growing popularity and utilization of e-commerce for different products and services have been very evident in the last decade. The Philippine home improvement industry has adjusted gradually as manifested by the on-line presence of the top players in the home improvement industry. An example is shown by the experience of The Home Depot Inc. - a home improvement retailer superstore in U.S. – that is now ranked no. 10 in the Internet Retailer 2015 Top 500 Guide.[5] Online sales of this company have grown 40% annually in the last five years. Most of the home improvement retailers utilizing e-commerce leverage marketing efforts using videos and pictures that provide customer appeal proximate to what he or she would experience when physically present in the store. In the Philippines, the on-line presence of the home improvement industry remains nascent, confined primarily on providing product information rather than on-line transactions. Nonetheless, the strong presence of the Filipino consumer in the digital space will pressure the industry to provide more interactive features in their websites. In a recent study conducted by Bain & Company[6] researchers, the Philippines has an estimated 28 million Filipinos with access to digital technology - two-thirds of which shop online. The same study indicate the challenge facing companies leveraging on their online presence such as in social media is the lack of confidence of users to transact online.

[5] Brohan, M. (January 2016). Home Depot Hammers away at online growth. Retrieved from https://www.internetretailer.com/2016/01/20/home-depot-hammers-away-online-growth

[6] Hoppe, F., Lamy, S., and Alessandro Cannarsi. (2016) Can Southeast Asia Live Up to Its E-commerce Potential?. Bain & Company.

REGULATORY AND ENVIRONMENTAL MATTERS

ENVIRONMENTAL LAWS

Environmental Impact Statement System

Development projects that are classified by law as environmentally critical or projects within statutorily defined environmentally critical areas are required to obtain an Environmental Compliance Certificate ("ECC") prior to commencement. The Department of Environment and Natural Resources ("DENR"), through its regional offices or through the Environmental Management Bureau ("EMB"), determines whether a project is environmentally critical or located in an environmentally critical area. As a requisite for the issuance of an ECC, an environmentally critical project is required to submit an Environmental Impact Statement ("EIS") to the EMB while a project in an environmentally critical area are generally required to submit an Initial Environmental Examination ("IEE") to the proper DENR regional office. In case of an environmentally critical project within an environmentally critical area, an EIS is required. The construction of major roads and bridges are considered environmentally critical projects for which EISs and ECCs are mandated.

The EIS refers to both the document and the study of a project's environmental impact, including a discussion of the scoping agreement identifying critical issues and concerns as validated by the EMB, environmental risk assessment if determined necessary by EMB during the scoping, environmental management program, direct and indirect consequences to human welfare and ecological as well as environmental integrity. The IEE refers to the document and the study describing the environmental impact, including mitigation and enhancement measures, for projects in environmentally critical areas.

While the EIS or an IEE may vary from project to project, as a minimum, it contains all relevant information regarding the projects' environmental effects. The entire process of organization, administration and assessment of the effects of any project on the quality of the physical, biological and socio-economic environment as well as the design of appropriate preventive, mitigating and enhancement measures is known as the EIS System. The EIS System successfully culminates in the issuance of an ECC. The ECC is a Government certification, that the proposed project or undertaking will not cause a significant negative environmental impact, that the proponent has complied with all the requirements of the EIS System and that the proponent is committed to implement its approved Environmental Management Plan in the EIS or, if an IEE was required, that it shall comply with the mitigation measures suggested therein. The ECC contains specific measures and conditions that the project proponent must undertake before and during the operation of a project, and in some cases, during the abandonment phase of the project to mitigate identified environmental impact.. The ECC also provides for other terms and conditions, any violation of which would result in a fine or the cancellation of the ECC.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund ("EGF") when the ECC is issued to projects determined by the DENR to pose a significant public risk to life, health, property and the environment. The EGF is intended to answer for damages caused by such a project as well as any rehabilitation and restoration measures. Project proponents that prepare an EIS are mandated to include a commitment to establish an Environmental Monitoring Fund ("EMF") when an ECC is eventually issued. The EMF shall be used to support the activities of a multi-partite monitoring team which will be organized to monitor compliance with the ECC and applicable laws, rules and regulations.

All development projects, installations and activities that discharge liquid waste into and pose a threat to the environment of the Laguna de Bay Region are also required to obtain a discharge permit from the Laguna Lake Development Authority.

The Company is compliant and incurs expenses for the purposes of complying with environmental laws that consist primarily of payments for Government regulatory fees. Such fees are standard in the industry.

NATIONALITY RESTRICTIONS

The Philippine Constitution limits ownership of land in the Philippines to Filipino citizens or to corporations the outstanding capital stock of which is at least 60% owned by Philippine Nationals. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning building and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%.

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991, and the Tenth Regular Foreign Investment Negative List, provide that certain activities are nationalized or partly-nationalized, such that the operation and/or ownership thereof are wholly or partially reserved for Filipinos. Under these regulations, and in accordance with the Philippine Constitution, ownership of private lands is partly-nationalized and thus, landholding companies may only have a maximum of 40% foreign equity.

The Company does not currently own real estate. However, if the Company acquires real estate in the future, it would be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals. The term "Philippine National" as defined under the R.A. No. 7042, as amended, shall mean a citizen of the Philippines, a domestic partnership or association wholly-owned by citizens of the Philippines or a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines, or a corporation organized abroad and registered to do business in the Philippines under the Philippine Corporation Code of which 60% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos or a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

RETAIL TRADE LIBERALIZATION ACT

In 1954, the Philippine Congress passed the Retail Trade Nationalization Law, Republic Act No. 1180, which prohibited any person who is not a citizen of the Philippines, and associations, partnerships, or corporations the capital of which is not wholly owned by citizens of the Philippines, from engaging directly or indirectly in the retail business. Under the Retail Trade Nationalization Law, a corporation must be 100% owned by Philippine nationals in order to engage in the retail business.

In 2000, the Philippine Congress passed the Retail Trade Liberalization Act, which allowed non-Philippine nationals to engage in retail on a limited basis. The Retail Trade Liberalization Act was meant to "encourage Filipino and foreign investors to forge an efficient and competitive retail trade sector in the interest of empowering the Filipino consumer through lower prices, higher quality goods, better services and wider choices." The Retail Trade Liberalization Act defines retail trade to cover any act, occupation, or calling of habitually selling direct to the general public any merchandise, commodities or goods for consumption. Prior to the Retail Trade Liberalization Act, all retail business was generally restricted to Philippine persons. Under the Retail Trade Liberalization Act, however, foreign-owned partnerships, associations and corporations formed and organized under the laws of the Philippines may, upon registration with the Philippine SEC and the DTI, or in case of foreign-owned single proprietorships, with the DTI, engage or invest in the retail trade business, subject to the following categories:

Category A — Enterprises with paid-up capital of the equivalent in Philippine Pesos of less than US$2,500,000 shall be reserved exclusively for Filipino citizens and corporations wholly owned by Filipino citizens.

Category B — Enterprises with a minimum paid-up capital of the equivalent in Philippine Pesos of US$2,500,000 but less than US$7,500,000.00) may be wholly owned by foreigners except for the first two (2) years after the effectivity of this Act wherein foreign participation shall be limited to not more than sixty percent (60%) of total equity.

Category C — Enterprises with a paid-up capital of the equivalent in Philippine Pesos of US$7,500,000 or more may be wholly owned by foreigners: provided, however, that in no case shall the investments for establishing a store in Categories B and C be less than the equivalent in Philippine Pesos of US$830,000.

Category D — Enterprises specializing in high-end or luxury products with a paid-up capital of the equivalent in Philippine Pesos of US$250,000 per store may be wholly owned by foreigners.

Under the implementing rules and regulations of the Retail Trade Liberalization Act, any foreign investor, whether or not it is presently engaged in retail trade, may be allowed to invest in existing retail stores, publicly listed or not, subject to the paid-up capitalization amounts expressed in net worth, investment per store and equity requirements enumerated above. In addition, foreign investors which are also retailers that will invest in existing retail stores are required to be pre-qualified with the Board of Investments before they may actually buy shares.

The Retail Trade Liberalization Act is applicable to the Company and the relevant conditions discussed above will need to be present in the Company once there are foreign shareholders. Nevertheless, the Company is fully compliant with all conditions for foreign shareholder ownership under the prevailing provisions of the Retail Trade Liberalization Act.

LABOR CODE

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Fund Law of 2009 (R.A. No. 9679).

Under the Social Security Act of 1997, social security coverage is compulsory for all employees under 60 years of age. An employer is obligated to deduct and withhold from each employee's monthly salary, wage, compensation or earnings, the employee's contribution, and the employer, for its part, makes a counterpart contribution for the employee, and remits both amounts to the Social Security System (“SSS”). This enables the employees to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits. The Social Security Act of 1997 imposes penal sanctions if an employer fails to remit the contributions to the SSS. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The National Health Insurance Act created the National Health Insurance Program (“NHIP”) to provide health insurance coverage and ensure affordable and accessible health care services to all Filipino citizens. Under the law, all members of the SSS are automatically members of the NHIP. The Philippine Health Insurance Corporation (“PhilHealth”) administers the NHIP, and an employer is required to deduct and withhold the contributions from the employee‘s salary, wage or earnings, make a counterpart contribution for the employee, and remit both amounts to PhilHealth. The NHIP will then subsidize personal health services required by the employee subject to certain terms and conditions under the law. The National Health Insurance Act likewise imposes penal sanctions if an employer does not remit the contributions to PhilHealth. For corporate employers, the penalty is imposed on its president and members of the board of directors.

The Home Development Fund Law (R.A. No. 9679) or the Pag-ibig Fund Law created the Home Development Mutual Fund (“HDMF”), A national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must deduct and withhold up to 2% of the employee’s monthly compensation, up to a maximum of ₱5,000.00, and likewise make a counterpart contribution of 2% of the employee’s monthly compensation, and remit the contributions to the HDMF. The Pag-ibig Fund Law also imposes penal sanctions if the employer does not remit the contributions to the HDMF.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

All of the Directors and Officers named herein have served in their respective positions since March 30, 2016 except as otherwise indicated. The Directors of the Corporation were elected by the stockholders of the Corporation to hold office until the next succeeding annual meeting of the stockholders and until the respective successors have been elected and qualified.

Name	Age	Nationality	Position
William T. Belo	71	Filipino	Chairman of the Board
Lorraine Belo-Cincochan	37	Filipino	President & Chief Executive Officer
Rosemarie Bosch-Ong	58	Filipino	Director & Chief Operating Officer
Mark Andrew Y. Belo	34	Filipino	Chief Financial Officer & Treasurer
Careen Y. Belo	33	Filipino	Director & Chief Procurement Officer
Rolando S. Narciso	70	Filipino	Independent Director (elected September 13, 2016)
Ricardo S. Pascua	67	Filipino	Independent Director (elected September 13, 2016)
Sheila P. Pasicolan	29	Filipino	Corporate Secretary
Eden M. Godino	39	Filipino	VP – Product Development
Grace A. Tiong	42	Filipino	VP – Human Resource
Michael D. Tiong	42	Filipino	VP – Global Operations

The following is a brief profile of the Corporation's Directors and Officers updated as of the date of this Prospectus.

William T. Belo is the Chairman of the Company and of WC. He is the founder of the Wilcon business and brand. He built his first hardware store in 1977 along Quezon Avenue, which he later grew into a depot offering all types of home improvement products. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 as Wilcon's business expanded. Currently, he is involved in other business undertakings and serves as Director of Designo Atelier Inc., Markeenlo Realty Inc., Lomarkeen Realty Inc.; the President of Coral-Agri Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of the Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

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

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

Mark Andrew Y. Belo is the Treasurer and Chief Financial Officer of the Company and the President and Chief Executive Officer of WC from March 2016 to the present. Under WC, he was Assistant Vice

President for Business Development from 2015 to March, 2016 and Executive Project Management Head from January 2013 to March 2015. He was also assigned to various positions under WBSI from July 2004 to August 2007. He graduated from the University of Asia & the Pacific in 2004 with a bachelor's degree in Industrial Economics.

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

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

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

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

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

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

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

SIGNIFICANT EMPLOYEES

The Company does not believe that its business is dependent on the services of any particular employee.

FAMILY RELATIONSHIPS

As of the date of this Prospectus, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and members of the Company's officers are as follows:

Ms. Lorraine Belo-Cincochan, Mr. Mark Andrew Y. Belo and Ms. Careen Y. Belo are children of Mr. William T. Belo and Ms. Rosy Chua Belo.

INVESTOR RELATIONS OFFICER

Effective March 1, 2017, Mary Jean Alger will be the Company's Investor Relations Officer. Her contact details are as follows:

Telephone Number: (02) 634-8387
Email Address: investor_relations@wilcon.com.ph
Office Address: No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City

COMPLIANCE OFFICER

Grace Tiong is the Company's Compliance Officer. Her contact details are as follows:

Telephone Number: (02) 634-8387
Email Address: grace_tiong.hrd@wilcon.com.ph
Office Address: No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City

EXECUTIVE COMPENSATION

As a newly incorporated company, Wilcon Depot has not yet paid or accrued compensation in 2015, 2014 and 2013. For the year 2016, Wilcon Depot estimates that the total compensation to be paid to its top five highly compensated executive officers and to its officers and directors as a group unnamed are as follows:

Position	Aggregate Compensation 2016 (estimated)	Aggregate Bonus 2016 (estimated)
William T. Belo, Lorrain Belo-Cincochan, Rosemarie Ong, Mark Andrew Belo, and Careen Belo	₱ 18 million	₱ 3 million
Other officers and directors as a group	₱ 22 million	₱ 4 million

STANDARD ARRANGEMENTS AND OTHER ARRANGEMENTS

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments for 2015 up to the present.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or to be compensated, directly or indirectly, during the year 2015 or for the nine months ended September 30, 2016 for any service provided as a director.

EMPLOYMENT CONTRACTS, TERMINATION OF EMPLOYMENT, CHANGE-IN-CONTROL ARRANGEMENTS

As of the date of this Prospectus, the Company has no special employment contracts with the named executive officers.

WARRANTS AND OPTIONS

As of the date of this prospectus, there are no outstanding warrants or options held by the President, the CEO, the named executive officers, and all officers and directors as a group.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this Prospectus: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

CORPORATE GOVERNANCE

The Company submitted its Manual on Corporate Governance (the "Manual") to the SEC on September 16, 2016 in compliance with Philippine SEC Memorandum Circular No. 6, series of 2009. The Company and its respective directors, officers and employees have complied with the best practices and principles on good corporate governance as embodied in its Corporate Governance Manual and there have been no deviation therein. An evaluation system has been established by the Company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance. At present, the Directors and all Board Committees are required on an annual basis to accomplish a Self-Assessment Sheet for submission to the Compliance Officer.

A Compliance Officer has been appointed in order to monitor compliance the Corporate Governance Manual and improve further corporate governance of the Company by informing the Board of Directors for implementation of latest developments, rules, or amendments as well as leading practices with respect to the subject matter.

COMPLIANCE OFFICER

To insure adherence to corporate principles and best practices, the Board of Directors shall appoint a Compliance Officer who shall hold the position of a Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer shall perform the following duties:

1. Monitor compliance by the Corporation with the Revised Code of Corporate Governance (Code), the rules and regulations of regulatory agencies and this Manual and, if any violations are found, report the matter to the Board and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation;
2. Appear before the Securities and Exchange Commission (SEC) when summoned in relation to compliance with the Code; and
3. Issue a certification every January 30th of the year on the extent of the Corporation's compliance with the Code for the completed year and, if there are any deviations, explain the reason for such deviation.

INDEPENDENT DIRECTORS

The Manual requires the Company to have two (2) independent directors in the Board of Directors, at least one of whom serves on each of the Nomination Committee, the Audit, Committee, and the Compensation Committee. An independent director is defined as a person who has not been an officer or employee of the Company, its Subsidiaries or affiliates or related interests during the past three (3) years counted from date of his election, or any other individual having a relationship with the institution, its parent, subsidiaries or related interest, or to any of the Company's director, officer or stockholder holding shares of stock sufficient to elect one seat in the board of directors or any of its related companies within the fourth degree of consanguinity or affinity, legitimate or common-law, which would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

COMMITTEES OF THE BOARD

The Corporation has sufficient number of independent directors that gives the assurance of independent views and perspective.

The Board created and appointed Board members to each of the committees set forth below. Each member of the respective committees named below holds office as of the date of this Prospectus and will serve until his successor is elected and qualified.

Audit Committee

The Company's Audit Committee is responsible for assisting its Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. The Audit Committee provides a general evaluation of and assistance in the overall improvement of its risk management, control and governance processes. The Audit Committee must comprise at least three members of the Board, who shall preferably have accounting and finance backgrounds, one of whom shall be an independent director and another with audit experience. The Audit Committee chairman shall be an independent director.

The Audit Committee has the following functions:

a. assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations;
b. provide oversight of management's activities in managing credit, market, liquidity, operational, legal and other risks of the Company. This function shall include regular receipt from management of information on risk exposures and risk management activities;
c. perform oversight functions over the Company's internal and external auditors. It should ensure that the internal and external auditors act independent from each other and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions;
d. review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include the audit scope, resources and budget necessary to implement it;
e. prior to the commencement of an audit, discuss with the external auditor the nature, scope and expenses of the audit, and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;
f. organize an internal audit department, and consider, when necessary and desirable, the appointment of an independent internal auditor and the terms and conditions of its engagement and removal;
g. monitor and evaluate the adequacy and effectiveness of the Company's internal control system including financial reporting control and information technology security;
h. review the reports submitted by the internal and external auditors;
i. review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: any change(s) in accounting policies and practices; major judgment areas; significant adjustments resulting from the audit; going concern assumptions; compliance with accounting standards; and compliance with tax, legal and regulatory requirements;
j. coordinate, monitor and facilitate compliance with laws, rules and regulations;
k. evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fee paid to the external auditor in relation to its significance to the total annual income of the external auditor and to the Company's overall consultancy expenses. The Audit Committee shall disallow any non-audit work that will conflict with its duties as an external auditor or may pose a threat to its independence. The non-audit work, if allowed, should be disclosed in the Company's annual report; and,
l. establish and identify the reporting line of the Company's internal auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee.

The Audit Committee shall ensure that the Company's internal auditor in the performance of its work shall be free from interference by outside parties.

In addition, the Audit Committee shall be tasked to prepare the Audit Committee Charter (the "Charter") which shall contain, among others, its purpose, membership, structure, operations, reporting process, resources and other relevant information. The Charter shall specify how the Audit Committee shall perform its oversight functions as prescribed by the Revised Code of Corporate Governance (the "Code").
In the preparation of the Charter, the Audit Committee shall strictly observe the requirements of the Code and other applicable laws and regulations in the Philippines, and shall align the Charter with the best practices and standards as provided for in any or combination of the reference guides indicated in SEC Memorandum Circular No. 4, Series of 2012.

Upon approval by the Audit Committee of the Audit Committee Charter, the same shall be submitted for the approval of the Board.

Within one year from listing date, the Audit Committee shall assess its performance, as prescribed by and pursuant to SEC Memorandum Circular No. 4, Series of 2012.

Compensation Committee

The Compensation Committee comprises at least three members of the Board, one of whom shall be an independent director. It ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. It is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the Company successfully. It evaluates and recommends to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

Nomination Committee

The Company's Nomination Committee is responsible for providing its shareholders with an independent and objective evaluation and assurance that the membership of the Board is competent and will foster the Company's long-term success and secure its competitiveness. The Nomination Committee must comprise at least three members of the Board, one of whom should be an independent director. The Nomination Committee reports directly to the Board.

Executive Committee

The Corporate Governance Manual provides for the creation of an Executive Committee to be composed of five members appointed by the Board from time to time. Under the Manual, the Chairman of the Board shall act as ex-officio Chairman of the Executive Committee, the President as ex-officio Vice-Chairman, and three (3) other members shall sit as members of the committee. The Executive Committee shall have the following powers and functions: (i) to advise and assist the officers of the Company in all matters concerning its interest and the management of its business, and (ii) whenever the Board is not in session, to exercise all the powers of the Board which may be delegated to it by the Board.

PRINCIPAL SHAREHOLDERS

As of March 31, 2016, prior to the absorption by the Company of the trading business of WC in exchange for the issuance of shares of the Company to WC, the following table sets forth the holders of the Company's shares.

Name of Shareholder	Number of Common Shares	% of Total Outstanding Shares
Wiliam T. Belo	10,199,999	20.40%
Rosy Chua Belo	5,100,000	10.20%
Lorraine Belo-Cincochan	5,100,000	10.20%
Mark Andrew Y. Belo	5,100,000	10.20%
Careen Y. Belo	1	1.00%
WC	24,500,000	49.00%
Total	**50,000,000**	**100.00%**

On March 31, 2016 the Board of Directors and stockholders of the Company approved the acquisition by the Company of the trading business of WC with a net transfer value of ₱2,655,817,916, in exchange for and solely in consideration of the issuance by the Company of 2,655,817,916 fully paid shares of the common stock of the Company of a par value of ₱1.00 per share, to be taken from the increase in the authorized capital of the Company from ₱200,000,000 to ₱5,000,000,000.

On November 10, 2016, the Company filed for an increase in the authorized capital of ₱200,000,000 divided into 200,000,000 shares of a par value of ₱1.00 per share, to ₱5,000,000,000.00 divided into 5,000,000,000 shares of a par value of ₱1.00 per share. Of said increase, WC subscribed to 2,655,817,916 shares and fully paid for said subscription by transferring its trading assets to the Company at a net transfer value of ₱2,655,817,916. The SEC approved the increase in capital of the Company on November 15, 2016.

After approval by the SEC of the increase in its authorized capital on November 15, 2016, the shareholders of the Company and the number of shares held as of approval by SEC of the increase in capital are as follows;

Name of Shareholder	Number of Common Shares prior to the offer	% of Total Outstanding Shares prior to the offer
Wiliam T. Belo	5,099,997	0.19%
Rosy Chua Belo	5,100,000	0.19%
Lorraine Belo-Cincochan	5,100,000	0.19%
Mark Andrew Y. Belo	5,100,000	0.19%
Careen Y. Belo	5,100,000	0.19%
Rosemarie B. Ong	1	0.00%
Rolando S. Narciso	1	0.00%
Ricardo S. Pascua	1	0.00%
WC	2,680,317,916	99.06%
Total	**2,705,817,916**	**100.00%**

The PSE rules require an applicant company to cause its existing shareholders owning at least 10% of the outstanding shares of the Company not to sell, assign or in any manner dispose of their shares for a period of 365 days after the listing of the shares on the PSE. In addition, if there is any issuance of shares or securities (i.e., private placements, asset for shares swap or a similar transaction) or instruments which lead to issuance of shares or securities (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the offer period, and the transaction price is lower than that of the offer price in the initial public offering, all shares or securities availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares or securities. To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution.

The following shareholders are covered by the 365-day lock-up requirement, from listing of the Offer Shares:

Name of Shareholder	Number of Common Shares held	% of total outstanding Common Shares prior to the offer
WC	2,680,317,916	99.06%
Rosemarie B. Ong	1	0.00%
Rolando S. Narciso	1	0.00%
Ricardo S. Pascua	1	0.00%

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

All shareholders of record are likewise the beneficial owners of the shares they hold.

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner	Citizenship	Number of Shares Held	% of Total Outstanding Shares
Common	William T. Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	William T. Belo	Filipino	5,099,997	0.19%
Common	Rosy Chua Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Stockholder	Rosy Chua Belo	Filipino	5,100,000	0.19%
Common	Lorraine Belo-Cincochan #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	Lorraine Belo-Cincochan	Filipino	5,100,000	0.19%
Common	Mark Andrew Y. Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	Mark Andrew Y. Belo	Filipino	5,100,000	0.19%
Common	Careen Y. Belo #90 E. Rodriguez, Jr. Avenue, Libis, Quezon City Director	Careen Y. Belo	Filipino	5,100,000	0.19%
Common	Rosemarie B. Ong 90 Greenmeadows Ave. Greenmeadows, Quezon City Director	Rosemarie B. Ong	Filipino	1	0.00%
Common	Rolando S. Narciso Lexington Garden Village, San Joaquin, Pasig City Independent Director	Rolando S. Narciso	Filipino	1	0.00%
Common	Ricardo S. Pascua 3 Pebblewood cor. Fairwood McKinley Hill Village, Taguig City Independent Director	Ricardo S. Pascua	Filipino	1	0.00%
Common	Wilcon Builder's Depot, Inc.	Wilcon Builder's Depot, Inc.	Filipino	2,680,317,916	99.06%

None of the shareholders of record hold any share for and on behalf of another, or beneficial owner. Neither is any shareholder acting on behalf of a beneficial owner who is non-Filipino. The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of the date of this Prospectus:

Name and Address of Record Owners	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Common Shares Held	% of Total Outstanding Shares
WC	Record Owner	Filipino	2,680,317,916	99.06%

As of the date of this Prospectus, the Company does not have any foreign shareholders.

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets forth the ownership of directors and management of the Company's Common Shares as of the date of this Prospectus.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	William T. Belo	₱5,099,997.00(Direct)	Filipino	0.19%
Common	Rosy Chua Belo	₱5,100,000.00 (Direct)	Filipino	0.19%
Common	Lorraine Belo-Cincochan	₱5,100,000.00 (Direct)	Filipino	0.19%
Common	Mark Andrew Y. Belo	₱5,100,000.00 (Direct)	Filipino	0.19%
Common	Careen Y. Belo	₱5,100,000.00(Direct)	Filipino	0.19%
Common	Rosemarie B. Ong	₱1.00 (Direct)	Filipino	0.00%
Common	Rolando S. Narciso	₱1.00 (Direct)	Filipino	0.00%
Common	Ricardo S. Pascua	₱1.00 (Direct)	Filipino	0.00%

The following table sets forth ownership of directors and executive officers as a group:

Title of Class	Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	Directors and Executive Officers	₱25,500,000.00 (Direct)	Filipino	0.95%

The chart below shows the dilution of the Company's principal shareholders as a result of the Offer.

Name of Shareholder	Number of subscribed Common Shares	% of total shareholding before the Offer	% of total shareholding after the Offer
WC	2,680,317,916	99.06%	65.38%

Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Prospectus.

CHANGE IN CONTROL

As of the date of this Prospectus, there are no arrangements which may result in a change in control of the Company.

DESCRIPTION OF THE SHARES

The Shares to be offered shall be 1,393,906,200 Common Shares of the Company, with a par value ₱1.00 per share by way of primary offer.

The Company was registered and incorporated with the SEC on December 17, 2015 under SEC Registration Number CS201524712. Pursuant to its articles of incorporation as amended on April 4, 2016, the Company had an authorized amount of capital stock of ₱200,000,000.00 divided into 200,000,000 Common Shares with a par value of ₱1.00 per share. On November 15, 2016, the SEC approved the increase in the Company's authorized capital to ₱5,000,000,000.00 divided into 5,000,000,000 shares of a par value of ₱1.00 per share. As of the date of this Prospectus, 2,705,817,916 Common Shares are outstanding and fully paid. The Offer Shares are Common Shares of the Company.

The Offer Shares shall be offered at a price of ₱5.05 per Offer Share. The determination of the Offer Price is further discussed on page 42 of this Prospectus. A total of 4,099,724,116 Common Shares will be outstanding after the Offer. The Offer Shares will comprise 34% of the outstanding Common Shares after the Offer.

Objects and Purposes

The Company has been organized primarily to operate the home improvement retail business.

Under Philippine law, a corporation may invest its funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized when approved by a majority of the board of directors and ratified by the shareholders representing at least two-thirds of the outstanding capital stock, at a shareholders' meeting duly called for the purpose; provided, however, that where the investment by the corporation is reasonably necessary to accomplish its primary purpose, the approval of the shareholders shall not be necessary.

Share Capital

A Philippine corporation may issue common or preferred shares, or such other classes of shares with such rights, privileges or restrictions as may be provided for in the articles of incorporation and by-laws of the corporation. Subject to the approval by the Philippine SEC, it may increase or decrease its authorized capital stock by amending its articles of incorporation, provided that the change is approved by a majority of the board of directors and by shareholders representing at least two-thirds of the outstanding capital stock of the corporation voting at a shareholders' meeting duly called for the purpose.

Under Philippine law, the shares of a corporation may either be with or without a par value. All of the Common Shares currently issued have a par value of ₱1.00 per share. In the case of par value shares, where a corporation issues shares at a price above par, whether for cash or otherwise, the amount by which the subscription price exceeds the par value is credited to an account designated as additional paid-in capital or paid-in surplus.

Subject to approval by the Philippine SEC, a corporation may increase or decrease its authorized capital shares, provided that the change is approved by a majority of the board of directors of such corporation and shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation voting at a shareholders' meeting duly called for the purpose.

A corporation is empowered to acquire its own shares for a legitimate corporate purpose, provided that the corporation has Unrestricted Retained Earnings or surplus profits sufficient to pay for the shares to be acquired. Examples of instances in which the corporation is empowered to purchase its own shares are: when the elimination of fractional shares arising out of share dividends is necessary or desirable, the purchase of shares of dissenting shareholders exercising their appraisal right (as discussed below), and the collection or compromise of an indebtedness arising out of an unpaid subscription. When a corporation repurchases its own shares, the shares become treasury shares, which may be resold at a price fixed by the board of directors of such corporation.

The Board is authorized to issue shares from treasury from time to time. Treasury shares may be issued to any person, corporation or association, whether or not a shareholder of the Company, including its officers or employees for such consideration in money as the Board may determine.

Voting Rights

The Company's Shares have full voting rights. However, the Philippine Corporation Code provides that voting rights cannot be exercised with respect to shares declared by the board of directors as delinquent, treasury shares, or if the shareholder has elected to exercise his right of appraisal referred to below.

Dividend Rights

Under the Philippine Corporation Code, dividends may be paid out of the Unrestricted Retained Earnings of the Company as and when the Board of Directors may elect, subject to legal requirements. The Unrestricted Retained Earnings represent the undistributed earnings of the Company which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. Dividends are payable to all shareholders on the basis of outstanding shares of the Company held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to shareholders whose name are recorded in the stock and transfer book as of the record date fixed by the Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Pre-Emptive Rights

The Philippine Corporation Code confers pre-emptive rights on the existing shareholders of a Philippine corporation which entitle such shareholders to subscribe to all issues or other dispositions of shares of any class by the corporation in proportion to their respective shareholdings, regardless of whether the shares proposed to be issued or otherwise disposed of are identical to the shares held. A Philippine corporation may, however, provide for the denial of these pre-emptive rights in its articles of incorporation. Likewise, shareholders who are entitled to such pre-emptive rights may waive the same through a written instrument to that effect.

The articles of incorporation of the Company deny the pre-emptive rights of its shareholders to subscribe to any or all dispositions of any class of shares.

Derivative Rights

Philippine law recognizes the right of a shareholder to institute proceedings on behalf of the corporation in a derivative action in circumstances where the corporation itself is unable or unwilling to institute the necessary proceedings to redress wrongs committed against the corporation or to vindicate corporate rights as, for example, where the directors of the corporation themselves are the malefactors.

Appraisal Rights

The Philippine Corporation Code grants a shareholder a right of appraisal and demand payment of the fair value of his shares in certain circumstances where he has dissented and voted against a proposed corporate action, including:

- an amendment of the articles of incorporation which has the effect of adversely affecting the rights attached to his shares or of authorizing preferences in any respect superior to those of outstanding shares of any class;
- extension or reduction of corporate term;
- the sale, lease, exchange, transfer, mortgage, pledge or other disposal of all or substantially all the assets of the corporation;
- a merger or consolidation; and,
- investment by the corporation of funds in any other corporation or business or for any purpose other than the primary purpose for which it was organized.

In any of these circumstances, the dissenting shareholder may require the corporation to purchase its shares at a fair value, which, in default of agreement, is determined by three disinterested persons, one of whom shall be named by the shareholder, one by the corporation, and the third by the two thus chosen. Regional Trial Courts will, in the event of a dispute, determine any question about whether a dissenting shareholder is entitled to this right of appraisal. From the time the shareholder makes a demand for payment until the corporation purchases such shares, all rights accruing on the shares, including voting and dividend rights, shall be suspended, except the right of the shareholder to receive the fair value of such shares. No payment shall be made to any dissenting shareholder unless the corporation has Unrestricted Retained Earnings sufficient to support the purchase of the shares of the dissenting shareholders.

Right of Inspection

A shareholder has the right to inspect the records of all business transactions of the corporation and the minutes of any meeting of the board of directors and shareholders at reasonable hours on business days and may demand a copy of excerpts from such records or minutes at his or her expense. However, the corporation may refuse such inspection if the shareholder demanding to examine or copy the corporation's records has improperly used any information secured through any prior examination, or was not acting in good faith or for a legitimate purpose in making his demand.

Right to Financial Statements

A shareholder has a right to be furnished with the most recent financial statement of a Philippine corporation, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail its assets and liabilities and the results of its operations. At the meeting of shareholders, the board of directors is required to present to the shareholders a financial report of the operations of the corporation for the preceding year, which shall include financial statements duly signed and certificate by an independent certified public accountant.

Board of Directors

Unless otherwise provided by law or in the articles of incorporation, the corporate powers of the Company are exercised, its business conducted, and its property controlled by the Board. Pursuant to its articles of incorporation, as amended, the Company shall have seven (7)Directors, two of whom are independent Directors within the meaning set forth in Section 38 of the SRC. The Board shall be elected during each regular meeting of shareholders, at which shareholders representing at least a majority of the issued and outstanding capital shares of the Company are present, either in person or by proxy.

Under Philippine law, representation of foreign ownership on the Board is limited to the proportion of the foreign shareholding. Directors may only act collectively, individual directors have no power as such. Four (4) directors, which is a majority of the Board, constitute a quorum for the transaction of corporate business. Except for certain corporate actions such as the election of officers, which shall require the vote of a majority of all the members of the Board, every decision of a majority of the quorum duly assembled as a board is valid as a corporate act.

Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose.

Any director elected in this manner by the Board shall serve only for the unexpired term of the director whom such director replaces and until his successor is duly elected and qualified.

Shareholders' Meetings

Annual or Regular Shareholders' Meetings

The Philippine Corporation Code requires all Philippine corporations to hold an annual meeting of shareholders for corporate purposes including the election of directors. The By-laws of the Company provide for annual meetings on the third Monday in June of each year to be held at the principal office of the Company. The Board however may provide that the annual meeting be held on such date and time as specified in the notice.

Special Shareholders' Meeting

Special meetings of shareholders, for any purpose or purposes, may at any time be called by the Board of Directors or at the request of shareholders representing a majority of the subscribed capital, by the Chairman or the President.

Notice of Shareholders' Meeting

Whenever shareholders are required or permitted to take any action at a meeting, a written notice of the meeting shall be given which shall state the place, date, and time of the meeting, and the purpose or purposes for which the meeting is called. The Company's By-laws provide that notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mailing, or by facsimile or by digital or electronic communication, at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publishing the notice in a newspaper of national circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting, but may be waived, expressly or impliedly by any stockholder, in person, or by proxy, before or after the meeting. When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Quorum

Unless otherwise provided by an existing shareholders' agreement or by law, in all regular or special meeting of shareholders, a majority of the outstanding capital shares must be present or represented in order to constitute a quorum, except in those cases where the Philippine Corporation Code provides a greater percentage vis-à-vis the total outstanding capital shares. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of shares shall be presented.

Pursuant to the Company's By-laws, the chairman of the board, or in case of his absence or disability, the vice chairman of the board, may then call to order any meeting of the shareholders, and proceed to the transaction of business, provided a majority of the shares issued and outstanding be present, either in person or by proxy, but if there be no quorum present at any meeting, the meeting may be adjourned by the shareholders present from time to time until the quorum shall be obtained. If neither the chairman nor the vice chairman of the board is present, then the meeting is to be conducted by the president, and in case the latter is also absent, by a chairman to be chosen by the stockholders.

Voting

At all meetings of shareholders, a holder of Common Shares may vote in person or by proxy, for each share held by such shareholder.

Fixing Record Dates

Under existing Philippine SEC rules, cash dividends declared by corporations whose shares are listed on the PSE shall have a record date which shall not be less than 10 or more than 30 days from the date of declaration. In case no record date is specified for cash dividends, it is deemed to be fixed at 15 days after the company's declaration. With respect to share dividends, the record date shall not be less than 10 or more than 30 days from the date of shareholder approval, provided, however, that the record date set shall not be less than 10 trading days from receipt by the PSE of the notice of declaration of share dividends. In the event that share dividends are declared in connection with an increase in the authorized capital shares, the corresponding record date shall be fixed by the Philippine SEC.

Matters Pertaining to Proxies

Shareholders may vote at all meetings the number of shares registered in their respective names, either in person or by proxy duly given in writing and duly presented to the Corporate Secretary before or during the meeting. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Corporate Secretary.

Proxies should comply with the relevant provisions of the Philippine Corporation Code, the SRC, the IRRs, and Philippine SEC Memorandum Circular No. 5 (series of 1996) issued by the Philippine SEC.

Dividends

The Common Shares have full dividend rights. Dividends on the Company's Common Shares, if any, are paid in accordance with Philippine law. Dividends are payable to all shareholders on the basis of outstanding Common Shares held by them, each Common Share being entitled to the same unit of dividend as any other Common Share. Dividends are payable to shareholders whose names are recorded in the stock and transfer book as of the record date fixed by the Company's Board of Directors. The PSE has an established mechanism for distribution of dividends to beneficial owners of Common Shares which are traded through the PSE which are lodged with the PCD Nominee as required for scripless trading.

Transfer of Shares

All transfers of shares on the PSE shall be effected by means of a book-entry system. Under the book-entry system of trading and settlement, a registered shareholder shall transfer legal title over the shares to a nominee, but retains beneficial ownership over the shares. The transfer of legal title is done by surrendering the stock certificate representing the shares to participants of the PDTC System (i.e., brokers and custodian banks) that, in turn, lodge the same with the PCD Nominee Corporation, a corporation wholly-owned by the PDTC (the "PCD Nominee"). A shareholder may request upliftment of the shares from the PDTC, in which case a stock certificate will be issued to the shareholder and the shares registered in the shareholder's name in the books of the Company. See "The Philippine Stock Market" beginning on page 142 of this Prospectus.

Philippine law does not require transfers of the Common Shares to be effected on the PSE, but any off-exchange transfers will subject the transferor to a capital gains tax that may be significantly greater than the share transfer tax applicable to transfers effected on the PSE. See "Philippine Taxation" beginning on page

147 of this Prospectus. All transfers of shares on the PSE must be effected through a licensed stockbroker in the Philippines.

Share Register

Our Company's share register is maintained at the principal office of our share transfer agent – BDO Unibank, Inc. – Trust and Investments Group, Securities Service and Corporate Agencies Department located at the BDO Unibank, Inc. – Trust and Investments, Securities Service and Corporate Agencies Department, BDO Corporate Center, 7899 Makati Avenue, Makati City, the Philippines.

Issues of Shares

Subject to otherwise applicable limitations, the Company may issue additional Common Shares to any person for consideration deemed fair by the Board, provided that such consideration shall not be less than the par value of the issued Common Shares. No share certificates shall be issued to a subscriber until the full amount of the subscription together with interest and expenses (in case of delinquent Common Shares) has been paid and proof of payment of the applicable taxes shall have been submitted to the Company's Corporate Secretary. Under the PSE Rules, only fully-paid shares may be listed on the PSE.

Share Certificates

Certificates representing the Shares will be issues in such dominations as shareholders may request, except that certificates will not be issued for fractional Shares. Shareholders may request our stock transfer agent to split their certificates. Shares may also be lodged and maintained under the book-entry system of the PDTC. See *"The Philippine Stock Market"* on page 142 of this Prospectus.

Mandatory Tender Offers

In general, under the SRC and the IRRs, any person or group of persons acting in concert and intending to acquire at least (1) 35% of any class of any equity security of a public or listed corporation in a single transaction, or (2) 35% of such equity over a period of 12 months, or (3) even if less than 35% of such equity, if such acquisition would result in ownership by the acquiring party of over 51% of the total outstanding equity, is required to make a tender offer to all the shareholders of the target corporation on the same terms. Generally, in the event that the securities tendered pursuant to such an offer exceed that which the acquiring person or group of persons is willing to take up, the securities shall be purchased from each tendering shareholder on a pro rata basis, disregarding fractions, according to the number of securities tendered by each security holder. Where a mandatory tender offer is required, the acquirer is compelled to offer the highest price paid by him for such shares during the past six months. Where the offer involves payment by transfer or allotment of securities, such securities must be valued on an equitable basis. However, if any acquisition of even less than 35% would result in ownership of over 51% of the total outstanding equity, the acquirer shall be required to make a tender offer for all the outstanding equity securities to all remaining shareholders of the said corporation at a price supported by a fairness opinion provided by an independent financial adviser or equivalent third party. The acquirer in such a tender offer shall be required to accept any and all securities thus tendered.

No Mandatory Tender Offer is required in: (i) purchases of shares from unissued capital shares unless it will result to a 50% or more ownership of shares by the purchaser, (ii) purchases from an increase in the authorized capital shares of the target company, (iii) purchases in connection with a foreclosure proceedings involving a pledge or security where the acquisition is made by the debtor or creditor, (iv) purchases in connection with privatization undertaken by the government of the Philippines, (v) purchases in connection with corporate rehabilitation under court supervision, (vi) purchases through an open market at the prevailing market price, or (vii) purchases resulting from a merger or consolidation.

Fundamental Matters

The Philippine Corporation Code provides that certain significant acts may only be implemented with shareholders' approval. The following require the approval of shareholders representing at least two-thirds of the issued and outstanding capital shares of the corporation in a meeting duly called for the purpose:

- amendment of the articles of incorporation;
- removal of directors;
- sale, lease, exchange, mortgage, pledge or other disposition of all or a substantial part of the assets of the corporation;
- investment of corporate funds in any other corporation or business or for any purpose other than the primary purpose for which the corporation was organized;
- declaration or issuance of share dividends;
- delegation to the board of directors of the power to amend or repeal by-laws or adopt new by-laws;
- merger or consolidation;
- dissolution;
- an increase or decrease in capital shares;
- ratification of a contract of a directors or officer with the corporation;
- extension or shortening of the corporate term;
- creation or increase of bonded indebtedness; and.
- management contracts with related parties

The approval of shareholders holding a majority of the outstanding capital shares of a Philippine corporation, including non-voting preferred shares, is required for the adoption or amendment of the by-laws of such corporation.

Accounting and Auditing Requirements

Philippine stock corporations are required to file copies of their annual financial statements with the Philippine SEC. In addition, public corporations are required to file quarterly financial statements (for the first three quarters) with the Philippine SEC. Those corporations whose shares are listed on the PSE are additionally required to file said quarterly and annual financial statements with the PSE. Shareholders are entitled to request copies of the most recent financial statements of the corporation which include a statement of financial position as of the end of the most recent tax year and a profit and loss statement for that year. Shareholders are also entitled to inspect and examine the books and records that the corporation is required by law to maintain.

The Board is required to present to shareholders at every annual meeting a financial report of the operations of the Company for the preceding year. This report is required to include audited financial statements.

THE PHILIPPINE STOCK MARKET

The information presented in this section has been extracted from publicly available documents which have not been prepared or independently verified by the Company, the Issue Manager and Joint Lead Underwriters, or any of their respective subsidiaries, affiliates or advisors in connection with the offer and sale of the Offer Shares.

Brief History

The Philippines initially had two stock exchanges, the Manila Stock Exchange, which was organized in 1927, and the Makati Stock Exchange, which began operations in 1963. Each exchange was self-regulating, governed by its respective Board of Governors elected annually by its members.

Several steps initiated by the Philippine government have resulted in the unification of the two bourses into the PSE. The PSE was incorporated in 1992 by officers of both the Makati and the Manila Stock Exchanges. In March 1994, the licenses of the two exchanges were revoked. While the PSE maintains two trading floors, one in Makati City and the other in Pasig City, these floors are linked by an automated trading system, which integrates all bids, and ask quotations from the bourses.

In June 1998, the SEC granted the Self-Regulatory Organization ("SRO") status to the PSE, allowing it to impose rules as well as implement penalties on erring trading participants and listed companies. On August 8, 2001, the PSE completed its demutualization, converting from a non-stock member-governed institution into a stock corporation in compliance with the requirements of the SRC.

The PSE has an authorized capital stock of ₱120,000,000.00, of which approximately 61,258,733 shares were subscribed and fully paid-up as of June 30, 2013. Each of the 184 member-brokers was granted 50,000 common shares of the new PSE at a par value of ₱1.00 per share. In addition, a trading right evidenced by a "Trading Participant Certificate" was immediately conferred on each member-broker allowing the use of the PSE's trading facilities. As a result of the demutualization, the composition of the PSE Board of Governors was changed, requiring the inclusion of seven brokers and eight non-brokers, one of whom is the President. On December 15, 2003, the PSE listed its shares by way of introduction at its own bourse as part of a series of reforms aimed at strengthening the Philippine securities industry.

Classified into financial, industrial, holding firms, property, services, and mining and oil sectors, companies are listed either on the PSE's Main Board or the Small, Medium and Emerging Board. Recently, the PSE issued Rules on Exchange Traded Funds ("ETF") which provides for the listing of ETFs on an ETF Board separate from the PSE's existing boards. Previously, the PSE allowed listing on the First Board, Second Board or the Small, Medium and Enterprises Board. With the issuance by the PSE of Memorandum No. CN-No. 2013-0023 dated 6 June 2013, revisions to the PSE Listing Rules were made, among which changes are the removal of the Second Board listing and the requirement that lock-up rules be embodied in the articles of the incorporation of the issuer. Each index represents the numerical average of the prices of component shares. The PSE has an index, referred to as the PHISIX, which as at the date thereof reflects the price movements of selected shares listed on the PSE, based on traded prices of shares from the various sectors. The PSE shifted from full market capitalization to free float market capitalization effective April 3, 2006, simultaneous with the migration to the free float index and the renaming of the PHISIX to PSEi. The PSEi is composed of shares of 30 selected companies listed on the PSE. In July 2010, the PSE's new trading system, now known as PSE Trade, was launched.

In December 2013, the PSE replaced its online disclosure system ("OdiSy") with a new disclosure system, the PSE Electronic Disclosure Generation Technology ("EDGE"). EDGE was acquired from the Korea Exchange and is a fully automated system equipped with a variety of features to further standardize the disclosure reporting process of listed companies on the PSE, improve investors' disclosure searching and viewing experience, and enhance overall issuer transparency in the market. The PSE also launched its Corporate Governance Guidebook in November 2010 as another initiative of the PSE to promote good governance among listed companies. It is composed of ten guidelines embodying principles of good business practice and based on internationally recognized corporate governance codes and best practices.

The table below sets out movements in the composite index as of the last business day of each calendar year from 1995 to 2015, September 30, 2016 and shows the number of listed companies, market capitalization, and value of shares traded for the same period:

Year	Composite Index at Closing	Number of Listed Companies	Aggregate Market Capitalization (in ₱ billions)	Combined Value of Turnover (in ₱ billions)
1995	2,594.2	205	1,545.7	379.0
1996	3,170.6	216	2,121.1	668.8
1997	1,869.2	221	1,251.3	586.2
1998	1,968.8	222	1,373.7	408.7
1999	2,142.9	225	1,936.5	781.0
2000	1,494.5	229	2,576.5	357.7
2001	1,168.1	231	2,141.4	159.6
2002	1,018.4	234	2,083.2	159.7
2003	1,442.4	236	2,973.8	145.4
2004	1,822.8	235	4,766.3	206.6
2005	2,096.0	237	5,948.4	383.5
2006	2,982.5	239	7,173.2	572.6
2007	3,621.6	244	7,977.6	1,338.3
2008	1,872.9	246	4,069.2	763.9
2009	3,052.7	248	6,029.1	994.2
2010	4,201.1	253	8,866.1	1,207.4
2011	4,372.0	245	8,697.0	1,422.6
2012	5,812.7	254	10,952.7	1,771.7
2013	5,889.8	257	11,931.3	2,546.2
2014	7,230.6	263	14,251.7	2,160.1
2015	6,952.1	216	13,465.1	2,172.5
2016	6,840.6	265	14,438.8	1,929.5

Source: PSE

Trading

The PSE is a double auction market. Buyers and sellers are each represented by stockbrokers. To trade, bid or ask prices are posted on the PSE's electronic trading system. A buy (or sell) order that matches the lowest asked (or highest bid) price is automatically executed. Buy and sell orders received by one broker at the same price are crossed at the PSE at the indicated price. Payment of purchases of listed securities must be made by the buyer on or before the third trading day (the settlement date) after the trade.

Trading on the PSE commences at 9:30 a.m. with a trading recess beginning at 12:00 p.m. In the afternoon, trading resumes at 1:30 p.m. and ends at 3:30 p.m., including a 10-minute extension during which transactions may be conducted, provided that they are executed at the last traded price and are only for the purpose of completing unfinished orders. Trading days are Monday to Friday, except legal holidays and days when the BSP clearing house is closed.

Minimum trading lots range from 5 to 1,000,000 shares depending on the price range and nature of the security traded. Odd-sized lots are traded by brokers on a board specifically designed for odd-lot trading.

To maintain stability in the stock market, daily price swings are monitored and regulated. Under current PSE regulations, when the price of a listed security moves up by 50% or down by 50% in one day (based on the previous closing price or last posted bid price, whichever is higher), the price of that security is automatically frozen by the PSE, unless there is an official statement from the company or a government agency justifying such price fluctuation, in which case the affected security can still be traded but only at the frozen price. If the issuer fails to submit such explanation, a trading halt is imposed by the PSE on the listed security the following day. Resumption of trading shall be allowed only when the disclosure of the company is disseminated, subject again to the trading ban.

Non-Resident Transactions

When the purchase/sale of Philippine shares involves a non-resident, whether the transaction is effected in the domestic or foreign market, it will be the responsibility of the securities dealer/broker to register the transaction with the BSP. The local securities dealer/broker shall file with the BSP, within three business days from the transaction date, an application in the prescribed registration form. After compliance with other required undertakings, the BSP shall issue a Certificate of Registration. Under BSP rules, all registered foreign investments in Philippine securities including profits and dividends, net of taxes and charges, may be repatriated.

Settlement

The Securities Clearing Corporation of the Philippines ("SCCP") is a wholly-owned subsidiary of the PSE, and was organized primarily as a clearance and settlement agency for SCCP-eligible trades executed through the facilities of the PSE. SCCP received its permanent license to operate on January 17, 2002. It is responsible for:

- synchronizing the settlement of funds and the transfer of securities through Delivery versus Payment clearing and settlement of transactions of Clearing Members, who are also Trading Participants of the PSE;
- guaranteeing the settlement of trades in the event of a Trading Participant's default through the implementation of its Fails Management System and administration of the Clearing and Trade Guaranty Fund; and,
- performance of Risk Management and Monitoring to ensure final and irrevocable settlement.

SCCP settles PSE trades on a three-day rolling settlement environment, which means that settlement of trades takes place three trading days after transaction date ("T+3"). The deadline for settlement of trades is 12:00 noon of T+3. Securities sold should be in scripless form and lodged under the book-entry system of the PDTC. Each trading participant maintains a Cash Settlement Account with one of the seven existing Settlement Banks of SCCP, which are Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, Metrobank, Deutsche Bank, HSBC Philippines, Union Bank of the Philippines, and Maybank Philippines Incorporated. Payment for securities bought should be in good, cleared funds and should be final and irrevocable. Settlement is presently on a broker level.

SCCP implemented its Central Clearing and Central Settlement system on May 29, 2006. CCCS employs multilateral netting, whereby the system automatically offsets "buy" and "sell" transactions on a per issue and a per flag basis to arrive at a net receipt or a net delivery security position for each Clearing Member. All cash debits and credits are also netted into a single net cash position for each Clearing Member. Novation of the original PSE trade contracts occurs, and SCCP stands between the original trading parties and becomes the Central Counterparty to each PSE-eligible trade cleared through it.

Scripless Trading

In 1995, the PDTC (formerly the Philippine Central Depository, Inc.), was organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. On December 16, 1996, the PDTC was granted a provisional license by the SEC to act as a central securities depository.

All listed securities at the PSE have been converted into book-entry settlement in the PDTC. The depository service of the PDTC provides the infrastructure for lodgment (deposit) and upliftment (withdrawal) of securities, pledge of securities, securities lending and borrowing and corporate actions including shareholders' meetings, dividend declarations and rights offerings. The PDTC also provides depository and settlement services for non-PSE trades of listed equity securities. For transactions on the PSE, the security element of the trade will be settled through the book-entry system, while the cash element will be settled through the current settlement banks, Banco de Oro Unibank, Inc., Rizal Commercial Banking Corporation, MBT, Deutsche Bank, HSBC Philippines, Union Bank of the Philippines, and Maybank Philippines Incorporated.

In order to benefit from the book-entry system, securities must be immobilized into the PDTC system through a process called lodgment. Lodgment is the process by which shareholders transfer legal title (but not beneficial title) over their shares in favor of the PCD Nominee Corporation ("PCD Nominee"), a corporation wholly-owned by the PDTC, whose sole purpose is to act as nominee and legal title holder of all shares lodged in the PDTC. "Immobilization" is the process by which the warrant or share certificates of lodging holders are cancelled by the transfer agent and the corresponding transfer of beneficial ownership of the immobilized shares in the account of the PCD Nominee through the PDTC participant will be recorded in the issuing corporation's registry. This trust arrangement between the participants and PDTC through the PCD Nominee is established by and explained in the PDTC Rules and Operating Procedures approved by the SEC. No consideration is paid for the transfer of legal title to the PCD Nominee. Once lodged, transfers of beneficial title of the securities are accomplished via book-entry settlement.

Under the current PDTC system, only participants (e.g. brokers and custodians) will be recognized by the PDTC as the beneficial owners of the lodged equity securities. Thus, each beneficial owner of shares, through his participant, will be the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee. All lodgments, trades and uplifts on these shares will have to be coursed through a participant. Ownership and transfers of beneficial interests in the shares will be reflected, with respect to the participant's aggregate holdings, in the PDTC system, and with respect to each beneficial owner's holdings, in the records of the participants. Beneficial owners are thus advised that in order to exercise their rights as beneficial owners of the lodged shares, they must rely on their participant-brokers and/or participant-custodians.

Any beneficial owner of shares who wishes to trade his interests in the shares must course the trade through a participant. The participant can execute PSE trades and non-PSE trades of lodged equity securities through the PDTC system. All matched transactions in the PSE trading system will be fed through the SCCP, and into the PDTC system. Once it is determined on the settlement date (T+3) that there are adequate securities in the securities settlement account of the participant-seller and adequate cleared funds in the settlement bank account of the participant-buyer, the PSE trades are automatically settled in the SCCP Central Clearing and Central Settlement system, in accordance with the SCCP and PDTC Rules and Operating Procedures. Once settled, the beneficial ownership of the securities is transferred from the participant-seller to the participant-buyer without the physical transfer of stock certificates covering the traded securities.

If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the upliftment of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under the PCD Nominee. The expenses for upliftment are for the account of the uplifting shareholder.

The difference between the depository and the registry would be on the recording of ownership of the shares in the issuing corporations' books. In the depository set-up, shares are simply immobilized, wherein customers' certificates are cancelled and a confirmation advice is issued in the name of PCD Nominee to confirm new balances of the shares lodged with the PDTC. Transfers among/between broker and/or custodian accounts, as the case may be, will only be made within the book-entry system of the PDTC. However, as far as the issuing corporation is concerned, the underlying certificates are in the PCD Nominee's name. In the registry set-up, settlement and recording of ownership of traded securities will already be directly made in the corresponding issuing company's transfer agents' books or system. Likewise, recording will already be at the beneficiary level (whether it be a client or a registered custodian holding securities for its clients), thereby removing from the broker its current "de facto" custodianship role.

Amended Rule on Lodgment of Securities

On June 24, 2009, the PSE apprised all listed companies and market participants through Memorandum No. 2009-0320 that commencing on July 1, 2009, as a condition for the listing and trading of the securities of an applicant company, the applicant company shall electronically lodge its registered securities with the PDTC or any other entity duly authorized by the SEC, without any jumbo or mother certificate in compliance with the requirements of Section 43 of the SRC. In compliance with the foregoing requirement, actual listing and trading of securities on the scheduled listing date shall take effect only after submission by the applicant company of the documentary requirements stated in the amended rule on Lodgment of Securities of the PSE.

Further, the PSE apprised all listed companies and market participants on May 21, 2010 through Memorandum No. 2010-0246 that the Amended Rule on Lodgement of Securities under Section 16 of Article III, Part A of the Revised Listing Rules of the PSE shall apply to all securities that are lodged with the PDTC or any other entity duly authorized by the PSE.

For listing applications, the amended rule on lodgment of securities is applicable to:

a. The offer shares/securities of the applicant company in the case of an initial public offering,
b. The shares/securities that are lodged with the PDTC, or any other entity duly authorized by the PSE in the case of a listing by way of introduction,
c. New securities to be offered and applied for listing by an existing listed company, and
d. Additional listing of securities of an existing listed company.

Issuance of Stock Certificates for Certificated Shares

On or after the listing of the shares on the PSE, any beneficial owner of the shares may apply with PDTC through his broker or custodian-participant for a withdrawal from the book-entry system and return to the conventional paper-based settlement. If a shareholder wishes to withdraw his shareholdings from the PDTC system, the PDTC has a procedure of upliftment under which PCD Nominee will transfer back to the shareholder the legal title to the shares lodged. The uplifting shareholder shall follow the Rules and Operating Procedures of the PDTC for the uplifting of the shares lodged under the name of the PCD Nominee. The transfer agent shall prepare and send a Registry Confirmation Advice to the PDTC covering the new number of shares lodged under PCD Nominee. The expenses for upliftment are on the account of the uplifting shareholder.

Upon the issuance of stock certificates for the shares in the name of the person applying for upliftment, such shares shall be deemed to be withdrawn from the PDTC book-entry settlement system, and trading on such shares will follow the normal process for settlement of certificated securities. The expenses for upliftment of the shares into certificated securities will be charged to the person applying for upliftment. Pending completion of the upliftment process, the beneficial interest in the shares covered by the application for upliftment is frozen and no trading and book-entry settlement will be permitted until the relevant stock certificates in the name of the person applying for upliftment shall have been issued by the relevant company's transfer agent.

PHILIPPINE TAXATION

The following is a discussion of the material Philippine tax consequences of the acquisition, ownership and disposition of the Common Shares. This general description does not purport to be a comprehensive description of the Philippine tax aspects of the Common Shares and no information is provided regarding the tax aspects of acquiring, owning, holding or disposing of the Common Shares under applicable tax laws of other applicable jurisdictions and the specific Philippine tax consequence in light of particular situations of acquiring, owning, holding and disposing of the Common Shares in such other jurisdictions. This discussion is based upon laws, regulations, rulings, and income tax conventions or treaties in effect at the date of this Prospectus. The tax treatment applicable to a holder of the Common Shares may vary depending upon such holder's particular situation, and certain holders may be subject to special rules not discussed below. This summary does not purport to address all tax aspects that may be important to a holder of the Common Shares. Prospective investors of the Common Shares are urged to consult their own tax advisors as to the particular tax consequences of the ownership and disposition of the Common Shares, including the applicability and effect of any local or foreign tax laws.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines, a "non-resident alien" is an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who is actually within the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines." A non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not doing business in the Philippines." A "resident foreign corporation" is a non-Philippine corporation engaged in trade or business within the Philippines, and a "non-resident foreign corporation" is a non-Philippine corporation not engaged in trade or business within the Philippines. The term "dividends" under this section refers to cash or property dividends. "Tax Code" means the Philippine National Internal Revenue of 1997, as amended.

The term "non-resident holder" means a holder of the Common Shares:

- who is an individual who is neither a citizen nor a resident of the Philippines, or an entity which is a foreign corporation not engaged in trade or business in the Philippines, and
- should a tax treaty be applicable, whose ownership of the Common Shares is not effectively connected with a fixed base or a permanent establishment in the Philippines.

Taxes on Dividends on the Shares

Individual Philippine citizens and resident aliens are subject to a final tax on dividends derived from the Common Shares at the rate of 10%, which tax shall be withheld by the Company.

Non-resident alien individuals engaged in trade or business in the Philippines are subject to a final withholding tax on dividends derived from the Common Shares at the rate of 20% on the gross amount thereof, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual. A non-resident alien individual not engaged in trade or business in the Philippines is subject to a final withholding tax on dividends derived from the Common Shares at the rate of 25% of the gross amount, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile or residence of such non-resident alien individual.

Dividends derived by domestic corporations (i.e. corporations created or organized in the Philippines under its laws) and resident foreign corporations from the Common Shares shall not be subject to tax.

Dividends received from a domestic corporation by a non-resident foreign corporation are generally subject to final withholding tax at the rate of 30%, subject to applicable preferential tax rates under tax treaties in force between the Philippines and the country of domicile of such non-resident foreign corporation. The 30%

rate for dividends paid to non-resident foreign corporations with countries of domicile having no tax treaty with the Philippines may be reduced to a special 15% rate if:

- the country in which the non-resident foreign corporation is domiciled imposes no taxes on foreign sourced dividends, or
- the country in which the non-resident foreign corporation is domiciled allows a credit against the tax due from the non-resident foreign corporation for taxes deemed to have been paid in the Philippines equivalent to 15%.

The BIR has prescribed, through an administrative issuance, procedures for the availment of tax treaty relief. The application for tax treaty relief has to be filed with the BIR by the non-resident holder of the Common Shares (or its duly authorized representative) prior to the first taxable event, or prior to the first and only time the income tax payor is required to withhold the tax thereon or should have withheld taxes thereon had the transaction been subject to tax. The "first taxable event" has been construed by the BIR as "payment of the dividend." Failure to file the application for tax treaty relief with the BIR prior to the first taxable event may disqualify the said application. A corporation may withhold taxes at a reduced rate on dividends paid to a non-resident holder of the Common Shares if such non-resident holder submits to the domestic corporation proof of the filing of the tax treaty relief application with the BIR prior to the payment of dividends. However, on 9 August 2013, the Philippine Supreme Court in Deutsche Bank AG Manila Branch v. CIR, G.R. No. 188550, ruled that the period of application for the availment of tax treaty relief should not operate to divest entitlement to the relief as it would constitute a violation of the duty required by good faith in complying with a tax treaty. At most, the application for a tax treaty relief to be filed with the BIR should merely operate to confirm the entitlement of the taxpayer to such relief.

The requirements for a tax treaty relief application in respect of dividends are set out in the applicable tax treaty and BIR Form No. 0901-D. These include proof of tax residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the non-resident holder of Common Shares which states that the non-resident holder is a tax resident of such country under the applicable tax treaty. If the non-resident holder of Common Shares is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

If tax at the regular rate is withheld by the Company instead of the reduced rates applicable under a treaty, the non-resident holder of the Common Shares may file a claim for refund from the BIR. However, because the refund process in the Philippines requires the filing of an administrative claim and the submission of supporting information, and may also involve the filing of a judicial appeal, it may be impractical to pursue obtaining such a refund. Moreover, in view of the requirement of the BIR that an application for tax treaty relief be filed prior to the first taxable event as previously stated, the non-resident holder of Common Shares may not be able to successfully pursue a claim for refund if such an application is not filed before such deadline.

Stock dividends distributed pro rata to any holder of shares are not subject to Philippine income tax. However, the sale, exchange or disposition of shares received as stock dividends by the holder is subject to either capital gains tax and documentary stamp tax or stock transaction tax.

Tax Treaties

The following table lists some of the countries with which the Philippines has tax treaties and the tax rates currently applicable to non-resident holders who are residents of those countries:

Country	Dividends	Capital Gains Tax Due on Disposition of Common Shares Outside the PSE
	(%)	(%)
Canada	25[1]	Exempt[8]
France	15[2]	Exempt[8]
Germany	15[3]	5/10[9]
Japan	15[4]	Exempt[8]
Singapore	25[5]	Exempt[8]
United Kingdom	25[6]	Exempt[10]
United States	25[7]	Exempt[8]

Notes:

1. *15% if the recipient company controls at least 10% of the voting power of the company paying the dividends.*
2. *10% if the recipient company (excluding a partnership) holds directly at least 10% of the voting shares of the company paying the dividends.*
3. *10% if the recipient company (excluding a partnership) owns directly at least 25% of the capital of the company paying the dividends.*
4. *10% if the recipient company holds directly at least 10% of either the voting shares of the company paying the dividends or of the total shares issued by that company during the period of six months immediately preceding the date of payment of the dividends.*
5. *15% if during the part of the paying company's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year at least 15% of the outstanding shares of the voting shares of the paying company were owned by the recipient company.*
6. *15% if the recipient company is a company which controls directly or indirectly at least 10% of the voting power of the company paying the dividends.*
7. *20% if during the part of the paying corporation's taxable year which precedes the date of payment of dividends and during the whole of its prior taxable year, at least 10% of the outstanding shares of the voting shares of the paying corporation were owned by the recipient corporation. Notwithstanding the rates provided under the Republic of the Philippines-United States Treaty, residents of the United States may avail of the 15% withholding tax rate under the tax-sparing clause of the Tax Code provided certain conditions are met.*
8. *Capital gains are taxable only in the country where the seller is a resident, provided the shares are not those of a corporation, the assets of which consist principally of real property situated in the Philippines, in which case the sale is subject to Philippine taxes.*
9. *Under the tax treaty between the Philippines and Germany, capital gains from the alienation of shares of a Philippine corporation may be taxed in the Philippines irrespective of the nature of the assets of the Philippine corporation. Tax rates are 5% on the net capital gains realized during the taxable year not in excess of ₱100,000 and 10% on the net capital gains realized during the taxable year in excess of ₱100,000.*
10. *Under the tax treaty between the Philippines and the United Kingdom, capital gains on the sale of the shares of Philippine corporations are subject to tax only in the country where the seller is a resident, irrespective of the nature of the assets of the Philippine corporation.*

In order for an exemption under a tax treaty to be recognized, an application for tax treaty relief on capital gains tax on the sale of shares must be filed by the income recipient before the deadline for the filing of the documentary stamp tax return, which is the fifth day following the end of the month when the document transferring ownership was executed.

The requirements for a tax treaty relief application in respect of capital gains tax on the sale of shares are set out in the applicable tax treaty and BIR Form No. 0901-C. These include proof of residence in the country that is a party to the tax treaty. Proof of residence consists of a consularized certification from the tax authority of the country of residence of the seller of shares which provides that the seller is a resident of such country under the applicable tax treaty. If the seller is a juridical entity, authenticated certified true copies of its articles of incorporation or association issued by the proper government authority should also be submitted to the BIR in addition to the certification of its residence from the tax authority of its country of residence.

Sale, Exchange or Disposition of Shares

Capital gains tax, if sale was made outside the PSE

Net capital gains realized by a resident or non-resident other than a dealer in securities during each taxable year from the sale, exchange or disposition of shares outside the facilities of the PSE, unless an applicable treaty exempts such gains from tax or provides for preferential rates, are subject to tax as follows: 5% on gains not exceeding ₱100,000.00 and 10% on gains over ₱100,000.00. An application for tax treaty relief must be filed (and approved) by the Philippine tax authorities to obtain an exemption under a tax treaty.Such application must be filed before the deadline for the filing of the documentary stamp tax return.

The transfer of shares shall not be recorded in the books of the Company unless the BIR certifies that the capital gains and documentary stamp taxes relating to the sale or transfer have been paid or, where applicable, tax treaty relief has been confirmed by the International Tax Affairs Division of the BIR in respect of the capital gains tax or other conditions have been met.

Taxes on transfer of shares listed and traded at the PSE

A sale or other disposition of shares through the facilities of the PSE by a resident or a non-resident holder, other than a dealer in securities, is subject to a stock transaction tax at the rate of 0.5% of the gross selling price or gross value in money of the shares sold or otherwise disposed, unless an applicable treaty exempts such sale from said tax. This tax is required to be collected by and paid to the Government by the selling stockbroker on behalf of his client. The stock transaction tax is classified as a percentage tax in lieu of a capital gains tax. Under certain tax treaties, the exemptions from capital gains tax discussed herein may not be applicable to stock transaction tax. In addition, value added tax of 12.0% is imposed on the commission earned by the PSE-registered broker, and is generally passed on to the client.

On 7 November 2012, the BIR issued Revenue Regulations No. 16-2012 which provides that the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the minimum public ownership ("MPO") requirement after 31 December 2012 will be subject to capital gains tax and documentary stamp tax. It also requires publicly listed companies to submit public ownership reports to the BIR within 15 days after the end of each quarter.

On 31 December 2012, the PSE imposed a trading suspension for a period of not more than six months, on shares of a listed company who has not complied with the Rule on MPO which requires listed companies to maintain a minimum percentage of listed securities held by the public at ten percent of the listed companies' issued and outstanding shares at all times. Companies which do not comply with the MPO after the lapse of the trading suspension shall be automatically delisted.

The sale of such listed company's shares during the trading suspension may be effected only outside the trading system of the PSE and shall be subject to capital gains tax and documentary stamp tax. Furthermore, if the fair market value of the shares of stock sold is greater than the consideration or the selling price, the amount by which the fair market value of the shares exceeds the selling price shall be deemed a gift that is subject to donor's tax under Section 100 of the Tax Code.

Documentary Stamp Taxes on Shares

The original issue of shares is subject to documentary stamp tax of ₱1.00 on each ₱200.00 par value, or fraction thereof, of the shares issued. On the other hand, the transfer of shares is subject to a documentary stamp tax at a rate of ₱0.75 on each ₱200.00, or fractional part thereof, of the par value of the Common Shares. The documentary stamp tax is imposed on the person making, signing, issuing, accepting or transferring the document and is thus payable either by the vendor or the purchaser of the Common Shares. However, the sale, barter or exchange of Common Shares listed and traded through the PSE are exempt from documentary stamp tax.

Estate and Gift Taxes

The transfer of the Common Shares upon the death of a registered holder to his heirs by way of succession, whether such an individual was a citizen of the Philippines or an alien, regardless of residence, will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the net estate is over ₱200,000.00.

The transfer of shares by gift or donation to a stranger (i.e. a person who is not a brother, sister, spouse, ancestor, lineal descendant or relative by consanguinity within the fourth degree of relationship) will be subject to a donor's tax at a flat rate of 30.0%. Gifts or donations to non-strangers, however, will be subject to progressive rates ranging from 2.0% to 15.0%, if the net gifts during the calendar year exceed ₱100,000.00, otherwise, such transfer will not be subject to donor's tax. Corporate registered holders are also liable for Philippine donor's tax on such transfers, but the rate of tax with respect to net gifts made by corporate registered holders is always at a flat rate of 30.0%.

Estate and gift taxes will not be collected in respect of intangible personal property, such as shares, (1) if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country which at the time of his death or donation did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country, or (2) if the laws of the foreign country of which the deceased or the donor was a citizen and resident at the time of his death or donation allow a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

Corporate Income Tax

As a general rule, a domestic corporation is subject to corporate income tax of 30.0% on its taxable income[7] from all sources within or without the Philippines. The exception, among others, would be (i) gross interest income from Philippine currency bank deposits and yields from deposit substitutes, trust funds and similar arrangements, and royalties, which are subject to a final withholding tax rate of 20.0% of the gross amount of such income, (ii) interest income from a depository bank under the expanded foreign currency deposit system which is subject to a final 7.5% tax on the gross amount of such income.

Further, in computing the corporate income tax, effective July 6, 2008, companies are given a choice to claim itemized deductions or the optional standard deduction ("OSD"), with the former being presumed unless specific election of OSD is signified in the tax return. The OSD election is irrevocable for the taxable year for which the tax return is made. The OSD is equivalent to an amount not exceeding 40.0% of the company's gross income. For this purpose, "Gross Income" means all income derived from whatever source, including, but not limited to, compensation for service, gross income derived from the conduct of trade or business or exercise of profession, gains derived from dealings in property, interests, rent, royalties, dividends, annuities, prizes and winnings.

A minimum corporate income tax ("MCIT") of 2.0% of gross income would likewise be applicable to the Issuer, beginning on the fourth taxable year from commencement of business operations, whenever the MCIT is greater that the ordinary corporate income tax. For this purpose, "Gross Income" means gross sales less sales returns, discounts and allowances and cost of goods sold. Passive income, such as interest on bank deposits and royalties subject to final withholding tax, shall not form part of gross income for purposes of MCIT.

Nevertheless, any excess of the MCIT over the ordinary corporate income tax may be carried forward and credited against the latter for the three immediately succeeding taxable years. Further, subject to certain conditions, the MCIT may be suspended with respect to a corporation which suffers losses on account of a prolonged labor dispute, or because of force majeure, or because of legitimate business reverses.

7 Taxable income refers to the pertinent items of gross income specified in the National Internal Revenue Code of 1997, as amended (the "Tax Code") less the deductions and/or personal and additional exemptions, if any, authorized for such types of income by the Tax Code or other special laws.

PHILIPPINE FOREIGN EXCHANGE AND FOREIGN OWNERSHIP CONTROLS

Registration of Foreign Investments and Exchange Controls

Under current BSP regulations, an investment in listed Philippine securities (such as the Common Shares) must be registered with the BSP if the foreign exchange needed to service the repatriation of capital and the remittance of dividends, profits and earnings derived from such shares is to be sourced from the Philippine banking system. If the foreign exchange required to service capital repatriation or dividend remittance is sourced outside the Philippine banking system, registration is not required. BSP Circular No. 471 (Series of 2005), as amended, however subjects foreign exchange dealers, money changers and remittance agents to R.A. No. 9160 (the Anti-Money Laundering Act of 2001, as amended) and requires these non-bank sources of foreign exchange to require foreign exchange buyers to submit, among others, the original BSP registration document in connection with their application to purchase foreign exchange exceeding US$5,000.00 for purposes of capital repatriation and remittance of dividends.

Registration of Philippine securities listed on the PSE may be done directly with a custodian bank duly designated by the foreign investor. A custodian bank may be a universal or commercial bank or an offshore banking unit registered with the BSP to act as such and appointed by the investor to register the investment, hold shares for the investor, and represent the investor in all necessary actions in connection with his investments in the Philippines. Applications for registration must be accompanied by: (i) purchase invoice, subscription agreement and proof of listing on the PSE (either or both), (ii) credit advice or bank certificate showing the amount of foreign currency inwardly remitted and converted into Pesos, and (iii) transfer instructions from the stockbroker or dealer, as the case may be.

Upon registration of the investment, proceeds of divestments, or dividends of registered investments are repatriable or remittable immediately and in full through the Philippine banking system, net of applicable tax, without need of BSP approval. Capital repatriation of investments in listed securities is permitted upon presentation of the BSP registration document and the broker's sales invoice, at the exchange rate prevailing at the time of purchase of the foreign exchange from the banking system. Remittance of dividends is permitted upon presentation of: (1) the BSP registration document, (2) the cash dividends notice from the PSE and the Philippine Central Depository printout of cash dividend payment or computation of interest earned, (3) copy of secretary's sworn statement on the board resolution covering the dividend declaration and (4) detailed computation of the amount applied for in the format prescribed by the BSP. Pending reinvestment or repatriation, divestment proceeds, as well as dividends of registered investments, may be lodged temporarily in interest-bearing deposit accounts. Interest earned thereon, net of taxes, may also be remitted in full. Remittance of divestment proceeds or dividends of registered investments may be reinvested in the Philippines if the investments are registered with the BSP or the investor's custodian bank.

The foregoing is subject to the power of the BSP, through the Monetary Board, with the approval of the President of the Philippines, to suspend temporarily or restrict the availability of foreign exchange, require licensing of foreign exchange transactions or require delivery of foreign exchange to the BSP or its designee during an exchange crisis, when an exchange crisis is imminent, or in times of national emergency.
The registration with the BSP of all foreign investments in any Common Shares received in exchange for Offer Shares shall be the responsibility of the foreign investor.
Foreign Ownership Controls

The Philippine Constitution and related statutes set forth restrictions on foreign ownership of companies engaged in certain activities, among them the ownership of private land.

In connection with the ownership of private land, Article XII, Section 7 of the Philippine Constitution, in relation to Article XII, Section 2 of the Philippine Constitution and Chapter 4 of Commonwealth Act No. 141, states that no private land shall be transferred or conveyed except to citizens of the Philippines or to

corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens.
RA 7042, as amended, otherwise known as the Foreign Investments Act of 1991 and the Negative List issued pursuant thereto, reserves to Philippine Nationals all areas of investment in which foreign ownership is limited by mandate of the Constitution and specific laws. Section 3(a) of RA 7042 defines a "Philippine National" as:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a trustee of funds for pension or other employee retirement or separation benefits where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of the Philippine Nationals;
- a corporation organized under the laws of the Philippines of which at least 60.0% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines; and,
- a corporation organized abroad and registered as doing business in the Philippines under the Philippine Corporation Code of which 100.0% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos.

However, the Foreign Investments Act of 1991 states that where a corporation (and its non-Filipino shareholders) own stock in a SEC-registered enterprise, at least 60.0% of the capital stock outstanding and entitled to vote of both the investing corporation and the investee corporation must be owned and held by citizens of the Philippines. Further, at least 60.0% of the members of the board of directors of both the investing corporation and the investee corporation must be Philippine citizens in order for the investee corporation to be considered a Philippine National.

The Company does not currently own real estate. However, if the Company acquires real estate in the future, it would be subject to nationality restrictions found under the Philippine Constitution and other laws limiting land ownership to Philippine Nationals. Compliance with the required Philippine Nationals of a corporation is to be determined on the basis of outstanding capital stock whether fully paid or not.

As of the date of this Prospectus, approximately 100% of the total outstanding capital stock of the Company is held by Philippine Nationals. Immediately after the completion of the Offer, foreign equity shall not exceed 40.0% of the Company's total outstanding capital stock.

PLAN OF DISTRIBUTION

The 1,393,906,200 Offer Shares shall be offered by the Company to investors, through the Issue Manager and Joint Lead Underwriters. At least 975,734,400 Offer Shares (or 70% of the Offer Shares) are being offered by the Issue Manager and Joint Lead Underwriters to the QIBs and to the general public. Up to 278,781,200 Offer Shares (or 20% of the Offer Shares) are being offered to all of the PSE Trading Participants. The remaining up to 139,390,600 Offer Shares (or 10% of the Offer Shares) are being offered to the LSIs in the Philippines. Prior to the closing of the Offer, any Offer Shares not taken up by the QIBs, PSE Trading Participants, and LSIs shall be distributed by the Issue Manager and Joint Lead Underwriters to their clients or to the general public. In the event that there are Offer Shares that remain unsubscribed at the end of the Offer, the Issue Manager and Joint Lead Underwriters shall subscribe to the balance on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement between the Company and the Issue Manager and Joint Lead Underwriters.

Underwriting Commitment

To facilitate the Offer, the Company has appointed First Metro and BDO Capital as the Joint Lead Underwriters. First Metro and BDO Capital is duly licensed by the SEC to engage in underwriting or distribution of the Offer Shares. It may, from time to time, engage in transactions with and perform services in the ordinary course of its business for the Company or other members of the Group of which the Company forms a part of.

The Company and the Joint Lead Underwriters shall enter into an Underwriting Agreement to be dated on or about March 16, 2017 (the "Underwriting Agreement"), whereby the Joint Lead Underwriters agrees to underwrite all of the Offer Shares at the Offer Price on a firm commitment basis. In accordance with the Underwriting Agreement, the Joint Lead Underwriters have agreed to underwrite the entire Offer on a firm basis, and to distribute and sell the Offer Shares in the Offer, subject to the satisfaction of certain conditions, in consideration for certain fees and expenses.

There is no arrangement for the Joint Lead Underwriters to return to the Company any unsold Offer Shares. The Underwriting Agreement may be terminated in certain circumstances prior to payment of the net proceeds of the Offer Shares being made to the Company. The Joint Lead Underwriters do not have any other business relationships with Company. First Metro and BDO Capital are not represented in the Company's Board of Directors. Neither is there a provision in the Underwriting Agreement, which would entitle the Joint Lead Underwriters to representation in the Company's Board of Directors as part of its compensation for underwriting services.

The Issue Manager and Joint Lead Underwriters shall receive from the Company a transaction fee equivalent to 2.50% of the gross proceeds of the Offer, inclusive of the amounts to be paid to Selling Agents such as the PSE Trading Participants. The transaction fee is based on the final nominal amount of the Offer Shares to be issued and shall be withheld by the Issue Manager and Joint Lead Underwriters from the proceeds of the Offer.

Allocation to the Trading Participants of the PSE and Local Small Investor Program

Pursuant to the rules of the PSE, the Company will make available 278,781,200 Offer Shares comprising 20% of the Offer for distribution to PSE Trading Participants. The total number of Offer Shares allocated to the 132 PSE Trading Participants will be distributed following the procedures indicated in the implementing guidelines for the Offer Shares to be distributed by the PSE. Each PSE Trading Participant will be allocated a total of 2,111,900 Offer Shares. The balance of 10,400 Offer Shares will be allocated by the Issue Manager and Joint Lead Underwriters to the PSE Trading Participants.

PSE Trading Participants who take up the Offer Shares shall be entitled to a selling fee of 1% of the Offer Shares taken up and purchased by the relevant trading participant. The selling fee, less a withholding tax of 10%, will be paid to the PSE Trading Participants within ten (10) banking days after the Listing Date.

The PSE Trading Participants may be allowed to subscribe for their dealer accounts provided that, if they opt to sell the Offer Shares to the clients during the Offer period, it must be at a price not higher than the Offer Price per share. Likewise, the trading participants are prohibited from selling the Offer Shares during the period after the Offer period and prior to the Listing Date.

The balance of the Offer Shares allocated but not taken up by the PSE Trading Participants will be distributed by the Issue Manager and Joint Lead Underwriters to its clients or to the general public.

A total of 139,390,600 Offer Shares, or 10% of the Offer, shall be made available to Local Small Investors. Local Small Investors is defined as a subscriber to the Offer who is willing to subscribe to a maximum of 4,900 Offer Shares under the LSI program. Should the total demand for the Offer Shares in the LSI program exceed the maximum allocation, the Issue Manager and Joint Lead Underwriters shall allocate the Offer Shares by balloting.

The balance of the Offer Shares allocated but not taken up by the Local Small Investors will be distributed by the Issue Manager and Joint Lead Underwriters to its clients or to the general public.

All Offer Shares not taken up by the QIBs, the PSE Trading Participants, the LSIs, the general public and the Issue Manager and Joint Lead Underwriters' clients shall be purchased by the Issue Manager and Joint Lead Underwriters on a firm commitment basis pursuant to the terms and conditions of the Underwriting Agreement. Nothing herein or in the Underwriting Agreement shall limit the rights of the Issue Manager and Joint Lead Underwriters from purchasing the Offer Shares for its own respective account.

First Metro Investment Corporation

FMIC is a corporation organized in the Philippines as a wholly-owned subsidiary and investment banking arm of the Metrobank Group. Currently 99.2% owned by the Metropolitan Bank & Trust Company, it obtained its license to operate as an investment house in 2003 and is licensed by the SEC to engage in underwriting and distribution of securities to the public. As of December 31, 2015, its total assets amounted to ₱71.57 billion and its capital base amounted to ₱18.57 billion. It has an authorized capital stock of ₱8.0 billion of which approximately ₱4.2 billion represents its paid-up capital.

BDO Capital & Investment Corporation ("BDO Capital")

BDO Capital is the wholly owned investment banking subsidiary of BDO Unibank, Inc. It obtained its license from the Philippines SEC to operate as an investment house in 1998 and is licensed by the Philippine SEC to engage in the underwriting and distribution of securities to the public. As of December 31, 2015, BDO Capital & Investment Corporation has an authorized capital stock of ₱400,000,000 and paid up capital stock of ₱300,000,000.

Subscription Procedures

On or before 22 March 2017, the PSE Trading Participants shall submit to the designated representative of the Receiving Agent their respective firm orders and commitments to purchase Offer Shares. On or before 24 March 2017, the PSE Trading Participants shall submit their applications to purchase the Offer Shares evidenced by a duly accomplished and completed application form, together with the applicable supporting documents and payment. Offer Shares not taken up by the PSE Trading Participants will be distributed by the Issue Manager and Joint Lead Underwriters directly to their clients and the general public and whatever remains will be purchased by the Issue Manager and Joint Lead Underwriters.

With respect to the LSIs, during the Offer Period from March 20 to 24, 2017, all applications to purchase or subscribe for the Offer Shares must be evidenced by a duly accomplished and completed application form. An application to purchase Offer Shares shall not be deemed as a duly accomplished and completed application unless submitted with all required relevant information and applicable supporting documents to the Joint Lead Underwriters or such other financial institutions that may be invited to manage the LSI program. Payment for the Offer Shares must be made upon submission of the duly completed application form.

Lodgment of Shares

All of the Offer Shares shall be lodged with the PDTC and shall be issued in scripless form. Shareholders may maintain the Offer Shares in scripless form or opt to have the stock certificates issued to them by requesting an upliftment of the relevant Offer Shares from the PDTC's electronic system after the Listing Date.

Lock-up

The PSE rules require an applicant company to cause its existing shareholders owning at least 10% of the outstanding shares of the Company not to sell, assign or in any manner dispose of their shares for a period of 365 days after the listing of the shares. A total of 2,680,317,916 Common Shares held by WC will be subject to such 365-day lock-up.

In addition, if there is any issuance of shares or securities (i.e., private placements, asset for shares swap or a similar transaction) or instruments which leads to issuance of shares or securities (i.e., convertible bonds, warrants or a similar instrument) done and fully paid for within 180 days prior to the start of the offer period, and the transaction price is lower than that of the offer price in the initial public offering, all shares or securities availed of shall be subject to a lock-up period of at least 365 days from full payment of the aforesaid shares or securities. A total of 2,680,317,919 Common Shares held by WC, Rosemarie B. Ong, Rolando S. Narciso and Ricardo S. Pascua will be subject to such 365-day lock-up.

To implement this lock-up requirement, the PSE requires the applicant company to lodge the shares with the PDTC through a PCD participant for the electronic lock-up of the shares or to enter into an escrow agreement with the trust department or custodian unit of an independent and reputable financial institution. Under the PSE rules, the lock-up requirement shall be stated in the articles of incorporation of the Company.

Selling Restrictions

No securities, except of a class exempt under Section 9 of the SRC or unless sold in any transaction exempt under Section 10 thereof, shall be sold or distributed by any person within the Philippines, unless such securities shall have been registered with the SEC on Form 12-1 and the registration statement has been declared effective by the SEC.

LEGAL MATTERS

Certain legal matters as to Philippine law relating to the Offer will be passed upon by Corporate Counsels, Philippines Law Office, legal counsel to the Company, and Romulo Mabanta Buenaventura Sayoc & de los Angeles, legal counsel to the Joint Lead Underwriters.

Each of the foregoing legal counsel has neither shareholdings in the Company nor any right, whether legally enforceable or not, to nominate persons or to subscribe for securities in the Company. None of the legal counsel will receive any direct or indirect interest in the Company or in any securities thereof (including options, warrants or rights thereto) pursuant to or in connection with the Offer.

MATERIAL CONTRACTS

Consignment Contracts

The Company has consignment agreements with their consignors in the ordinary course of business. These agreements are continuous subject to the right of the parties to terminate the contract for any reason whatsoever provided there is thirty-day written notice.

Each consignment agreement obliges the consignor to warrant its legal and uncontested rights on the trademark/s and logos attached to its items/products. Further, consignors should comply with the product standards set by the Department of Trade and Industry. Only authorized products duly approved by the Company based on the consignor's sample sheet are allowed to be displayed.

In the event of a sales drive initiated by the Company, the consignors extend special discounts to the costumer without diminishing the aforementioned commission of the Company.

As part of its marketing programs, the consignors share in the expenses that will be incurred by the Company in all of its marketing plans and activities that aim to boost sales in the form of extending an additional discount from net of commission.

Trucking Agreement

On April 1, 2016, WC assigned its Trucking Services Agreement with Straight Ahead Delivery Corp. to the Company.

Under this agreement, Straight Ahead Delivery Corp. provides delivery services which include delivery of products from the Company's warehouse to its stores, branch to branch delivery and delivery to its customers.

Trademark Licensing Agreement

The Company has trademark licensing agreement with WC for the use of certain trademarks and tradename in relation to the Wilcon brand. This term of the agreement is five (5) years, effective April 1, 2016, subject to such extension or renewal under terms mutually agreed between the parties.

Under this agreement, WC grants to the Company an exclusive, non-transferable and royalty-free license to use the trademarks in connection with the Company's trading business operations in the Philippines.

Advertising Contracts

The Company has advertising contracts with several advertising agencies. The objective is to generate public awareness for the Company and its products. This shall be in the form of magazine ad placement, closing, opening billboard and social media awareness.

Cost Sharing Agreement

The Company has a cost sharing agreement with WC. Under this agreement the Company agrees to share in the telecommunications, water and electric costs and accordingly, undertakes to reimburse WC for the costs without interest.

Exclusive Distributorship Agreement

The Company has exclusive distributorship agreements with Distributors of sanitary wares, kitchen essentials and appliances. These agreements are typically for a term of one (1) year subject to the right of both parties to pre-terminate the agreement provided there is six month prior written notice.

Under this agreement, the Company is appointed as the exclusive distributor of the products. The Distributors also agree to contribute to an annual marketing fund. This fund shall primarily cover magazine ad placements, exhibits and event sponsorships that aim to promote the products of these distributors.

The Distributors shall use all reasonable efforts to protect the exclusive right of the Company to sell their products in the Philippines.

Software License Agreements

The Company has software license agreements with several software companies. These license agreements are non-exclusive and non-transferable license to use the software. Some license agreements grant to the Company ownership and exclusive right to use the software.

These agreements also include support and maintenance for a period of one (1) year, renewable at the option of the Company unless terminated earlier upon giving thirty day prior written notice.

Credit Line Agreements

The Company has existing credit facility with Metrobank, Philippine National Bank, Rizal Commercial Banking Corporation, Bank of the Philippine Islands and Banco de Oro. These facilities partly support the Company's operations and obligations arising from the normal course of business.

Lease Contracts

Kanlaon Development Corporation
On May 16, 2011, WC entered into a contract of lease with Kanlaon Development Corporation to lease a commercial building located at 2212-2214 Chino Roces Ave., Makati City with a floor area of 5,587.23 sqm. The term of the original lease has been subsequently renewed for another three (3) years. Lease payments shall escalate by 7% annually.

A deed of assignment and transfer of rights was executed between the lessor, WC and the Company, whereby the right to lease of WC was transferred to and assigned to the Company.

Filinvest Alabang, Inc.
On August 20, 2015, WC entered into a contract of lease with Filinvest Alabang, Inc. to lease a lot area of 15,029 sqm more or less and floor area of 12,167 sqm more or less located at Block 29 of Market Square Business District. The term of the lease shall be for a period of five (5) years. Lease payments shall escalate by five percent (5%) starting on the second year.

The right to lease the aforementioned commercial space was transferred to the Company pursuant to a deed of assignment and transfer of rights.

Keyser Mercantile Co, Inc.
On April 7, 2015, WC entered into a contract of lease with Keyser Mercantile Co. Inc. to lease a commercial building located at Quezon Ave., corner D. Tuazon St., Quezon City. The term of the lease shall be for fifteen (15) years, renewable upon mutual agreement of the parties.

Lease payments shall escalate by five percent (5%) on the third year of the lease period. The right to lease of WC has been transferred to the Company pursuant to the deed of assignment and transfer of rights.

Araneta Center, Inc.
On September 16, 2009, WC entered into a contract of lease with Araneta Center, Inc., to lease a commercial space located at Ali Mall, Araneta Center, Cubao, Quezon City. The lease term was for three years, three months and fifteen days that began on September 16, 2009. A yearly renewal of the contract of lease was executed between the parties. The contract of lease is now under the name of the Company.

Anstay Realty & Development Corporation
WC entered into a contract of lease with Anstay Realty & Development Corporation commencing on February 1, 2015 to January 31, 2020 to lease a commercial space located at the ground floor and second floor of IT Hub, 2251 Chino Roces Avenue, Makati City with a total floor area of 5,054.11 sqm. Lease payments shall escalate by 5% annually.

On November 23, 2015, another contract of lease was entered into to lease a commercial space located at the 3rd floor of the building with a total floor area of 3,635sqm. The term of the lease is for a period of five years. Lease payments shall escalate by 5% annually.

The right to lease the aforementioned commercial spaces was transferred to the Company pursuant to a deed of assignment and transfer of rights made effective on April 1, 2016.

Markeenlo Realty Inc.
The Company entered into several lease contracts with Markeenlo Realty, Inc. to lease a commercial building located at Bacoor Boulevard, Brgy. Mambog IV, City of Bacoor, with a floor area of 9,295.50sqm, a commercial lot and building located at Tagaytay Road, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna with a floor area of 10,671.32sqm and a warehouse located Lot 1-D-2-A, Manhattan Village, San Francisco, San Pablo City, Laguna. The lease term of these contracts shall be for a period of three (3) years. Lease payments shall escalate by five percent (5%) annually.

The right to lease a commercial lot and building located at Bgry. Bacag, Villasis, Pangasinan was transferred to the Company pursuant to a transfer of rights made effective as of April 1, 2016. The lease term shall be for a period of five years.

The Company also entered into contract of sublease with Markeenlo Realty Inc.to sublease a commercial building located at Alabang Zapote Road, Las Piñas City, owned by Trophy Properties & Development Corporation. The lease term is for a period of three (3) years commencing on November 16, 2016 and will expire on November 15, 2019. Lease payments shall escalate by five percent (5%) annually.

William T. Belo
On April 1, 2016, the Company entered into three lease contracts with William T. Belo to lease commercial buildings located at Mc Arthur Highway, Matina, Davao City with a floor area of 7,982.38sqm, to lease a commercial lot and building located at L-5 B-7 Mindanao Ave., Bahay Toro, Quezon City with a floor area 765.9sqm and to lease a commercial lot and building located at 1066 EDSA, Bahay Toro, Quezon City with a floor area of 2,055.88sqm. The lease term of these contracts shall be for a period of three (3) years. Lease payments shall escalate by 5% annually.

Lease Contracts with WC
The Company entered into 27 lease contracts with WC to lease commercial lots and/or buildings. The buildings are already equipped with general lighting system and fire protection system. The contracts shall be registered and annotated on the Transfer Certificate of Title of WC. The term of the lease shall be for three (3) years. Lease payment shall escalate by five percent (5%) annually.

The following are the lease contracts:

Depot 2
To lease a commercial lot and buildings including a warehouse situated at 1274 EDSA A. Samson, Quezon City with a total floor area of 31,073.70sqm.

Depot 3
To lease a commercial lot and building located at No. 90 E. Rodriguez Jr., Ave., Ugong Norte, Quezon City consisting of 19,553.40sqm.

Depot 6
To lease a commercial lot and building located at L119 C-1, Mindanao Ave., Talipapa, Quezon City with a floor area of 8, 120.18sqm.

Depot 8
To lease a commercial lot and buildings including a warehouse located at Gapan Olangapo Road, Lagundi, Mexico, Pampanga with a total floor area of 11,416.36sqm.

Depot 9
To lease a commercial lot and building located at Dr. A Santos Avenue, San Dionisio, Parañaque City, with a floor area of 6,742.88sqm.

Depot 10
To lease a commercial lot and building located at 16 Commonwealth Ave., Brgy. Commonwealth, Quezon City, with a floor area of 8,977.32sqm.

Depot 11
To lease a commercial lot and building located at McArthur Highway, San Rafael, Tarlac City, with a floor area of 6,232.99sqm.

Depot 12
To lease a commercial building located at Mc Arthur Hi-way, Dau, Mabalacat, Pampanga with a floor area of 8,791.23sqm.

Depot 15
To lease a commercial building located at Freeway Strip, Olangapo-Gapan Road, Dolores City of San Fernando, Pampanga with a floor area of 2,892.39sqm.

Depot 16
To lease a commercial lot and building located at National Road, Brgy. Halang, Calamba City, Laguna, with a floor area of 5,587.13sqm.

Depot 17
To lease a commercial lot and building located at Lot 2687-A, Diversion Road, Alangilan, Batangas City, with a floor area of 6,004.33sqm.

Depot 18
To lease a commercial building located at Manila Eastwood Road, Brgy. San Juan, Taytay, Rizal with a floor area of 4,118.96sqm.

Depot 19
To lease a commercial lot and building located at Marcos Highway, Brgy. Mayamot, Antipolo City, Rizal, with a floor area of 6,846.93sqm.

Depot 20
To lease a commercial lot and building located at Km. 48 DRT Highway, Brgy. Tarcan, Baliwag, Bulacan with a floor area of 6,135.17sqm.

Depot 21
To lease a commercial lot and building located at Governor's Drive, Paliparan 1, Dasmariñas City. Cavite with a floor area of 8,000.69 sqm.

Depot 22
To lease a commercial lot and building located at Airport Road, Brgy. 50, Buttong, Laoag City, with a floor area of 8,216.47sqm.

Depot 23
To lease a commercial lot and building located at UN Avenue, Umapad, Mandaue City, Cebu, with a floor area of 5,707.96sqm.

Depot 24
To lease a commercial lot and buildings including a warehouse located at Lot 2359, Lawa-An II, Talisay City, Cebu, with a floor area of 14, 107.57sqm.

Depot 25
To lease a commercial lot and building located at Centennial Road, Magdalo Putol, Kawit, Cavite with a floor area of 7,328.21sqm.

Depot 26
To lease a commercial lot and building located at 292 Mc Arthur Hi-way, Dalandanan, Valenzuela City with a floor area of 5,207.71sqm.

Depot 27
To lease a commercial lot and buildings located at Doña Maria Village Phase 2, Brgy. Bagong Bayan, San Pablo City, Laguna with a floor area of 7,960.22sqm.

Depot 29
To lease a commercial lot and building located at 24 Quezon Ave., Lourdes, Quezon City, with a floor area of4,933.20sqm.

HO3
To lease a commercial lot and building located at Anchor 1, 121 Visayas Ave., Bahay Toro, Quezon City, with a floor area of 2,865.98sqm.

HO5
To lease a commercial building located at 425 Piña Ave., Brgy. 585 Zone 057, Sampaloc Manila with a floor area of 1,642.02sqm

HO8
To lease a commercial lot and building located at 16 C. Jose St., Corner EDSA, Malibay, Pasay City with a floor area of 740.44sqm.

Warehouse
The Company entered into a contact of lease with WC to lease a commercial lot and warehouse located at 55 Banlat Road, Tandang Sora, Quezon City with a floor area of 10,091 sqm and another commercial lot and warehouse located at Payatas Road, San Jose Rodriguez, Rizal, with a floor area of 38,500sqm. The term of the lease shall be for three (3) years. Lease payment shall escalate by five percent (5%) annually.

RELATED PARTY TRANSACTIONS

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

The Company's material related party transactions include:

Trademark Licensing Agreements

The Company is a party to a Trademark Licensing Agreement with WC. WC granted WDI an exclusive, non-transferable and royalty-free license to use the trademarks in connection with WDI's trading operations in the Philippines. This licensing agreement is for a period of five years from April 1, 2016 to March 31, 2021, and renewable under terms mutually agreed between the parties.

Some of the trademarks under the Licensing Agreement are: Arte Ceramiche (tiles), Heim Home Essentials (furniture), Kasch (sanitary wares), Pozzi (sanitary wares) and Sol Ceramica (tiles).

Lease Agreements

The Company has existing lease agreements with WC and other companies controlled by the Belo Family, whereby the Company leases the store buildings and warehouses including the land on which these facilities are located. The leases are generally for a period of three (3) years commencing on April 1, 2016 and renewable under terms mutually agreed between the parties. Please see discussion on page 158 under Material Contracts.

All transactions with related parties are on an arm's length basis and under terms and conditions that are no less or more favorable than those arranged with third parties.

Importing Transactions

In the conduct of its business, the Company transacts on a non-exclusive basis with various importers. Two (2) of these importers, Oriens Marketing, Inc. and Zethus Trading, Inc., are related to the Company. The Company transacts with these two (2) afore-said companies on a non-exclusive basis and driven mostly by the preference of a few of its suppliers. These transactions are made on an arms-length basis. The aggregate value of such transactions comprise not more than 20% of its total sales importations.

INDEPENDENT AUDITORS

The Company's fiscal year begins on January 1 and ends on December 31. Reyes Tacandong & Co. ("RT&Co.") has audited and rendered an unqualified audit report on the Company's financial statements at December 31, 2015 and for the period December 17, 2015 to December 31, 2015 and WC's financial statements as at and for the years ended December 31, 2015, 2014 and 2013.

Haydee M. Reyes is the current audit partner and has served the Company and WC from December 31, 2013 to December 31, 2015. The Company and WC have not had any material disagreements on accounting and financial disclosures with its current external auditor for the same periods or any subsequent interim period. RT&Co. has neither shareholdings in the Company and WC nor any right, whether legally enforceable or not, to nominate persons or to subscribe for the securities of the Company and WC. RT&Co. will not receive any direct or indirect interest in the Company and WC or its securities (including options, warrants or rights thereto) pursuant to or in connection with the Offer. The foregoing is in accordance with the Code of Ethics for Professional Accountants in the Philippines set by the Board of Accountancy and approved by the Professional Regulation Commission.

The following table sets out the aggregate fees billed for the current year and each of the last three years for professional services rendered by RT&Co. to the Company and WC, excluding fees directly related to the Offer.

In ₱ Millions	**2015**	**2014**	**2013**
Audit and Audit-Related Fees[a]	2.30	2.01	3.30
All Other Fees[b]	n/a	n/a	n/a
Total	2.30	2.01	3.30

a. *Audit and Audit-Related Fees. This category includes the audit of annual financial statements and interim financial statements and services that are normally provided by the independent auditor in connection with statutory and regulatory filings or engagements for those calendar years. This is exclusive of out-of-pocket expenses incidental to the independent auditors' work, the amounts of which do not exceed 10% of the agreed-upon engagement fees.*

b. *All Other Fees. This category includes other services rendered by RT&Co. such as tax advisory services, transfer pricing study, agreed upon procedures on review of impairment test of goodwill and validation of votes during the Annual Stockholders' Meeting*

In relation to the audit of the Company's annual financial statements, the Company's Corporate Governance Manual, which was approved by the Board of Directors on October 19, 2016, provides that the audit committee shall, among other activities, (i) evaluate significant issues reported by the external auditors in relation to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company, (ii) ensure that other non-audit work provided by the external auditors are not in conflict with their functions as external auditors, and (iii) ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

INDEX TO FINANCIAL STATEMENTS

WILCON

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

December 9, 2016

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) is responsible for the preparation and fair presentation of the financial statements as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 and one-month period ended December 31, 2015, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the Board of Directors as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2016 and one-month period ended December 31, 2015 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Mr. William T. Belo
(Chairman)

Ms. Lorraine Belo-Cincochan
(Chief Executive Officer)

Mr. Mark Andrew Y. Belo
(Chief Financial Officer)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201524712

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
6	3rd Monday of June	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS, a subsidiary of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the statements of financial position as at September 30, 2016 and December 31, 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the nine-month period ended September 30, 2016 and one-month period ended December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at September 30, 2016 and December 31, 2015 and its financial performance and its cash flows for the periods then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

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

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

	Note	September 30, 2016	December 31, 2015
ASSETS			
Current Assets			
Cash	7	₱234,838,738	₱50,000,000
Trade and other receivables	8	453,291,139	–
Due from Parent Company	23	599,471,322	–
Merchandise inventories	9	6,790,603,623	–
Other current assets	10	798,015,435	–
Total Current Assets		8,876,220,257	50,000,000
Noncurrent Assets			
Property and equipment	11	323,540,724	–
Deferred tax assets	21	197,408,626	227,253
Other noncurrent assets	12	95,791,572	–
Total Noncurrent Assets		616,740,922	227,253
		₱9,492,961,179	₱50,227,253
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term debt	13	₱503,579,142	₱–
Current portion of long-term debt	14	258,461,539	–
Trade and other payables	15	4,471,791,564	757,510
Income tax payable		18,202,590	–
Total Current Liabilities		5,252,034,835	757,510
Noncurrent Liabilities			
Long-term debt - net of current portion	14	713,974,358	–
Retirement liability	16	404,656,466	–
Total Noncurrent Liabilities		1,118,630,824	–
Total Liabilities		6,370,665,659	757,510
Equity			
Capital stock	17	50,000,000	50,000,000
Deposit for stock subscription	17	2,655,817,916	–
Other comprehensive loss	16	(9,640,325)	–
Retained earnings (deficit)		426,117,929	(530,257)
Total Equity		3,122,295,520	49,469,743
		₱9,492,961,179	₱50,227,253

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
AND FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015*

	Note	September 30, 2016 (Nine Months)	December 31, 2015 (One Month)
NET SALES		₱8,062,416,655	₱–
COST OF SALES	18	(6,174,590,443)	–
GROSS INCOME		1,887,826,212	–
OPERATING EXPENSES	19	(1,537,593,990)	(757,510)
INTEREST EXPENSE	14	(20,829,517)	–
OTHER INCOME - Net	20	31,369,228	–
INCOME (LOSS) BEFORE INCOME TAX		360,771,933	(757,510)
INCOME TAX EXPENSE (BENEFIT)	21		
Current		127,173,552	–
Deferred		(193,049,805)	(227,253)
		(65,876,253)	(227,253)
NET INCOME (LOSS)		426,648,186	(530,257)
OTHER COMPREHENSIVE LOSS			
Item not to be reclassified to profit or loss			
Remeasurement loss on retirement liability, net of deferred income tax	16	(9,640,325)	–
TOTAL COMPREHENSIVE INCOME (LOSS)		₱417,007,861	(₱530,257)
BASIC AND DILUTIVE EARNINGS (LOSS) PER SHARE	24	₱0.23	(₱0.01)

See accompanying Notes to Financial Statements.

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

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
AND FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015*

	Note	September 30, 2016 (Nine Months)	December 31, 2015 (One Month)
CAPITAL STOCK - ₱1 par value	17	₱50,000,000	₱50,000,000
DEPOSIT FOR STOCK SUBSCRIPTION	17	2,655,817,916	–
OTHER COMPREHENSIVE LOSS	16		
Remeasurement loss on retirement liability, net of deferred income tax		9,640,325	–
RETAINED EARNINGS (DEFICIT)			
Balance at beginning of period		(530,257)	–
Net income (loss)		426,648,186	(530,257)
Balance at end of period		426,117,929	(530,257)
		₱3,122,295,520	₱49,469,743

See accompanying Notes to Financial Statements.

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

WILCON DEPOT, INC.
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WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

STATEMENTS OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2016
AND FOR THE ONE-MONTH PERIOD ENDED DECEMBER 31, 2015*

	Note	September 30, 2016 (Nine Months)	December 31, 2015 (One Month)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax		₱360,771,933	(₱757,510)
Adjustments for:			
Depreciation and amortization	11	41,054,124	–
Provision for impairment losses on receivables	8	27,880,783	–
Interest expense	14	20,829,517	–
Retirement benefits	16	19,830,242	–
Interest income	7	(427,798)	–
Operating income (loss) before working capital changes		469,938,801	(757,510)
Decrease (increase) in:			
Trade and other receivables		(104,045,073)	–
Merchandise inventories		423,475,986	–
Other current assets		(783,804,507)	–
Increase in trade and other payables		1,009,139,663	757,510
Net cash generated from operations		1,014,704,870	–
Income taxes paid		(108,970,962)	–
Interest received		427,798	–
Net cash provided by operating activities		906,161,706	–
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in:			
Due from Parent Company		(599,471,322)	–
Other noncurrent assets		(35,964,500)	–
Additions to:			
Property and equipment	11	(25,111,144)	–
Computer software	12	(10,521,758)	–
Cash used in investing activities		(671,068,724)	–

(Forward)

	Note	September 30, 2016 (Nine months)	December 31, 2015 (One month)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash transferred from Parent Company	6	₱199,731,283	₱–
Payments of:			
Long-term debt		(129,230,769)	–
Short-term debt		(99,925,241)	–
Interest		(20,829,517)	–
Proceeds from subscriptions of capital stock	17	–	50,000,000
Net cash provided by (used in) financing activities		(50,254,244)	50,000,000
NET INCREASE IN CASH		184,838,738	50,000,000
CASH AT BEGINNING OF PERIOD		50,000,000	–
CASH AT END OF PERIOD	7	₱234,838,738	₱50,000,000
NONCASH INVESTING ACTIVITY			
Net assets transferred from Parent Company in exchange for shares of stock of the Company, net of cash transferred	6	₱2,456,086,633	₱–

See accompanying Notes to Financial Statements.

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

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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company, formerly Wilcon Depot, Inc.) 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 change in corporate name of the Company was approved by the SEC on April 29, 2016.

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

The Company is a subsidiary of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Parent Company), a company incorporated in the Philippines and engaged in the same line of business.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Parent Company approved the transfer of its Trading Business, including the related assets and liabilities, to the Company in exchange for shares of stock of the Company. On the same date, the BOD and stockholders of the Company approved the acquisition and receipt of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of the Company and the increase in authorized capital stock are approved by the SEC on November 15, 2016 (see Notes 6 and 17). The transfer of the Parent Company's Trading Business to the Company is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of the Company. As at December 9, 2016, the Company is in the process of filing the required documentation with the SEC and PSE.

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

The financial statements of the Company as at September 30, 2016 and December 31, 2015 and for the nine-month period ended September 30, 2015 and one-month period ended December 31, 2015 were approved and authorized for issue by the BOD on December 9, 2016.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. All amounts are stated in absolute values, unless otherwise indicated.

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

The accompanying financial statements are prepared for filing with the SEC and PSE pursuant to the planned listing with the PSE and the public offering of shares of the Company (see Note 1). Moreover, the Company was incorporated only on December 17, 2015. Thus, the 2016 and 2015 figures for statements of comprehensive income, statements of changes in equity and statements of cash flows are not comparable. The 2016 figures are for the nine-month period ended while the 2015 figures are for the one-month period ended only.

3. Summary of Changes in Accounting Standards

Adoption of New and Revised PFRS

The Company adopted the following new and revised PFRS effective January 1, 2016 as summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their financial statements.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements – The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'* – The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

<u>New and Amended PFRS Not Yet Adopted</u>
Relevant new and amended PFRS, which are not yet effective for the nine-month period ended September 30, 2016 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2017:

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

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

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (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 they 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 for there to be objective evidence of impairment before a credit loss is recognized.

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

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

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' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company, except for PFRS 9 and PFRS 16. Additional disclosures will be included in the financial statements, as applicable.

The Company anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Company's financial assets and liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. Summary of Significant Accounting Policies and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the financial statements are summarized below.

<u>Financial Instruments</u>

Date of Recognition. Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 financial instrument, except for financial instruments at 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.

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 as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

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

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2016 and December 31, 2015.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables, due from Parent Company, 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.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Payables are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to nominal amount.

The short-term and long-term debts and trade and other payables (excluding statutory liabilities) are included in this category.

Offsetting Financial Instruments. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

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

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 when:

- the right to receive cash flows from the asset has expired;

- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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.

Fair Value Measurement
The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 26, *Fair Value of Financial Instruments*.

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 consists of net amount of value-added tax (VAT) recoverable from tax authority, deferred input VAT, container deposits and prepaid expenses.

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

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

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

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 input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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 period are classified as current assets. Otherwise, these are classified as noncurrent assets.

Other Noncurrent Assets

Other noncurrent assets comprise of security, rental and electricity deposits, refundable cash bonds and computer software. These, except advance rental, qualify as financial assets and are disclosed under financial instruments.

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

Electricity Deposits. Electricity deposits are carried at cost less any impairment in value, and will be refunded upon mutual agreement.

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.

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.

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

Asset Type	Number of Years
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.

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.

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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

Nonfinancial assets include property and equipment and computer software.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Deposit for Stock Subscription. Deposit for stock subscription represents the deposit received by the Company from an entity, an existing stockholder, to subscribe for the portion of the increase in the Company's authorized capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 as issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as an account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

b. There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and

c. The application for the approval of the proposed increase has been filed with the SEC.

If the foregoing conditions are not met, the "Deposit for stock subscription" is presented as a liability.

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

<u>Other Comprehensive Income (Loss)</u>
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period. Other comprehensive loss pertains to remeasurement loss on retirement liability.

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

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

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

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.

<u>Cost and Expense Recognition</u>
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.

<u>Employee Benefits</u>

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 year 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 separate financial statements do not differ materially from the amounts that would be determined at the reporting date.

<u>Leases</u>
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 benefit of ownership over the asset are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the period of the lease.

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

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

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

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

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

Earnings per Share

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Segment Reporting

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

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

Provisions

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

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

Contingencies

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

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

5. Significant Accounting Judgment, Estimates and Assumptions

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

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

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

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

Determining the Classification of Lease Arrangements. The Company, as a lessee, has various lease agreements with the Parent Company 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 ₱352.8 million for the nine-month period ended September 30, 2016 (see Note 22).

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 risk 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 ₱5.2 million for the nine-month period ended September 30, 2016 (see Note 22).

Estimates and Assumptions

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

Determining Fair Values of Financial Instruments. Fair value determinations for financial assets are based generally on quoted market prices. If market prices are not available, fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 26.

Estimating Impairment Losses on Trade and Other Receivables and Refundable Cash Bonds. Impairment losses on receivables and refundable cash bond 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 value of trade and other receivables amounted to ₱453.3 million as at September 30, 2016 (see Note 8). Allowance for impairment losses on receivables amounted to ₱84.6 million as at September 30, 2016 (see Note 8).

As at September 30, 2016, refundable cash bonds amounting to ₱83.4 million have been assessed as unrecoverable (see Note 12).

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 ₱6,790.6 million as at September 30, 2016 (see Note 9). As at September 30, 2016, allowance for inventory writedown and losses amounted to ₱50.1 million (see Note 9).

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

The carrying value of property and equipment amounted ₱323.5 million as at September 30, 2016 (see Note 11). The carrying value of computer software amounted to ₱10.4 million as at September 30, 2016 (see Note 12).

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 are 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 belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized for the nine-month period ended September 30, 2016.

The carrying values of nonfinancial assets as at September 30, 2016 assessed for possible impairment are presented below.

	Note	
Property and equipment	11	₱323,540,724
Computer software	12	10,423,961
		₱333,964,685

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 16 to financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the

Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future years.

Retirement liability amounted to ₱404.7 million as at September 30, 2016 (see Note 16).

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 ₱202.3 million and ₱227,253 as at September 30, 2016 and December 31, 2015, respectively (see Note 21).

6. Transfer of the Trading Business from the Parent Company

As discussed in Note 1, the Parent Company transferred its Trading Business, including the related assets and liabilities, to the Company in exchange for the shares of stock, effective April 1, 2016.

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

	Note	
Cash	7	₱199,731,283
Trade and other receivables	8	377,126,849
Merchandise inventories	9	7,214,079,609
Other current assets	10	14,210,928
Property and equipment	11	339,385,907
Other noncurrent assets	12	49,403,111
Short-term debt	13	(603,504,383)
Long-term debt	14	(1,101,666,666)
Trade and other payables	15	(3,461,894,391)
Retirement liability	16	(371,054,331)
Net assets transferred		₱2,655,817,916

The transfer of net assets in exchange for shares of stock of the Company is approved by the SEC on November 15, 2016 (see Notes 1 and 17).

7. Cash

This account consists of:

	September 30, 2016	December 31, 2015
Cash on hand	**₱6,895,304**	₱–
Cash in banks	**227,943,434**	50,000,000
	₱234,838,738	₱50,000,000

On April 1, 2016, the Company received cash amounting to ₱199.7 million from the Parent Company pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱427,798 for the nine-month period ended September 30, 2016 (see Note 20).

8. Trade and Other Receivables

Details of this account as at September 30, 2016 are as follows:

	Note	
Trade:		
Third parties		₱359,197,323
Related parties	23	102,848,790
Rental	22	59,258,622
Advances to suppliers		10,639,363
Others		5,956,984
		537,901,082
Allowance for impairment losses		(84,609,943)
		₱453,291,139

On April 1, 2016, the Parent Company assigned to the Company trade and other receivables amounting to ₱377.1 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

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

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

Movements of allowance for impairment losses on receivables as at September 30, 2016 are as follows:

	Note	
Transferred from Parent Company	6	₱56,729,160
Provisions	19	27,880,783
Balance at end of period		₱84,609,943

9. Merchandise Inventories

Details of this account as at September 30, 2016 are as follows:

At cost	₱6,484,405,525
At net realizable value	306,198,098
	₱6,790,603,623

On April 1, 2016, the Company received merchandise inventories amounting to ₱7,214.1 million from the Parent Company pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

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

The cost of merchandise inventories stated at net realizable value amounted to ₱356.3 million as at September 30, 2016.

Allowance for inventory write down and losses as at September 30, 2016 amounted to ₱50.1 million.

10. Other Current Assets

Details of this account as at September 30, 2016 are as follows:

	Note	
Input VAT		₱659,026,085
Deferred input VAT		121,884,844
Container deposits		11,739,329
Prepaid expenses		5,365,177
		₱798,015,435

On April 1, 2016, the Parent Company assigned to the Company other current assets amounting to ₱14.2 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

Deferred input VAT pertains to unamortized portion of input VAT on furniture and equipment and transportation equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

11. Property and Equipment

Details and movements of this account as at September 30, 2016 are as follows:

	Note	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
Transferred from Parent Company	6	₱31,211,210	₱198,805,682	₱–	₱109,369,015	₱339,385,907
Additions		–	20,440,608	4,670,536	–	25,111,144
Reclassification		109,369,015	–	–	(109,369,015)	–
Balance at end of period		140,580,225	219,246,290	4,670,536	–	364,497,051

(Forward)

	Note	Leasehold Improvements	Furniture and Equipment	Transportation Equipment	Construction in Progress	Total
Accumulated Depreciation and Amortization						
Depreciation and amortization for the period and balance at end of period		₱6,852,870	₱33,976,746	₱126,711	₱–	₱40,956,327
Net Book Value		₱133,727,355	₱185,269,544	₱4,543,825	₱–	₱323,540,724

On April 1, 2016, the Company received property and equipment with a net book value of ₱339.4 million from the Parent Company pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

The depreciation and amortization for the nine-month period ended September 30, 2016 are summarized below (see Note 19):

	Note	
Property and equipment		₱40,956,327
Computer software	12	97,797
	19	₱41,054,124

Fully depreciated assets with aggregate cost amounting to ₱271.5 million as at September 30, 2016 are still being used in the Company's operations.

12. Other Noncurrent Assets

Details of this account as at September 30, 2016 are as follows:

	Note	
Security and rental deposits	22	₱68,565,265
Electricity deposits		16,802,346
Computer software		10,423,961
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		–
		₱95,791,572

On April 1, 2016, the Parent Company assigned to the Company other noncurrent assets, which mainly pertain to security, rental and electricity deposits on various leases and service agreements amounting to ₱32.6 million and ₱16.8 million, respectively, pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. These refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

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, 2016, the refund of cash bonds is still pending with the BOC. Refundable cash bonds, net of allowance for impairment, are part of the net assets transferred by the Parent Company (see Notes 1 and 6).

Details of computer software, which pertains to payroll software, follow:

	Note	
Additions for the period and balance at end of period		₱10,521,758
Amortization for the period and balance at end of period	11	(97,797)
		₱10,423,961

13. Short-term Debt

On April 1, 2016, the Parent Company assigned to the Company short-term debt amounting to ₱603.5 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

Short-term loans amounting to ₱503.6 million bear interests, which are being repriced monthly, ranging from 2.5% to 2.625% in 2016.

Interest expense amounted to ₱6.9 million for the nine-month period ended September 30, 2016 (see Note 14).

14. Long-term Debt

Details of long-term debt as at September 30, 2016 are as follows:

	Terms	Principal	Outstanding Balance
Loan 1	Quarterly installment payment until December 2019	₱500,000,000	₱325,000,000
Loan 2	Quarterly installment payment until March 2020	320,000,000	280,000,000
Loan 3	Monthly installment payment until August 2021	210,000,000	158,846,154
Loan 4	Monthly installment payment until August 2021	170,000,000	128,589,743
Loan 5	Monthly installment payment until March 2018	100,000,000	80,000,000
		₱1,300,000,000	972,435,897
Current portion			(258,461,539)
Noncurrent portion			₱713,974,358

On April 1, 2016, the Parent Company assigned to the Company long-term debt amounting to ₱1,101.7 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

The loans bear 2.5% interest in 2016.

Interest expense for the nine-month period ended September 30, 2016 is summarized below:

	Note	
Long-term debt		₱13,897,072
Short-term debt	13	6,932,445
		₱20,829,517

As at September 30, 2016, certain loans are collateralized by property and equipment and investment properties of the Parent Company with a carrying value of ₱791.8 million and ₱725.2 million, respectively.

The maturities of the long-term debt as at September 30, 2016 are as follows:

Less than one year	₱178,461,539
Between one to two years	178,461,539
Between two to five years	615,512,819
	₱972,435,897

15. Trade and Other Payables

This account consists of:

	Note	September 30, 2016	December 31, 2015
Trade:			
Related parties	23	₱2,018,983,937	₱–
Third parties		1,696,262,231	–
Rent:	22		
Related parties	23	263,564,058	–
Third parties		7,377,825	–
Advances from customers		244,085,207	–
Nontrade:			
Related parties	23	84,529,716	–
Third parties		36,299,262	–
Accrued expenses:			
Utilities		37,134,570	–
Outsourced services		21,542,131	–
Salaries and wages		6,607,063	–
Others		5,219,214	757,510
Others		50,186,350	–
		₱4,471,791,564	₱757,510

On April 1, 2016, the Parent Company assigned to the Company trade and other payables amounting to ₱3,461.9 million pursuant to the transfer of its Trading Business to the Company (see Notes 1 and 6).

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

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers amounted to ₱103.5 million as at September 30, 2016.

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel which, are payable in the succeeding month.

Accrued expenses refer to accruals for utilities, outside services, salaries and wages and other expenses incurred which are payable in the succeeding month.

Others pertain to unearned revenue, unredeemed gift certificates, withholding taxes and statutory obligations.

16. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering all of its eligible employees. The latest actuarial valuation report was dated as at September 30, 2016.

Pursuant to the transfer of the Trading Business to the Company, effective April 1, 2016, the Parent Company transferred most of its employees to the Company (see Note 1). Accordingly, retirement benefits accruing to these employees were transferred to the Company amounting to ₱371.7 million (see Note 6).

The following tables summarize the components of retirement benefits recognized in the statements of comprehensive income and the retirement liability recognized in the statements of financial position.

Retirement benefits for the nine-month period ended September 30, 2016 pertains to the current service cost amounting to ₱19.8 million.

The changes in the present value of the defined benefit obligation as at September 30, 2016 are as follows:

	Note	
Transferred from Parent Company	6	₱371,054,331
Current service cost		19,830,242
Remeasurement loss		13,771,893
Balance at end of period		₱404,656,466

The actuarial losses recognized in other comprehensive income for the nine-month period ended September 30, 2016 follow:

	Cumulative Remeasurement Loss	Deferred Tax (see Note 21)	Net
Remeasurement loss for the period and balance at end of period	(₱13,771,893)	₱4,131,568	(₱9,640,325)

The principal actuarial assumptions used to determine the retirement liability as at September 30, 2016 are as follows:

Discount rate	4.65%
Annual salary increase rate	8.00%

Sensitivity analysis on retirement liability for 2016 is as follows:

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

As at September 30, 2016, the expected future benefits payments are as follow:

Year	Amount
2017	₱15,600,000
2018	7,344,000
2019	-
2020	382,395
2021	4,109,643
2022 to 2026	38,623,444
	₱66,059,482

17. Equity

Details of capital stock are as follow:

	Number of Shares	Amount
Authorized - at ₱1 a share	200,000,000	₱200,000,000
Issued and outstanding	50,000,000	₱50,000,000

On April 1, 2016, the Company's BOD and stockholders approved the increase in authorized capital stock of the Company from ₱200.0 million, consisting of 200,000,000 shares of common stock with a par value of ₱1.00 per share, to ₱5,000.0 million, consisting of 5,000,000,000 shares of common stock with a par value of ₱1.00 per share.

On the same date, the Parent Company subscribed to 2,655.8 million shares of stock of the Company in exchange for the net assets of the former's Trading Business amounting to ₱2,655.8 million determined as at March 31, 2016 (see Notes 1 and 6). The subscription is classified as deposit for stock subscription under equity pending the approval by the SEC as at September 30, 2016.

Subsequently, on November 15, 2016, the SEC approved the increase in authorized capital stock and the transfer of net assets in exchange for shares of stock of the Company (see Notes 1 and 6).

18. Cost of Sales

Details of cost of sales for the nine-month period ended September 30, 2016 are as follows:

	Note	
Net purchases including inventories transferred		₱12,965,194,066
Merchandise inventories, end	9	(6,790,603,623)
		₱6,174,590,443

19. Operating Expenses

This account consists of:

	Note	September 30, 2016 (Nine Months)	December 31, 2015 (One Month)
Rent	22	₱352,778,062	₱–
Salaries, wages and employee benefits		306,391,788	–
Outsourced services		216,185,258	–
Trucking	22	141,737,911	–
Utilities		125,176,373	–
Taxes and licenses		79,137,266	707,510
Credit card charges		73,848,975	–
Security services		59,796,046	–
Depreciation and amortization	11	41,054,124	–
Supplies		29,988,502	–
Provision for impairment losses on receivables	8	27,880,783	–
Repairs and maintenance		27,033,240	–
Advertising and promotions		26,860,589	–
Postage, telephone and telegraph		8,744,397	–
Fuel and oil		5,321,445	–
Professional fees		3,398,799	50,000
Donations and contributions		3,286,195	–
Transportation and travel		2,620,744	–
Complimentaries		1,235,775	–
Insurance		1,106,729	–
Others		4,010,989	–
		₱1,537,593,990	₱757,510

20. Other Income

Other income for the nine-month period ended September 30, 2016 is consists of:

	Note	
Rent	22	₱5,244,957
Interest	7	427,798
Others		25,696,473
		₱31,369,228

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 and other reimbursable costs.

21. Income Taxes

The current income expense for the nine-month period ended September 30, 2016 represents regular corporate income tax. There is no current income tax expense for the one-month period ended December 31, 2015 since the Company is in a taxable loss position.

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

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

	September 30, 2016 (Nine Months)	December 31, 2015 (One Month)
Income tax expense (benefit) at statutory rate	₱108,231,580	(₱227,253)
Tax effects of:		
Effect of net asset transferred	(174,032,434)	–
Interest income already subjected to final tax	(128,339)	–
Nondeductible expenses	52,940	–
	(₱65,876,253)	(₱227,253)

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

	September 30, 2016	December 31, 2015
Deferred tax assets:		
Retirement liability	₱121,396,940	₱–
Allowance for impairment losses on receivables	25,382,983	–
Allowance for impairment of refundable cash bonds	25,022,980	
Allowance for inventory write down and losses	15,016,979	
Accrued rent on straight-line basis	8,013,269	
Unearned revenue from loyalty program	7,469,728	–
NOLCO	–	227,253
	202,302,879	227,253
Deferred tax liability -		
Advance rentals	(4,894,253)	–
	₱197,408,626	₱227,253

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

The presentation of net deferred tax assets are as follows:

	Note	September 30, 2016	December 31, 2015
Through profit or loss		**₱193,277,058**	₱227,253
Through other comprehensive income	16	**4,131,568**	–
		₱197,408,626	₱227,253

22. Leases

The Company as a Lessee

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

Security and rental deposits amounted to ₱68.6 million as at September 30, 2016 (see Note 12). These refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively.

Rent payable amounted to ₱270.9 million as at September 30, 2016 (see Note 15).

Rent and trucking expense amounted to ₱352.8 million and ₱141.7 million, respectively, for the nine-month period ended September 30, 2016 (see Note 19).

Future minimum rental payments under operating lease as at September 30, 2016 are as follows:

Within one year	₱574,737,504
After one year but not more than five years	1,109,511,016
More than five years	448,646,696
	₱2,132,895,216

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.

Rental receivables amounted to ₱59.3 million as at September 30, 2016 (see Note 8).

Rent income amounted to ₱5.2 million for the nine-month period ended September 30, 2016 (see Note 20).

23. Related Party Transactions and Balances

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

Related Party	Nature of Transactions	Transactions during the Period	Trade Receivables (see Note 8)	Due from Parent Company	Trade Payables (see Note 15)	Rent Payable (see Note 15)	Nontrade Payables (see Note 15)
Parent Company	Non-interest bearing advances	₱599,471,322	₱–	₱599,471,322	₱–	₱–	₱–
	Rental	240,943,000	–	–	–	230,330,000	–
	Purchases of goods	121,075,282	–	–	55,786,081	–	–
	Utilities	–	–	–	–	–	28,240,673
Entities under Common Control	Purchases of goods	746,728,576	–	–	1,963,197,856	–	–
	Trucking services	118,179,243	–	–	–	–	56,289,043
	Rental	25,908,058	–	–	–	25,908,058	–
	Sale of goods	20,133,400	102,848,790	–	–	–	–
Stockholder	Rental	7,326,000	–	–	–	7,326,000	–
			₱102,848,790	₱599,471,322	₱2,018,983,937	₱263,564,058	₱84,529,716

No related party transactions in 2015 and no outstanding balances with related parties as at December 31, 2015.

Transactions with related parties are as follows:

a. Purchase and sale of merchandise inventories and trucking services with Parent Company and entities under common control.

b. Various existing 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 30 years (see Note 22).

c. Noninterest-bearing advances to Parent Company are for working capital requirements of the Parent Company.

Outstanding balance of due from Parent Company are unsecured, noninterest-bearing and settlement occurs in cash and collectible upon demand. The Company did not recognize any provision for impairment loss on due from Parent Company for the nine-month period ended September 30, 2016.

Outstanding balance of trade and nontrade payables are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Compensation of Key Management Personnel
Compensation of key management personnel amounted to ₱18.0 million for the nine-month period ended September 30, 2016.

24. Earnings (Loss) per Share

Basic and dilutive earnings (loss) per share were computed as follows:

	2016	2015
Net income (loss) for the period	₱426,648,186	(₱530,257)
Divided by the weighted average number of outstanding shares	1,820,545,277	50,000,000
	₱0.23	(₱0.01)

25. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash in banks, trade receivables and payables, due from Parent Company 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 doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	September 30, 2016	December 31, 2015
Cash in banks	₱227,943,434	₱50,000,000
Trade and other receivables	537,901,082	–
Due from Parent Company	599,471,322	–
Container deposits	11,739,329	–
Security and rental deposits*	52,251,089	–
Electricity deposits	16,802,346	–
Refundable cash bonds	83,409,934	–
	₱1,529,518,536	₱50,000,000

* *Exclusive of advance rentals amounting to ₱16.3 million.*

The Company does not have major concentration of credit risk.

The table below summarizes the Company's financial assets as at September 30, 2016 based on aging:

	Neither Past Due Nor Impaired	Past Due but not Impaired: Less than One Year	Past Due but not Impaired: One Year and Over	Past Due and Impaired	Total
Cash in banks	₱227,943,434	₱–	₱–	₱–	₱227,943,434
Trade and other receivables	153,585,419	269,600,110	30,105,610	84,609,943	537,901,082
Due from Parent Company	599,471,322	–	–	–	599,471,322
Container deposits	11,739,329	–	–	–	11,739,329
Security and rental deposits*	52,251,089	–	–	–	52,251,089
Electricity deposits	16,802,346	–	–	–	16,802,346
Refundable cash bonds	–	–	–	83,409,934	83,409,934
	₱1,061,792,939	₱269,600,110	₱30,105,610	₱168,019,877	₱1,529,518,536

* *Exclusive of advance rentals amounting to ₱16.3 million.*

As at December 31, 2015, cash in bank amounting to ₱50.0 million is neither past due nor impaired. "Past due but not impaired" are items with history of frequent defaults, nevertheless, the amounts are still collectible.

The table below shows the credit quality of the Company's financial assets as at September 30, 2016 that are neither past due nor impaired based on their historical experience with the counter parties.

	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱227,943,434	₱–	₱–	₱227,943,434
Trade and other receivables	–	153,585,419	–	153,585,419
Due from a related party	–	599,471,322	–	599,471,322
Container deposits	–	–	11,739,329	11,739,329
Security and rental deposits*	–	52,251,089	–	52,251,089
Electricity deposits	–	16,802,346	–	16,802,346
	₱227,943,434	₱822,110,176	₱11,739,329	₱1,061,792,939

* *Exclusive of advance rentals amounting to ₱16.3 million.*

As at December 31, 2015, cash in banks amounting to ₱50.0 million is categorized under high grade.

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

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

The table below summarizes the maturity profile of the Company's financial liabilities as at September 30, 2016 based on contractual undiscounted payments.

	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱503,579,142	₱–	₱–	₱503,579,142
Trade and other payables*	–	–	4,421,605,214	–	4,421,605,214
Long-term debt	–	64,615,385	113,846,154	793,974,358	972,435,897
	₱–	₱568,194,527	₱4,535,451,368	₱793,974,358	₱5,897,620,253

* *Exclusive of statutory obligations, unredeemed gift certificates and unearned revenue aggregating to ₱50.2 million.*

As at December 31, 2015, trade and other payables amounting to ₱707,510 were due within three months.

As at September 30, 2016 and December 31, 2015, the Company had at its disposal cash on hand and cash in banks amounting ₱234.8 million and ₱50.0 million, respectively. The Company's holding of cash, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
September 30, 2016	0.75%	(₱288,637)
	(0.75%)	288,637

Capital Management
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 Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Total debt includes total liabilities and deposits for future stock subscriptions.

Total equity includes capital stock, other comprehensive income and retained earnings. The debt-to-equity ratio is as follows:

	September 30, 2016	December 31, 2015
Total debt	**₱6,370,665,659**	₱757,510
Total equity	**3,122,295,520**	49,469,743
Debt-to-equity	**2.04:1**	0.02:1

26. Fair Value of Financial Instruments

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

	September 30, 2016	
	Carrying Amount	Fair Value
Financial Assets		
Cash	₱234,838,738	₱234,838,738
Trade and other receivables	453,291,139	453,291,139
Due from Parent Company	599,471,322	599,471,322
Container deposits	11,739,329	11,739,329
Security and rental deposits*	52,251,089	46,146,332
Electricity deposits	16,802,346	16,802,346
	₱1,368,393,963	₱1,362,289,206
Financial Liabilities		
Short-term debt	₱503,579,142	₱503,579,142
Trade and other payables**	4,421,605,214	4,421,605,214
Long-term debt	972,435,897	972,435,897
	₱5,897,620,253	₱5,897,620,253

* *Exclusive of advance rentals amounting to ₱16.3 million.*

** *Exclusive of statutory obligations, unredeemed gift certificates and unearned revenue aggregating to ₱50.2 million*

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

Cash, trade and other receivables, due from Parent Company, container, security, rental and electricity deposits, refundable cash bonds, short-term debt and trade and other payables. The carrying amounts of cash, trade and other receivables, due from a related party, container deposits, short-term borrowings, and trade and other payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposit are under Level 2 of the fair value measurements hierarchy for financial instruments.

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.

For the nine-month ended September 30, 2016, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

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

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) as at and for the nine-month period ended September 30, 2016, on which we have rendered our report dated December 9, 2016.

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

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016

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

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

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

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

REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS, a subsidiary of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, (the Company) as at and for the nine-month period September 30, 2016, and have issued our report dated December 9, 2016. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the management of the Company. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
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Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

THE POWER OF BEING UNDERSTOOD
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RSM

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

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

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
SEPTEMBER 30, 2016

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 (PFRSs)

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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts			✓
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

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

Philippine Accounting Standards (PASs)

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	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓

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

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments			✓
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'	✓		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Reclassification of Financial Assets	✓		
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓

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

Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

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

WILCON

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

April 8, 2016

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of WILCON DEPOT, INC., (the Company) is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the Board of Directors as at and for the years ended December 31, 2015 and 2014 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Mr. William T. Belo
(Chairman)

Ms. Lorraine B. Cincochan
(President and Chief Executive Officer)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TS'S
RECEIVED
LORENA P. VINOYA

WILCON

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

"STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN"

The Management of WILCON DEPOT, INC., (the Company) is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting year. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting year, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements as at and for the years ended December 31, 2015 and 2014 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company complete and correct in all material respects. Management likewise affirms that:

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

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

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

Mr. William T. Belo
(Chairman)

Ms. Lorraine B. Cincochan
(President and Chief Executive Officer)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS
LARGE TAXPAYERS ASSISTANCE
Date APR 15 2016
RECEIVED
LORENA P. VINUYA

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON DEPOT, INC.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of WILCON DEPOT, INC., a subsidiary of WILCON BUILDER'S DEPOT INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period December 17, 2015 to December 31, 2015, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TS'S
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LORENA P. VINOYA

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of WILCON DEPOT, INC., as at December 31, 2015 and its financial performance and its cash flows for the period December 17, 2015 to December 31, 2015 in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations Nos. 15-2010 and 19-2011 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses and the schedule of taxable income and deductible expenses in Note 12 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of WILCON DEPOT, INC. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-6-2013
Valid until November 26, 2016
PTR No. 5321843
Issued January 5, 2016, Makati City

April 8, 2016
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TS'S
RECEIVED
LORENA P. VINOYA

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

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

	Note	
ASSETS		
Current Asset		
Cash in bank	6	₱50,000,000
Noncurrent Asset		
Deferred tax asset	8	227,253
		₱50,227,253
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses	7	₱757,510
Equity		
Capital stock		50,000,000
Net loss		(530,257)
Total Equity		49,469,743
		₱50,227,253

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TSIS
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LORENA P. VINOYA

WILCON DEPOT, INC.

(A Subsidiary of WILCON BUILDER'S DEPOT INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE PERIOD DECEMBER 17, 2015 TO DECEMBER 31, 2015*

EXPENSES	
Taxes and licenses	₱707,510
Professional fee	50,000
LOSS BEFORE TAX	757,510
BENEFIT FROM DEFERRED INCOME TAX	(227,253)
NET LOSS	530,257
OTHER COMPREHENSIVE INCOME	–
TOTAL COMPREHENSIVE LOSS	₱530,257

See accompanying Notes to Financial Statements.

* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and has not yet started commercial operations as at December 31, 2015.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TSIS
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WILCON DEPOT, INC.
(A Subsidiary of WILCON BUILDER'S DEPOT INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD DECEMBER 17, 2015 TO DECEMBER 31, 2015*

CAPITAL STOCK - ₱1 par value	
Authorized - 200,000,000 shares	
Issued and outstanding - 50,000,000 shares	₱50,000,000
NET LOSS	(530,257)
	₱49,469,743

See accompanying Notes to Financial Statements.

* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and has not yet started commercial operations as at December 31, 2015.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TSIS
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LORENA P. VINOYA

WILCON DEPOT, INC.

(A Subsidiary of WILCON BUILDER'S DEPOT INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

STATEMENT OF CASH FLOWS

FOR THE PERIOD DECEMBER 17, 2015 TO DECEMBER 31, 2015*

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss		(₱757,510)
Increase in accrued expenses		757,510
Net cash flows provided by operating activities		–
CASH FLOW FROM A FINANCING ACTIVITY		
Proceeds from subscriptions of capital stock		50,000,000
CASH IN BANK AT END OF PERIOD	6	₱50,000,000

See accompanying Notes to Financial Statements.

* The Company was registered with the Securities and Exchange Commission on December 17, 2015 and has not yet started commercial operations as at December 31, 2015.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TSIS
RECEIVED
LORENA P. VINOYA

WILCON DEPOT, INC.
**(A Subsidiary of WILCON BUILDER'S DEPOT INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER)**

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Wilcon Depot, Inc., (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 BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (WBDI), a company incorporated in the Philippines and engaged in the same line of business.

As at December 31, 2015, the Company has not yet started commercial operations.

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

The financial statements as at and for the period December 17, 2015 to December 31, 2015 were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2016.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. All amounts are stated in absolute values, unless otherwise indicated.

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

The Company qualified as a small and medium-sized entity under the Philippine Reporting Standard for Small and Medium-sized Entities (PFRS for SME). However, the Company availed of the exemption from the mandatory adoption of PFRS for SME since it is a subsidiary of WBDI that is reporting and preparing financial statements in accordance with PFRS. Accordingly, the financial statements were prepared and presented in accordance with the PFRS.

3. Summary of Changes in Accounting Standards

New and Revised PFRS not yet Adopted

Relevant new and revised PFRS, which are not yet effective for the period ended December 31, 2015 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

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

- PFRS 9 – This standard will replace PAS 39, *Financial Instruments: Recognition and Measurement,* (and all the previous versions of PFRS 9). It provides 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 they 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 be no longer necessary for 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.

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

4. Summary of Significant Accounting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the financial statements are summarized below.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 year 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 financial instrument, except for financial instruments at 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.

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 as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at December 31, 2015.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

This category includes cash in bank.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Payables are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to nominal amount.

This category includes accrued expenses and other payable.

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 when:

- the right to receive cash flows from the asset has expired;
- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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 Financial Instruments. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

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

Fair Value Measurement

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Capital Stock

Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Expenses Recognition

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

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting year 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 year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting year.

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

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.

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

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

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

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

5. Significant Accounting Estimate and Assumption

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

Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company believes the following represent a summary of items where management uses estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenue and expenses within the next fiscal year, and related impact and associated risk in the financial statements.

Estimate and Assumption

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

Assessing Realizability of Deferred Tax Assets. 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 taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The deferred tax asset on net operating loss carry-over (NOLCO) amounted to ₱227,253 as at December 31, 2015.

6. Cash in Bank

Cash in bank amounting to ₱50.0 million pertains to deposits that earn interest at the bank deposit rate.

7. Accrued Expenses

This account consists of:

Accruals for:	
Taxes and licenses	₱707,510
Professional fees	50,000
	₱757,510

8. Income Taxes

There is no current income tax expense for the period December 17, 2015 to December 31, 2015 since the Company is in a taxable loss position.

The Company is subject to minimum corporate income tax in the taxable year 2019, which is the fourth taxable year immediately following the year of the Company's registration with the Bureau of

Internal Revenue (BIR) as provided under the National Internal Revenue Code. The Company was registered with the BIR on December 17, 2015.

The deferred tax asset on NOLCO amounted to ₱227,253 as at December 31, 2015.

NOLCO incurred in 2015 amounting to ₱757,510 will expire in 2018.

9. Financial Risk Management Objectives and Policies

The financial instruments comprise mainly of cash in bank. The main purpose of these financial instruments is to finance the working capital requirements of the Company.

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

Credit risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company minimizes its credit risk through strict monitoring procedures.

As at December 31, 2015, the carrying values of the financial instruments represent maximum exposure to credit risk at reporting date.

The Company is exposed to credit risk in relation to its deposit with a local bank. The financial condition of bank is being assessed by the Company before undertaking any banking arrangement. The cash in bank is considered as high quality financial asset since this is maintained in a bank with good credit rating.

Liquidity risk. Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or the counterparty failing on repayment of a contractual obligation; or inability to generate cash inflows as anticipated.

The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of cash. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and maintains required cash reserves as necessary in accordance with internal policies.

Financial liabilities consisting of accrued expenses and other payable are all due within one year.

<u>Fair Values</u>
The carrying amount of cash in bank, and accrued expenses and other payable as at December 31, 2015 approximate their fair values due to their short-term maturities.

The Company has no financial instruments carried at fair value in the financial statements as at December 31, 2015.

10. Capital Management

The capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statement of financial position. Capital for the reporting period under review is summarized as follows:

Total liabilities	₱757,510
Total equity	49,469,743
Debt-to-equity ratio	0.02:1

As the Company has not started operations, it ensures that the minimum capital infused by the shareholders is properly managed. Capital calls shall be made when the Company's business plan is completed. To date, the Company is not subject to any externally imposed capital requirements.

11. Supplementary Information Required by the BIR

Revenue Regulations No. 15-2010

Output VAT
The Company has no revenue and output VAT for the period December 17, 2015 to December 31, 2015.

Input VAT
The Company has no purchases and input VAT for the period December 17, 2015 to December 31, 2015.

All Other Local and National Taxes
All other local and national taxes paid for the period December 17, 2015 to December 31, 2015 consist of:

Application fee	₱411,010
Documentary stamp tax	250,000
Business registration and local taxes	31,500
Others	15,000
	₱707,510

Tax Assessment and Case
The Company has no outstanding tax assessment and tax case as at December 31, 2015.

Revenue Regulations No. 19-2011

Taxable Revenue
The Company has no taxable revenue for the period December 17, 2015 to December 31, 2015.

Deductible Expenses
The Company's deductible expenses for the period December 17, 2015 to December 31, 2015 amounted to ₱757,510.

REPORT OF INDEPENDENT AUDITOR TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Stockholders and the Board of Directors
WILCON DEPOT, INC.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte, Quezon City

We have audited the accompanying financial statements of WILCON DEPOT, INC. (the Company), a subsidiary of WILCON BUILDER'S DEPOT INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, as at December 31, 2015 and for the year period December 17, 2015 to December 31, 2015, on which we have rendered our report dated April 8, 2016.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, managers or principal stockholders of the Company.

REYES TACANDONG & CO.

HaydeeM. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-6-2013
Valid until November 26, 2016
PTR No. 5321843
Issued January 5, 2016, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 22 2016 TSIS
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LORENA P. VINOYA

April 8, 2016
Makati City, Metro Manila

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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200259986

COMPANY NAME

WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

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

#90 E. Rodriguez Jr. Ave., Brgy. Ugong Norte, District 3, Quezon City

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
14	Any day in March	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ms. Lorraine Chua Belo	lorraine@wilcon.com.ph	(02)634-8387	–

CONTACT PERSON'S ADDRESS

#90 E. Rodriguez Jr. Ave., Brgy. Ugong Norte, District 3, Quezon City

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

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

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

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

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER
#90 E. Rodriguez Jr. Ave.
Brgy. Ugong Norte, District 3, Quezon City

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the separate statements of financial position as at December 31, 2015 and 2014, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these separate financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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Opinion

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations Nos. 15-2010 and 19-2011 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information on taxes and licenses and the schedule of taxable income and deductible expenses in Note 27 to separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the management of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-6-2013
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BUREAU OF INTERNAL REVENUE
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LORENA P. VINOYA

April 8, 2016
Makati City, Metro Manila

WILCON

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

April 8, 2015

STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The Management of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, (the Company) is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2015 and 2014, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the Board of Directors as at and for the years ended December 31, 2015 and 2014 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Mr. William T. Belo
(President)

Ms. Lorraine C. Belo
(Treasurer/Secretary)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 29 2016 TSIS
RECEIVED
LORENA P. VINOYA

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

SEPARATE STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2015	2014
ASSETS			
Current Assets			
Cash	6	**₱275,397,577**	₱196,163,141
Trade and other receivables	7	**367,890,001**	334,403,145
Due from related parties	24	**11,809,937**	1,013,354,774
Merchandise inventories	8	**7,153,387,843**	5,765,541,670
Other current assets	9	**142,459,294**	191,835,139
Total Current Assets		**7,950,944,652**	7,501,297,869
Noncurrent Assets			
Investment in a subsidiary	10	**24,500,000**	–
Property and equipment	11	**3,019,460,532**	2,840,483,907
Investment properties	12	**1,348,417,694**	1,379,661,544
Deferred tax assets	22	**160,610,093**	142,422,068
Other noncurrent assets	13	**162,952,489**	46,548,637
Total Noncurrent Assets		**4,715,940,808**	4,409,116,156
		₱12,666,885,460	₱11,910,414,025
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term debt	14	**₱843,058,199**	₱1,335,648,883
Current portion of long-term debt	15	**271,831,731**	108,557,692
Trade and other payables	16	**3,492,164,328**	2,859,133,182
Due to related parties	24	**2,348,175,885**	2,325,047,202
Income tax payable		**64,119,710**	–
Total Current Liabilities		**7,019,349,853**	6,628,386,959
Noncurrent Liabilities			
Long term debt - net of current portion	15	**1,075,512,820**	1,381,062,500
Deposits for stock subscriptions	18	**2,200,000,000**	2,200,000,000
Net retirement liability	17	**339,609,081**	246,311,027
Other noncurrent liability	23	**2,463,796**	–
Total Noncurrent Liabilities		**3,617,585,697**	3,827,373,527
Total Liabilities		**10,636,935,550**	10,455,760,486
Equity			
Capital stock	18	**396,303,700**	396,303,700
Additional paid-in capital		**786,556,982**	786,556,982
Other comprehensive loss	17	**(112,969,006)**	(57,719,118)
Retained earnings	18	**960,058,234**	329,511,975
Total Equity		**2,029,949,910**	1,454,653,539
		₱12,666,885,460	₱11,910,414,025

See accompanying Notes to Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
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WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2015**	2014
NET SALES		**₱14,450,141,427**	₱13,595,537,099
COST OF SALES	19	**(10,840,446,520)**	(11,075,546,099)
GROSS INCOME		**3,609,694,907**	2,519,991,000
OPERATING EXPENSES	20	**(2,768,634,460)**	(2,308,209,994)
INTEREST EXPENSE	15	**(62,377,169)**	(78,826,149)
OTHER INCOME - Net	21	**122,015,546**	87,956,975
INCOME BEFORE INCOME TAX		**900,698,824**	220,911,832
INCOME TAX EXPENSE (BENEFIT)	22		
Current		**264,662,066**	104,110,230
Deferred		**5,490,499**	(37,907,687)
		270,152,565	66,202,543
NET INCOME		**630,546,259**	154,709,289
OTHER COMPREHENSIVE LOSS			
Item not to be reclassified to profit or loss			
Remeasurement loss on retirement liability, net of deferred income tax	17	**(55,249,888)**	–
TOTAL COMPREHENSIVE INCOME		**₱575,296,371**	₱154,709,289

See accompanying Notes to Separate Financial Statements.

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WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

SEPARATE STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 2015	2014
CAPITAL STOCK - ₱100 par value	18	**₱396,303,700**	₱396,303,700
ADDITIONAL PAID-IN CAPITAL		**786,556,982**	786,556,982
OTHER COMPREHENSIVE LOSS			
Cumulative Remeasurement Loss on Retirement Liability	17		
Balance at beginning of year		**(57,719,118)**	(57,719,118)
Remeasurement loss, net of deferred income tax		**(55,249,888)**	–
Balance at end of year		**(112,969,006)**	(57,719,118)
RETAINED EARNINGS	18		
Appropriated			
Balance at beginning of year		**100,000,000**	100,000,000
Addition		**600,000,000**	–
Balance at end of year		**700,000,000**	100,000,000
Unappropriated			
Balance at beginning of year		**229,511,975**	74,802,686
Net income		**630,546,259**	154,709,289
Appropriation		**(600,000,000)**	–
Balance at end of year		**260,058,234**	229,511,975
		960,058,234	329,511,975
		₱2,029,949,910	₱1,454,653,539

See accompanying Notes to Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
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WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

SEPARATE STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱900,698,824**	₱220,911,832
Adjustments for:			
Depreciation and amortization	11	**231,409,592**	220,804,575
Interest expense	15	**62,377,169**	78,826,149
Retirement benefits	17	**48,159,290**	42,358,250
Provision (reversal of allowance) for impairment losses on receivables	7	**(10,628,668)**	44,082,059
Gain on disposal of property and equipment	11	**(8,866,033)**	–
Interest income	6	**(323,867)**	(402,869)
Net unrealized foreign exchange gain		**(15,678)**	(137,218)
Provision for inventory write down and losses	8	**–**	527,990
Operating income before working capital changes		**1,222,810,629**	606,970,768
Decrease (increase) in:			
Trade and other receivables		**(22,858,188)**	(90,545,659)
Merchandise inventories		**(1,387,846,173)**	(105,760,594)
Other current assets		**49,375,845**	14,160,645
Increase in trade and other payables		**633,046,824**	810,361,118
Net cash generated from operations		**494,528,937**	1,235,186,278
Income taxes paid		**(200,542,356)**	(176,355,533)
Contributions to retirement plan	17	**(33,789,648)**	–
Interest received		**323,867**	402,869
Net cash provided by operating activities		**260,520,800**	1,059,233,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Due from related parties		**1,029,526,837**	(100,000,000)
Other noncurrent assets		**(58,787,275)**	–
Additions to:			
Property and equipment	11	**(409,900,410)**	(892,064,554)
Computer software	13	**(67,071,195)**	(2,657,598)
Investment in a subsidiary	10	**(24,500,000)**	–
Investment properties	12	**–**	(53,986,319)
Proceeds from disposal of property and equipment	11	**21,096,694**	–
Net cash provided by (used in) investing activities		**490,364,651**	(1,048,708,471)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of long-term debt		**(557,275,641)**	(175,292,007)
Net payments of short-term debt		**(492,590,684)**	(744,207,544)
Availments of long-term debt		**415,000,000**	1,180,000,000
Interest paid		**(62,377,169)**	(78,826,149)
Increase (decrease) in:			
Due to related parties		**23,128,683**	(139,527,753)
Noncurrent liability		**2,463,796**	–
Net cash provided by (used in) financing activities		**(671,651,015)**	42,146,547
NET INCREASE IN CASH		**79,234,436**	52,671,690
CASH AT BEGINNING OF YEAR		**196,163,141**	143,491,451
CASH AT END OF YEAR	6	**₱275,397,577**	₱196,163,141
Noncash Financial Information			
Reclassifications of investment properties to property and equipment	12	**₱31,243,850**	₱112,984,160
Assumption of project costs by related parties	11	**27,982,000**	913,354,774

See accompanying Notes to Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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NOTES TO SEPARATE FINANCIAL STATEMENTS

1. Corporate Information

Wilcon Builder's Depot, Inc., (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 15, 2004. The Company is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail.

On May 26, 2014, the SEC approved the change in the corporate name to WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER.

Wilcon Depot, Inc. (WDI), a subsidiary of the Company, was registered with the Securities and Exchange Commission on December 17, 2015. WDI is engaged in the same line of business as the Company and started commercial operations on April 1, 2016 (see Note 10).

The registered office address of the Company is at #90 E. Rodriguez Jr. Ave., Brgy. Ugong Norte, District 3, Quezon City.

The accompanying separate financial statements as at and for the years ended December 31, 2015 and 2014 were approved and authorized for issue by the Board of Directors (BOD) on April 8, 2016.

2. Basis of Preparation and Statement of Compliance

The separate financial statements of the Company have been prepared on a historical cost basis. The separate financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. All amounts are stated in absolute values, unless otherwise indicated.

The separate financial statements of the Company have been prepared in compliance 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 Company also prepares consolidated financial statements for the same year in accordance with PFRS for the Company and its Subsidiary (collectively referred to as the Group). Users of these separate financial statements should read them together with the consolidated financial statements in order to obtain full information on the financial position, financial performance and cash flows of the Group as a whole. The consolidated financial statements may be obtained at the registered office address of the Company or at the SEC.

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3. Summary of Changes in Accounting Standards

Adoption of New and Revised PFRS
The Company adopted the following new and revised PFRS effective January 1, 2015, as summarized below.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions,* apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendments to PAS 40, *Investment Property,* clarify the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including nonfinancial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments.*

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

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS, which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the separate financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

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

- PFRS 9, *Fnancial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides 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 they 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 be no longer necessary for 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 nonfinancial risk exposures.

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the separate financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 year 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 financial instrument, except for financial instruments at 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.

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 as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

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

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

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at December 31, 2015 and 2014.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables, due from related parties, refundable cash bonds, container deposits (presented as part of other current assets) and electricity deposits and security and rental deposits (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The short-term debt, trade and other payables (excluding statutory liabilities), long-term debt and due to related parties are included in this category.

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 when:

- the right to receive cash flows from the asset has expired;

- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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 separate 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.

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

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

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

Fair Value Measurement

The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 26 - Fair Value of Financial Instruments.

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 year when the related revenue is recognized.

Other Current Assets
Other current assets include value-added tax (VAT), prepayments 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 separate statement of financial position.

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

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

Container Deposits. Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. These will be refunded upon return of the empty containers to the shipping companies.

Investment in a Subsidiary
Investment in a subsidiary is accounted for using the cost method. A subsidiary is an entity controlled by the Company. Control is defined as the ability to govern the entity's financial and operating policies and generally accompanying more than half of the entity's voting rights.

Under the cost method, the investor recognizes income from the investment only to the extent that the investor received distributions from accumulated profits of the investee arising after the date of acquisition. Distributions received in excess of such profits are regarded as a reduction of the cost of the investment.

An assessment of the carrying value of the investment is performed when there is an indication that the investment has been impaired.

Property and Equipment
Property and equipment, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less 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. The cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing.

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

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

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

The estimated useful lives and depreciation and amortization method 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 year the item is derecognized.

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.

Investment Properties
Investment properties consist of land, which are carried at cost less any impairment losses.

Investment properties are defined as properties such as land, building, part of building or both held for the purposes of earning rental or for capital appreciation or both. These properties are not held to be used in the ordinary course of business.

Investment properties are initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of asset given up.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement, transfer or disposal of an investment property is recognized in profit or loss in the year of retirement, transfer or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Computer Software
Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less any 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 year in which the expenditure is incurred.

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

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

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets maybe 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. 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 (selling price less costs to sell), 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 years. A reversal of an impairment loss is recognized immediately in profit or loss. The recoverable amount of an asset is the greater of its value in use or its fair value less cost to sell. Value in use is the present value of future cash flows expected to be derived from an asset.

Deposits for Stock Subscriptions

Deposits for stock subscriptions represent the deposits received by the Company from a person or entity, which may or may not be an existing stockholder, to subscribe for a future additional issuance shares or increase in the Company's capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 as issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as a account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

b. There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and

c. The application for the approval of the proposed increase has been filed with the SEC.

If the foregoing conditions are not met, the "Deposits for stock subscriptions" are presented as a liability.

Equity

Capital Stock / Additional Paid-in Capital. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Appropriated retained earnings represent that portion which has been restricted and are not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

Other Comprehensive Loss
Other comprehensive loss comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive loss pertains to cumulative remeasurement gains or losses on retirement liability.

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

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

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

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 Expenses 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.

Retirement Benefits
Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

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

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

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 separate 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 benefit 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses are recognized on a net basis.

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting year 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 year when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the end of reporting year.

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

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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

5. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the separate financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the separate 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 separate financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgment
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 separate financial statements.

Determining Whether "Control" for Accounting and Financial Reporting Purposes Exists in Investee Company. "Control," solely for accounting and financial reporting purposes, is presumed to exist when the Company owns, directly or indirectly, more than half of the voting power of an entity, unless, in exceptional circumstances, it can be clearly demonstrated that such ownership does not constitute control. The Company has 49% equity interest in WDI in terms of number of shares held. The balance, equivalent to 51% equity interest, or majority of the outstanding shares of WDI are held by individual shareholders, who are presumed to exercise their majority voting power along with the Company. On this premise, management has determined that solely for accounting and financial reporting purposes, the Company is deemed to have accounting or financial reporting "control" over WDI and that by virtue thereof, WDI is deemed a subsidiary of the Company.

Determining the Classification of Lease Arrangements. The Company, as a lessor, has existing lease agreements on commercial spaces, gondola lightings, facade billboards, window displays and street banners. The Company has determined that the significant risk 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 ₱90.5 million and ₱95.8 million in 2015 and 2014, respectively (see Note 23).

The Company, as a lessee, has various lease agreements for land, buildings and delivery equipment. The Company has determined that the lessor retains all significant risks and benefits ownership over the leased properties. Accordingly, the Company accounts for the lease agreements as operating leases.

Rent expense amounted to ₱167.2 million and ₱97.2 million in 2015 and 2014, respectively (see Note 23).

Determining the Classification of Property. The Company determines the classification of property and equipment and investment property depending on its use. The property is classified as follows:

- Property and equipment comprise of tangible properties that are held for use as stores and warehouses for more than one year.

- Investment properties comprise of buildings and parcels of land not used in the Company's operations and are currently held for lease or long-term capital appreciation.

The change of the use of properties will trigger a change in classification and accounting of the properties.

<u>Estimates and Assumptions</u>
The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances of the separate financial statements. Actual results could differ from those estimates. Presented below are the relevant estimates performed by management on its separate financial statements.

Determining Fair Values of Financial Instruments. The Company carries certain financial assets and liabilities at fair value. Fair value determinations for financial assets are based generally on quoted market prices. If market prices are not available, fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 26.

Estimating Impairment Losses on Receivables and Refundable Cash Bonds. Impairment losses on receivables and refundable cash bond 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 year 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 value of trade and other receivables amounted to ₱367.9 million and ₱334.4 million as at December 31, 2015 and 2014, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱42.7 million and ₱53.3 million as at December 31, 2015 and 2014, respectively (see Note 7).

Due from related parties amounted to ₱11.8 million and ₱1,013.4 million as at December 31, 2015 and 2014, respectively (see Note 24).

As at December 31, 2015 and 2014, refundable cash bonds amounting to ₱83.4 million have been fully provided with allowance for impairment since June 2013 (see Note 9).

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

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

The carrying value of merchandise inventories amounted to ₱7,153.4 million and ₱5,765.5 million as at December 31, 2015 and 2014, respectively (see Note 8). Allowance for inventory write down and losses amounted to ₱32.5 million as at December 31, 2015 and 2014, (see Note 8).

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

There is no change in estimated useful lives of property and equipment and computer software in 2015 and 2014.

The carrying value of property and equipment amounted ₱3,019.5 million and ₱2,840.5 million as at December 31, 2015 and 2014, respectively (see Note 11). The carrying value of computer software amounted to ₱85.9 million and ₱28.3 million as at December 31, 2015 and 2014, respectively (see Note 13).

Assessing Impairment of Nonfinancial Assets. The Company assesses any impairment on its property and equipment, investment properties and computer software 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 while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets, or if it is not possible, for the cash generating unit to which the assets belongs.

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 are 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.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2015 and 2014.

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

	Note	**2015**	2014
Property and equipment	11	**₱3,019,460,532**	₱2,840,483,907
Investment properties	12	**1,348,417,694**	1,379,661,544
Computer software	13	**85,927,414**	28,310,837
Investment in a subsidiary	10	**24,500,000**	–
		₱4,478,305,640	₱4,248,456,288

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 16 to the separate 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 years.

Net retirement liability amounted to ₱339.6 million and ₱246.3 million as at December 31, 2015 and 2014, respectively (see Note 17).

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.

As at December 31, 2015 and 2014, net deferred tax assets amounted to ₱160.6 million and ₱142.4 million, respectively (see Note 22).

6. Cash

This account consists of:

	2015	2014
Cash on hand	**₱8,206,830**	₱5,567,144
Cash in banks	**267,190,747**	190,595,997
	₱275,397,577	₱196,163,141

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱323,867 and ₱402,869 in 2015 and 2014, respectively (see Note 21).

7. Trade and Other Receivables

This account consists of:

	Note	2015	2014
Trade		**₱364,576,474**	₱275,054,404
Advances to suppliers		**24,559,300**	84,323,011
Rental	23	**20,419,796**	27,405,082
Others		**987,551**	902,436
		410,543,121	387,684,933
Allowance for impairment losses		**(42,653,120)**	(53,281,788)
		₱367,890,001	₱334,403,145

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

Rental receivables, which are collectible within one year, include receivables from the lease of buildings for commercial spaces, gondola lightings, facade billboards, window displays and street banners (see Note 23).

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

	Note	2015	2014
Balance at beginning of year		₱53,281,788	₱10,984,715
Reversals	20	(32,833,293)	–
Provisions	20	22,204,625	44,082,059
Write-off		–	(1,784,986)
Balance at end of year		₱42,653,120	₱53,281,788

8. Merchandise Inventories

Details of this account are as follows:

	2015	2014
At cost	₱7,057,939,810	₱5,559,436,777
At net realizable value	95,448,033	206,104,893
	₱7,153,387,843	₱5,765,541,670

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

The cost of merchandise inventories stated at net realizable value amounted to ₱127.9 million and ₱238.6 million as at December 31, 2015 and 2014, respectively.

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

	Note	2015	2014
Balance at beginning of year		₱32,496,051	₱31,968,061
Provision	19	–	527,990
Balance at end of year		₱32,496,051	₱32,496,051

9. Other Current Assets

This account consists of:

	2015	2014
Deferred input VAT	₱99,489,280	₱99,139,166
Prepaid expenses:		
Real property tax	13,665,225	8,314,347
Insurance	1,950,516	1,050,057
Rent	–	2,884,058
Income tax	–	22,921,992
Others	4,277,446	–
Container deposits	15,586,750	12,173,500

(Forward)

	2015	2014
Input VAT	**₱7,465,577**	₱39,204,143
Advanced import duties	**–**	6,123,376
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million	**–**	–
Others	**24,500**	24,500
	₱142,459,294	₱191,835,139

Deferred input VAT pertains to unamortized portion of input VAT on capital goods and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

Advanced import duties refer to tax collected by the Bureau of Customs (BOC) on imported purchases of the Company. This will be reclassified to merchandise inventories once the items are received.

Refundable cash bonds refer to payments made to the BOC for the release of imported goods purchased by the 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 Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2015, the refund of cash bonds is still pending with the BOC.

10. Investment in a Subsidiary

Investment in a subsidiary amounting to ₱24.5 million as at December 31, 2015 pertains to investment in WDI representing 49% equity interest.

The financial information of WDI as at December 31, 2015 and for the period December 17, 2015 to December 31, 2015 is as follows:

Total assets	₱50,227,253
Total liabilities	757,510
Equity	49,469,743
Net loss	(530,257)

On March 31, 2016, the Company's BOD and stockholders approved the transfer of the Company's trading business including the related assets and liabilities to WDI effective April 1, 2016 in exchange for the shares of stock of WDI.

WDI started commercial operations on April 1, 2016.

11. Property and Equipment

Movements in this account are as follows:

2015	Land	Buildings and Improvements	Leasehold Improvements	Transportation Equipment	Furniture and Equipment	Construction in Progress	Total
Cost							
Balance at beginning of year	₱1,209,488,150	₱1,609,851,230	₱210,963,320	₱258,706,330	₱282,535,844	₱234,333,922	₱3,805,878,796
Additions	953,334	11,699,775	5,979,336	54,657,018	108,089,051	228,521,896	409,900,410
Disposal	–	–	–	(99,132,027)	–	–	(99,132,027)
Transfer	–	–	–	–	–	(27,982,000)	(27,982,000)
Reclassifications	33,115,221	59,674,853	917,513	–	–	(62,463,737)	31,243,850
Balance at end of year	1,243,556,705	1,681,225,858	217,860,169	214,231,321	390,624,895	372,410,081	4,119,909,029
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	467,869,544	164,055,710	173,055,186	160,414,449	–	965,394,889
Depreciation and amortization	–	90,013,116	39,669,322	34,988,884	57,283,652	–	221,954,974
Disposal	–	–	–	(86,901,366)	–	–	(86,901,366)
Balance at end of year	–	557,882,660	203,725,032	121,142,704	217,698,101	–	1,100,448,497
Net Book Value	₱1,243,556,705	₱1,123,343,198	₱14,135,137	₱93,088,617	₱172,926,794	₱372,410,081	₱3,019,460,532

2014	Land	Buildings and Improvements	Leasehold Improvements	Transportation Equipment	Furniture and Equipment	Construction in Progress	Total
Cost							
Balance at beginning of year	₱1,090,966,329	₱1,490,710,704	₱210,875,744	₱186,904,366	₱238,847,054	₱495,880,659	₱3,714,184,856
Additions	5,537,661	35,139,217	87,576	71,801,964	43,688,790	735,809,346	892,064,554
Transfer	–	–	–	–	–	(913,354,774)	(913,354,774)
Reclassifications	112,984,160	84,001,309	–	–	–	(84,001,309)	112,984,160
Balance at end of year	1,209,488,150	1,609,851,230	210,963,320	258,706,330	282,535,844	234,333,922	3,805,878,796
Accumulated Depreciation and Amortization							
Balance at beginning of year	–	391,412,005	121,867,425	131,238,636	108,843,912	–	753,361,978
Depreciation and amortization	–	76,457,539	42,188,285	41,816,550	51,570,537	–	212,032,911
Balance at end of year	–	467,869,544	164,055,710	173,055,186	160,414,449	–	965,394,889
Net Book Value	₱1,209,488,150	₱1,141,981,686	₱46,907,610	₱85,651,144	₱122,121,395	₱234,333,922	₱2,840,483,907

In 2015 and 2014, projects amounting to ₱28.0 million and ₱913.4 million, respectively, were assumed by related parties.

Construction in progress pertains to the cost of construction of additional stores and extension of main warehouse. These expansion projects of the Company are expected to be completed in the last quarter of 2017 (see Note 18).

The depreciation and amortization charged to operating expenses is summarized below (see Note 20):

	Note	2015	2014
Property and equipment		**₱221,954,974**	₱212,032,911
Computer software	13	**9,454,618**	8,771,664
	20	**₱231,409,592**	₱220,804,575

In 2015, the Company disposed certain transportation equipment for a total consideration of ₱21.1 million resulting to a gain amounting to ₱8.9 million (see Note 21).

Fully depreciated assets with aggregate cost amounting to ₱298.2 million and ₱102.8 million as at December 31, 2015 and 2014, respectively, are still being used in the Company's operations.

Property and equipment with a carrying value of ₱485.9 million as at December 31, 2015 and 2014 were used as collateral in relation to long-term debt (see Note 15).

12. Investment Properties

Movements in this account are as follows:

	Note	2015	2014
Balance at beginning of year		**₱1,379,661,544**	₱1,438,659,385
Reclassifications	11	**(31,243,850)**	(112,984,160)
Additions		**–**	53,986,319
Balance at end of year		**₱1,348,417,694**	₱1,379,661,544

This account pertains to parcels of land not used in the Company's operations and are currently held for lease or long-term capital appreciation. Investment properties with carrying value of ₱161.2 million as at December 31, 2015 and 2014 are held as collateral for long-term debt (see Note 15).

Investment properties amounting to ₱31.2 million and ₱113.0 million were reclassified to property and equipment in 2015 and 2014, respectively, since these properties are being used in the operations (see Note 11).

The fair value of the land was not determined as at December 31, 2015. Management believes that there were no conditions present that may change the fair value of the land determined at the acquisition dates.

13. Other Noncurrent Assets

This account consists of:

	Note	2015	2014
Computer software		**₱85,927,414**	₱28,310,837
Security and rental deposits	23	**60,091,037**	3,078,451
Electricity deposits		**16,934,038**	15,159,349
		₱162,952,489	₱46,548,637

Computer software includes computer programs that have been built, installed or supplied by the manufacturer ready to operate and/or require some customization based on the Company's specific requirements.

Movements in computer software are as follows:

	Note	2015	2014
Cost			
Balance at beginning of year		**₱71,017,016**	₱68,359,418
Additions		**67,071,195**	2,657,598
Balance at end of year		**138,088,211**	71,017,016
Accumulated Amortization			
Balance at beginning of year		**42,706,179**	33,934,515
Amortization	11	**9,454,618**	8,771,664
Balance at end of year		**52,160,797**	42,706,179
Net Book Value		**₱85,927,414**	₱28,310,837

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. These refundable deposits and advance rentals will be returned and applied at the end of the lease term.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

14. Short-term Debt

This account consists of:

	2015	2014
Loans	**₱736,633,576**	₱1,133,321,667
Trust receipts	**106,424,623**	202,327,216
	₱843,058,199	₱1,335,648,883

Short-term loans and trust receipts bear interest, which is being repriced monthly, ranging from 2.47% to 2.63% in 2015 and 2014.

Interest expense amounted to ₱25.8 million and ₱54.6 million in 2015 and 2014, respectively (see Note 15).

15. Long-term Debt

Details of long-term debt are as follows:

			Outstanding Balances	
Creditor Banks	Terms	Principal	2015	2014
Loan 1	Quarterly payment until August 2019	₱500,000,000	**₱400,000,000**	₱500,000,000
Loan 2	Lump sum payment on March 31, 2020	320,000,000	**320,000,000**	–
Loan 3	Monthly installment payment until August 2021	210,000,000	**183,076,923**	210,000,000
Loan 4	Monthly installment payment starting January 2013 until 2018	450,000,000	**150,000,000**	219,230,769
Loan 5	Monthly installment payment until August 2021	170,000,000	**148,205,128**	170,000,000
Loan 6	Monthly installment payment starting March 2015 until March 2018 based on a five-year amortization and balloon payment on March 2018	100,000,000	**95,000,000**	–
Loan 7	Monthly installment payment starting January 2013 until 2018	150,000,000	**50,000,000**	73,076,923
Loan 8	Quarterly payment starting June 2011 until June 2016	17,000,000	**1,062,500**	5,312,500
Loan 9	Quarterly payment starting August 2010 until August 2015	80,000,000	**–**	12,000,000
Loan 10	Quarterly payment starting March 2016 until December 2018	300,000,000	**–**	300,000,000
		2,297,000,000	**1,347,344,551**	1,489,620,192
Current portion			**(271,831,731)**	(108,557,692)
Noncurrent portion			**₱1,075,512,820**	₱1,381,062,500

Long-term loans were obtained from various local banks for working capital requirements of the Company. The loans bear interest, which is being repriced monthly, ranging from 2.50% to 2.88% in 2015 and 2014.

As at December 31, 2015 and 2014, certain loans are collateralized by property and equipment and investment properties with a carrying value of ₱485.9 million and ₱161.2 million, respectively (see Notes 11 and 12).

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

	2015	2014
Less than one year	**₱271,831,731**	₱108,557,692
Between one to two years	**270,769,230**	193,370,192
Between two to five years	**765,769,230**	807,692,308
More than five years	**38,974,360**	380,000,000
	₱1,347,344,551	₱1,489,620,192

Interest expense is summarized below:

	Note	2015	2014
Long-term debt		**₱36,597,659**	₱24,269,180
Short-term debt	14	**25,779,510**	54,556,969
		₱62,377,169	₱78,826,149

16. Trade and Other Payables

This account consists of:

	Note	2015	2014
Trade:			
Third parties		**₱2,675,036,964**	₱2,401,210,262
Related parties	24	**353,412,782**	271,465,657
Accrued expenses		**215,577,325**	52,770,461
Refundable deposits		**117,174,623**	57,739,435
Others		**130,962,634**	75,947,367
		₱3,492,164,328	₱2,859,133,182

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

Accrued expenses refer to accruals for utilities, postage and telecommunications, rent, advertising and promotions, professional and outsourced services fees which, are payable in the succeeding month.

Refundable deposits pertain to liability for merchandise returned by the customers. These are refundable in cash to the customers.

Others pertain to advances from customers, unearned revenue, unredeemed gift certificates, withholding taxes and statutory obligations.

17. Retirement Benefits

The Wilcon Depot Multiemployer Retirement Plan, the Company's retirement plan, is noncontributory 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.

The plan 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 of the plan is as at December 31, 2015.

The following tables summarize the components of retirement benefits recognized in the separate statements of comprehensive income and the retirement liability recognized in the separate statements of financial position.

Retirement benefits are as follows:

	2015	2014
Current service cost	**₱35,948,409**	₱31,507,962
Net interest cost	**12,210,881**	10,850,288
	₱48,159,290	₱42,358,250

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

	2015	2014
Present value of defined benefit obligation	**₱372,771,453**	₱246,311,027
Fair value of plan asset	**(33,162,372)**	–
Balance at end of year	**₱339,609,081**	₱246,311,027

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

	2015	2014
Balance at beginning of year	**₱246,311,027**	₱203,952,777
Remeasurement loss	**77,408,270**	–
Current service cost	**35,948,409**	31,507,962
Interest cost	**13,103,747**	10,850,288
Balance at end of year	**₱372,771,453**	₱246,311,027

The changes in fair value of plan asset as at December 31, 2015 are as follows:

Contributions	₱33,789,648
Remeasurement loss	(1,520,142)
Interest income	892,866
Balance at end of year	₱33,162,372

The categories of plan assets as at December 31, 2015 are as follows:

Mutual funds	67.40%
Unit investment trust funds	33.67
Others	(1.07)
	100.00%

The cumulative actuarial losses recognized in other comprehensive income follows:

	2015		
	Cumulative Remeasurement Loss	**Deferred Tax (see Note 21)**	**Net**
Balance at beginning of year	**(₱82,455,883)**	**₱24,736,765**	**(₱57,719,118)**
Remeasurement loss	**(78,928,412)**	**23,678,524**	**(55,249,888)**
Balance at end of year	**(₱161,384,295)**	**₱48,415,289**	**(₱112,969,006)**

	2014		
	Cumulative Remeasrurement Loss	Deferred Tax (see Note 21)	Net
Balance at beginning and end of year	(₱82,455,883)	₱24,736,765	(₱57,719,118)

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

	2015	2014
Discount rate	4.89%	5.32%
Annual salary increase rate	8.00%	8.00%

The Company is expected to contribute a total of ₱44.7 million to the retirement fund for the year ending December 31, 2016.

Sensitivity analysis on retirement liability for 2015 follows:

	Basis Points	Amount
Discount rate	+100	(₱65,580,783)
	-100	83,698,883
Salary rate	+100	76,391,175
	-100	(61,886,759)
Turnover rate	0%	124,634,732

As at December 31, 2015, the expected future benefits payments follow:

Year	Amount
2016	₱16,384,713
2017	605,782
2018	8,555,077
2019	795,748
2020	949,474
2021 to 2025	37,614,221
	₱64,905,015

18. Equity

Capital Stock

Details of capital stock follow:

	Number of Shares	Amount
Authorized - at ₱100 a share	10,000,000	₱1,000,000,000
Issued and outstanding	3,963,037	₱396,303,700

As at December 31, 2015 and 2014, deposits for stock subscriptions amounted to ₱2,200.0 million. As at the date of the report, the Company is yet to file its application with the SEC for the proposed increase in authorized capital stock.

Retained Earnings

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of the paid-up capital, except when justified by any of the reasons mentioned in the Code.

On December 12, 2012, the BOD approved the appropriation of retained earnings amounting to ₱100.0 million for the expansion projects of the Company. The expansion projects include the construction of extension of main warehouse in Montalban and additional stores in San Pablo City, Pangasinan and Makati City. Construction of the main warehouse was extended and is expected to be completed in the last quarter of 2016.

On December 7, 2015, the BOD approved additional appropriation of retained earnings amounting to ₱600.0 million to support the extended construction of the main warehouse and of three additional stores in Bacolod, Cabanatuan and Tacloban. The additional stores are expected to be completed in the last quarter of 2017.

19. Cost of Sales

Details of cost of sales follow:

	Note	2015	2014
Merchandise inventories, beginning	8	**₱5,765,541,670**	₱5,660,309,066
Net purchases		**12,228,292,693**	11,180,778,703
Total goods available for sale		**17,993,834,363**	16,841,087,769
Merchandise inventories, end	8	**(7,153,387,843)**	(5,765,541,670)
		₱10,840,446,520	₱11,075,546,099

The cost of sales includes inventory write down and losses amounting to ₱527,990 in 2014 (see Note 8).

20. Operating Expenses

This account consists of:

	Note	2015	2014
Salaries, wages and employee benefits		**₱591,201,298**	₱471,773,625
Trucking		**373,675,605**	242,075,354
Outsourced services		**370,516,109**	264,979,857
Utilities		**307,115,168**	301,231,931
Depreciation and amortization	11	**231,409,592**	220,804,575
Rent	23	**167,229,333**	97,187,255
Taxes and licenses		**151,160,606**	138,432,845
Credit card charges		**120,582,228**	116,835,200
Supplies		**118,302,740**	134,054,094
Security services		**96,115,036**	66,657,504
Repairs and maintenance		**72,615,802**	46,643,072
Advertising and promotions		**71,847,707**	72,643,211
Postage, telephone and telegraph		**19,211,805**	18,392,841
Fuel and oil		**14,264,618**	13,961,124
Donations and contributions		**12,989,516**	3,112,198
Transportation and travel		**12,348,547**	22,867,161
Provision (reversal of allowance) for impairment losses on receivables	7	**(10,628,668)**	44,082,059
Professional fees		**8,730,619**	5,559,860
Insurance		**4,665,001**	4,506,843
Association dues		**–**	2,670,593
Others		**35,281,798**	19,738,792
		₱2,768,634,460	₱2,308,209,994

21. Other Income (Charges)

This account consists of:

	Note	2015	2014
Rent income	23	**₱90,514,207**	₱95,825,358
Gain on disposal of property and equipment	11	**8,866,033**	–
Foreign exchange gain		**837,267**	504,325
Interest income	6	**323,867**	402,869
Others		**21,474,172**	(8,775,577)
		₱122,015,546	₱87,956,975

Rent income includes rentals from the lease of buildings and land for commercial use and lease of gondola lightings, facade billboards, window displays and street banners.

22. Income Taxes

The current income tax expense represents regular corporate income tax in 2015 and 2014.

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

	2015	2014
Income tax expense at statutory rate	**₱270,209,647**	₱66,273,550
Tax effects of:		
Interest income already subjected to final tax	**(97,160)**	(120,862)
Nondeductible interest expense	**40,078**	49,855
	₱270,152,565	₱66,202,543

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

	2015	2014
Deferred tax assets:		
Retirement liability	**₱101,882,724**	₱73,893,308
Allowance for impairment of refundable cash bonds	**25,022,980**	25,022,980
Allowance for impairment losses on receivables	**12,795,936**	15,984,536
Allowance for inventory write down and losses	**9,748,815**	9,748,815
Unearned revenue from loyalty program	**5,015,997**	4,967,305
Accrued rent on straight-line basis	**4,837,603**	–
Other accruals	**1,310,741**	1,310,741
Advances from customers	**–**	11,535,548
	160,614,796	142,463,233
Deferred tax liability -		
Unrealized foreign exchange gain	**(4,703)**	(41,165)
	₱160,610,093	₱142,422,068

The presentation of net deferred tax assets are as follows:

	Note	2015	2014
Through profit or loss		**₱112,194,804**	₱117,685,303
Through other comprehensive income	17	**48,415,289**	24,736,765
		₱160,610,093	₱142,422,068

23. Leases

The Company as a Lessee
The Company has various existing lease agreements with third parties for the use of land and buildings for a period of one to 30 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

As at December 31, 2015 and 2014, security and rental deposits amounted to ₱60.1 million and ₱3.1 million, respectively. These refundable deposits and advance rentals will be returned and applied at the end of the lease term.

Rent expense amounted to ₱167.2 million and ₱97.2 million in 2015 and 2014, respectively (see Note 20).

Future minimum rental payments under operating lease are as follows:

	2015	2014
Within one year	**₱165,065,888**	₱58,399,737
After one year but not more than five years	**550,686,430**	71,503,367
More than five years	**583,458,886**	205,813,613
	₱1,299,211,204	₱335,716,717

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 ranging from less than a year to 12 years. The leases are renewable upon mutual agreement by the parties and include escalation provision.

As at December 31, 2015, security deposits amounted to ₱2.5 million. The security deposits will be refunded at the end of the lease term and presented as "Other noncurrent liability" in the separate statements of financial position.

Rent income amounted to ₱90.5 million and ₱95.8 million for 2015 and 2014, respectively (see Note 21).

Future minimum rental receivables under operating lease are as follows:

	2015	2014
Within one year	**₱33,805,515**	₱29,907,484
After one year but not more than five years	**73,311,399**	86,801,785
More than five years	**48,193,014**	18,317,423
	₱155,309,928	₱135,026,692

24. Related Party Transactions and Balances

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

Related Party	Nature of Transactions	Year	Transactions during the Year	Due from Related Parties	Trade Payables (see Note 15)	Due to Related Parties
Stockholders	Advances	**2015**	**₱8,430,165**	**₱–**	**₱–**	**₱2,097,005,370**
		2014	38,645,325	–	–	2,080,935,535
	Leases	**2015**	**1,753,094**	–	–	–
		2014	–	–	–	–
Entities under Common Control	Assumption of projects	**2015**	**27,982,000**	**10,374,769**	–	–
		2014	913,354,774	713,354,774	–	–
	Advances	**2015**	**610,952,250**	**1,435,168**	–	**249,770,515**
		2014	300,000,000	300,000,000	–	242,711,667
	Interest	**2015**	–	–	–	**1,400,000**
		2014	–	–	–	1,400,000
	Purchases of goods	**2015**	**1,675,295,965**	–	**353,412,782**	–
		2014	1,952,078,479	–	271,465,657	–
	Trucking services	**2015**	**193,200,616**	–	–	–
		2014	155,739,585	–	–	–
	Leases	**2015**	**32,360,745**	–	–	–
		2014	–	–	–	–
	Sale of property	**2015**	**21,096,694**	–	–	–
		2014	–	–	–	–
		2015		**₱11,809,937**	**₱353,412,782**	**₱2,348,175,885**
		2014		1,013,354,774	271,465,657	2,325,047,202

The Company received deposits for stock subscriptions from its stockholders aggregating ₱2,200.0 million on December 12, 2012 (see Note 18).

Outstanding balances of related parties are unsecured, noninterest-bearing and settlements are made in cash. The Company did not recognize any provision for impairment loss on due from related parties in 2015 and 2014.

Outstanding balance of trade payables are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Compensation of Key Management Personnel
Compensation of key management personnel amounted to ₱9.6 million and ₱6.5 million in 2015 and 2014, respectively.

25. Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments primarily consist of cash in banks, trade receivables and payables, short-term and long-term borrowings and due to/from related parties. 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, interest rate risk and foreign currency 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 doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	2015	2014
Cash in banks	₱267,190,747	₱190,595,997
Trade and other receivables	410,543,121	387,684,933
Due from related parties	11,809,937	1,013,354,774
Refundable cash bonds	83,409,934	83,409,934
Container deposits	15,586,750	12,173,500
Security and rental deposits*	43,776,861	3,078,451
Electricity deposits	16,934,038	15,159,349
	₱849,251,388	₱1,705,456,938

**Exclusive of advance rentals amounting to ₱16.3 million and nil as at December 31, 2015 and 2014, respectively.*

The Company does not have major concentration of credit risk.

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

	2015				
	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	Total
		Less than One Year	One Year and Over		
Cash in banks	₱267,190,747	₱–	₱–	₱–	₱267,190,747
Trade and other receivables	132,141,621	184,476,750	51,271,630	42,653,120	410,543,121
Due from related parties	11,809,937	–	–	–	11,809,937
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	15,586,750	–	–	–	15,586,750
Security and rental deposits*	43,776,861	–	–	–	43,776,861
Electricity deposits	16,934,038	–	–	–	16,934,038
	₱487,439,954	₱184,476,750	₱51,271,630	₱126,063,054	₱849,251,388

**Exclusive of advance rentals amounting to ₱16.3 million.*

	2014				
	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	Total
		Less than One Year	One Year and Over		
Cash in banks	₱190,595,997	₱–	₱–	₱–	₱190,595,997
Trade and other receivables	210,298,673	117,928,722	6,175,750	53,281,788	387,684,933
Due from related parties	1,013,354,774	–	–	–	1,013,354,774
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	12,173,500	–	–	–	12,173,500
Security and rental deposits	3,078,451	–	–	–	3,078,451
Electricity deposits	15,159,349	–	–	–	15,159,349
	₱1,444,660,744	₱117,928,722	₱6,175,750	₱136,691,722	₱1,705,456,938

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

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

	2015			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks	**₱267,190,747**	**₱–**	**₱–**	**₱267,190,747**
Trade and other receivables	**–**	**132,141,621**	**–**	**132,141,621**
Due from related parties	**–**	**11,809,937**	**–**	**11,809,937**
Container deposits	**–**	**–**	**15,586,750**	**15,586,750**
Security and rental deposits*	**–**	**43,776,861**	**–**	**43,776,861**
Electricity deposits	**–**	**16,934,038**	**–**	**16,934,038**
	₱267,190,747	**₱204,662,457**	**₱15,586,750**	**₱487,439,954**

***Exclusive of advance rentals amounting to ₱16.3 million.**

	2014			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱190,595,997	₱–	₱–	₱190,595,997
Trade and other receivables	–	210,298,673	–	210,298,673
Due from related parties	–	1,013,354,774	–	1,013,354,774
Container deposits	–	–	12,173,500	12,173,500
Security and rental deposits	–	3,078,451	–	3,078,451
Refundable deposits	–	15,159,349	–	15,159,349
	₱190,595,997	₱1,241,891,247	₱12,173,500	₱1,444,660,744

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

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

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

	2015				
	On Demand	**Within Three Months**	**More than Three Months to One Year**	**More than One Year but less than Five Years**	**Total**
Short-term debt	**₱–**	**₱722,336,347**	**₱120,721,852**	**₱–**	**₱843,058,199**
Trade and other payables*	**–**	**3,472,181,970**	**–**	**–**	**3,472,181,970**
Long-term debt	**–**	**68,754,808**	**203,076,923**	**1,075,512,820**	**1,347,344,551**
Due to related parties	**–**	**–**	**2,348,175,885**	**–**	**2,348,175,885**
	₱–	**₱4,263,273,125**	**₱2,671,974,660**	**₱1,075,512,820**	**₱8,010,760,605**

***Exclusive of statutory obligations and withholding taxes payable.**

	2014				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱1,011,282,404	₱324,366,479	₱–	₱1,335,648,883
Trade and other payables*	–	2,839,200,504	–	–	2,839,200,504
Long-term debt	–	–	108,557,692	1,381,062,500	1,489,620,192
Due to related parties	–	–	2,325,047,202	–	2,325,047,202
	₱–	₱3,850,482,908	₱2,757,971,373	₱1,381,062,500	₱7,989,516,781

**Exclusive of statutory obligations and withholding taxes payable.*

As at December 31, 2015 and 2014, the Company had at its disposal cash on hand and in banks amounting ₱275.4 million to ₱196.2 million, respectively. The Company's holding of cash, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
2015	**0.93%**	**(₱511,113)**
	(0.93%)	**511,113**
2014	0.45%	(8,808,778)
	(0.45%)	8,808,778

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Company's financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Company considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Company's financial position and financial performance is minimal.

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

Capital Management

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 Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Total debt includes total liabilities and deposits for future stock subscriptions.

Total equity includes capital stock, other comprehensive income and retained earnings. The debt-to-equity ratio is as follows:

	2015	2014
Total debt	**₱10,636,935,550**	₱10,455,760,486
Total equity	**2,029,949,910**	1,454,653,539
Debt-to-equity	**5.24:1**	7.19:1

26. Fair Value of Financial Instruments

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

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks	**₱267,190,747**	**₱267,190,747**	₱190,595,997	₱190,595,997
Trade and other receivables	**367,890,001**	**367,890,001**	334,403,145	334,403,145
Due from related parties	**11,809,937**	**11,809,937**	1,013,354,774	1,013,354,774
Container deposits	**15,586,750**	**15,586,750**	12,173,500	12,173,500
Security and rental deposits*	**43,776,861**	**27,947,963**	3,078,451	2,481,601
Electricity deposits	**16,934,038**	**16,934,038**	15,159,349	15,159,349
	₱723,188,334	**₱707,359,436**	₱1,568,765,216	₱1,568,168,366
Financial Liabilities				
Short-term debt	**₱843,058,199**	**₱843,058,199**	₱1,335,648,883	₱1,335,648,883
Trade and other payables**	**3,472,181,970**	**3,472,181,970**	2,839,200,504	2,839,200,504
Long-term debt	**1,347,344,551**	**1,347,344,551**	1,489,620,192	1,489,620,192
Due to related parties	**2,348,175,885**	**2,348,175,885**	2,325,047,202	2,325,047,202
	₱8,010,760,605	**₱8,010,760,605**	₱7,989,516,781	₱7,989,516,781

**Exclusive of advance rentals amounting to ₱16.3 million.*

***Exclusive of statutory obligations and withholding taxes payable.*

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

Cash in banks, trade and other receivables, container deposits, short-term debt, trade and other payables and due from/to related parties. The carrying amounts of cash in banks, trade and other receivables, due from related parties, container deposits, short-term borrowings, and trade and other payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

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.

27. Supplementary Information Required by the Bureau of Internal Revenue

Revenue Regulations No. 15-2010

I. Output VAT

Output VAT declared for the year ended December 31, 2015 and the revenue upon which the same was based consist of:

	Gross Amount of Revenue	Output VAT
Subject to 12% VAT:		
Sale of goods	₱14,259,533,938	₱1,711,144,073
Rent and other income	117,847,764	14,141,732
Zero-rated sale of goods	163,436,240	–
	₱14,540,817,942	1,725,285,805
Output VAT payments		(5,564,170)
		₱1,719,721,635

The difference between the revenue shown above and the revenue presented in the statements of comprehensive income pertains to rental income and advance payments from customers, which are based on gross receipts, for output VAT purposes.

II. Input VAT

The movements in the input VAT paid for by the Company in 2015 are shown below:

Balance at beginning of year	₱39,204,143
Current year's domestic purchases/payments for:	
Goods for resale	1,273,733,252
Importation of goods for sale	243,622,052
Services	160,144,961
Capital goods subject to amortization	10,482,804
Amount applied against output VAT	(1,719,721,635)
Balance at end of year	₱7,465,577

III. Importations

The total landed cost of importations, the amount of custom duties and tariff fees paid for by the Company for the year ended December 31, 2015 are summarized below:

Landed cost of importations	₱1,971,615,350
Customs duties and tariff fees	58,568,417
	₱2,030,183,767

IV. All Other Local and National Taxes

The Company's local and national taxes in 2015 consist of:

Mayor's permits, licenses and local business taxes	₱113,935,913
Real estate taxes	29,452,357
Documentary stamp taxes	6,773,611
Others	998,725
	₱151,160,606

The above local and national taxes are classified as "Taxes and licenses" account included as part of "Operating expenses" (see Note 20).

V. Withholding Taxes

Withholding taxes paid and accrued and/or withheld by the Company for the year ended December 31, 2015 consist of:

Expanded withholding tax	₱144,608,897
Withholding tax on compensation	37,157,911
Final withholding tax	559,706
	₱182,326,514

VI. Assessment and Tax Cases

The Company has no outstanding tax assessments and tax cases as at December 31, 2015.

Revenue Regulations No. 19-2011

Taxable Sales

Taxable sales amounted ₱14,411,851,905 in 2015.

The difference between the net sales presented above and in the statements of comprehensive income is as follows:

Advances from customers	(₱38,451,828)
Redeemed loyalty points	162,306
	(₱38,289,522)

Deductible Cost of Sales

Merchandise inventories, beginning	₱5,765,541,670
Net purchases	12,228,292,693
Merchandise available for sale	17,993,834,363
Merchandise inventories, end	(7,153,387,843)
	₱10,840,446,520

Other Deductible Expenses

Salaries, wages and employee benefits	₱576,831,656
Trucking	373,675,605
Outsourced services	370,516,109
Utilities	307,115,168
Depreciation and amortization	231,409,592
Taxes and licenses	151,160,606
Rent	151,103,990
Credit card charges	120,582,228
Supplies	118,302,740
Security services	96,115,036
Repairs and maintenance	72,615,802
Advertising and promotions	71,847,707
Interest	62,243,574
Postage, telephone and telegraph	19,211,805
Fuel and oil	14,264,618
Donations and contributions	12,989,516
Transportation and travel	12,348,547
Professional fees	8,730,619
Insurance	4,665,001
Others	35,281,798
	₱2,811,011,717

The difference between the other deductible expenses shown above and the operating expenses in the statement of comprehensive income pertains to the following:

Interest expense	(₱62,377,169)
Accrued rent under straight-line basis	16,125,343
Retirement benefits	14,369,642
Net reversal of allowance for impairment losses on receivables	(10,628,668)
Nondeductible interest expense	133,595
	(₱42,377,257)

Non-Operating Taxable Income

Rent	₱90,514,207
Gain on disposal of property and equipment	8,866,033
Realized foreign exchange gain	821,589
Unrealized foreign exchange gain in 2014 realized in 2015	137,218
Others	21,474,172
	₱121,813,219

The difference between the non-operating taxable income and the other income in the statements of comprehensive income pertains to the following:

Interest income subject to final tax	(₱323,867)
Unrealized foreign exchange gain in 2014 realized in 2015	137,218
Unrealized foreign exchange gain in 2015	(15,678)
	(₱202,327)

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

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER
#90 E. Rodriguez Jr. Ave.
Brgy. Ugong Norte, District 3, Quezon City

We have audited the accompanying separate financial statements of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, (the Company) as at and for the year ended December 31, 2015, on which we have rendered our report dated April 8, 2016.

In compliance with Securities Regulation Code Rule No. 68, as amended, we are stating that the Company has eight stockholders owning 100 or more shares.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-6-2013
Valid until November 26, 2016
PTR No. 5321843
Issued January 5, 2016, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 29 2016 TSIS
RECEIVED
LORENA P. VINOYA

April 8, 2016
Makati City, Metro Manila

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

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-1 (Group A)
September 6, 2013, valid until September 5, 2016

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Makati City 1226 Philippines
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Fax +632 982 9111
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REPORT OF INDEPENDENT AUDITOR ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER
#90 E. Rodriguez Jr. Ave.
Brgy. Ugong Norte, District 3, Quezon City

We have audited in accordance with Philippine Standards on Auditing the accompanying separate financial statements of WILCON BUILDER'S DEPOT, INC., Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, (the Company) as at and for the year ended December 31, 2015, and have issued our report dated April 8, 2016. Our audit was made for the purpose of forming an opinion on the separate financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the management of the Company. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic separate financial statements. This information have been subjected to the auditing procedures applied in the audit of the separate financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the separate financial statements or to the separate financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the separate financial statements taken as a whole.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
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LORENA P. VINOYA

April 8, 2016
Makati City, Metro Manila

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2015

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 (PFRSs)

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: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Operating Segments-Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
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: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions	✓		
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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Nonfinancial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated 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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓

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	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		

Interpretations	Title	Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

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

WILCON

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

December 9, 2016

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER (Formerly: WILCON BUILDER'S DEPOT, INC. doing business under the name and style of WILCON DEPOT; WILCON HOME ESSENTIALS and WILCON CITY CENTER) (the Company) is responsible for the preparation and fair presentation of the carved-out special purpose statements as at September 30, 2015, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the Board of Directors as at September 30, 2015 have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Mr. William T. Belo
(Chairman)

Mr. Mark Andrew Y. Belo
(Chief Executive Officer)

Ms. Lorraine Belo - Cincochan
(Chief Financial Officer)

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200259986

COMPANY NAME

WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

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

#90 E. Rodriguez Jr. Ave., Brgy. Ugong Norte, District 3, Quezon City

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
14	March 23	December 31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON'S ADDRESS

#90 E. Rodriguez Jr. Ave., Brgy. Ugong Norte, District 3, Quezon City

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

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

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8741 Paseo de Roxas
Makati City 1226 Philippines
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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER
#90 E. Rodriguez Jr. Ave.
Brgy. Ugong Norte, District 3, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the statement of financial position as at September 30, 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER as at September 30, 2015, and its financial performance and its cash flows for the nine-month period then ended in accordance with Philippine Financial Reporting Standards.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

STATEMENT OF FINANCIAL POSITION

AS AT SEPTEMBER 30, 2015

	Note	
ASSETS		
Current Assets		
Cash	6	₱303,553,268
Trade and other receivables	7	365,774,083
Due from related parties	23	349,354,774
Merchandise inventories	8	7,234,778,699
Other current assets	9	218,276,497
Total Current Assets		8,471,737,321
Noncurrent Assets		
Property and equipment	10	2,964,479,209
Investment properties	11	1,348,417,694
Deferred tax assets	21	151,885,860
Other noncurrent assets	12	164,929,167
Total Noncurrent Assets		4,629,711,930
		₱13,101,449,251
LIABILITIES AND EQUITY		
Current Liabilities		
Short-term debt	13	₱1,352,428,603
Current portion of long-term debt	14	411,831,731
Trade and other payables	15	3,338,054,269
Due to related parties	23	2,233,798,991
Income tax payable		62,579,744
Total Current Liabilities		7,398,693,338
Noncurrent Liabilities		
Long term debt - net of current portion	14	1,304,267,628
Deposits for stock subscriptions	17	2,200,000,000
Retirement liability	16	307,837,156
Other noncurrent liability		2,463,796
Total Noncurrent Liabilities		3,814,568,580
Total Liabilities		11,213,261,918
Equity		
Capital stock	17	396,303,700
Additional paid-in capital		786,556,982
Other comprehensive loss	16	(99,156,534)
Retained earnings	17	804,483,185
Total Equity		1,888,187,333
		₱13,101,449,251

See accompanying Notes to Financial Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	
NET SALES		₱10,638,413,936
COST OF SALES	18	(7,976,821,381)
GROSS INCOME		2,661,592,555
OPERATING EXPENSES	19	(2,021,317,422)
INTEREST EXPENSE	14	(56,146,968)
OTHER INCOME - Net	20	96,814,607
INCOME BEFORE INCOME TAX		680,942,772
INCOME TAX EXPENSE	21	
Current		197,676,461
Deferred		8,295,101
		205,971,562
NET INCOME		474,971,210
OTHER COMPREHENSIVE LOSS		
Item not to be reclassified to profit or loss		
Remeasurement loss on retirement liability, net of deferred income tax	16	(41,437,416)
TOTAL COMPREHENSIVE INCOME		₱433,533,794

See accompanying Notes to Financial Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER

STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	
CAPITAL STOCK - ₱100 par value	17	₱396,303,700
ADDITIONAL PAID-IN CAPITAL		786,556,982
OTHER COMPREHENSIVE LOSS	16	
Cumulative Remeasurement Loss on Retirement Liability		
Balance at beginning of period		(57,719,118)
Remeasurement loss, net of deferred income tax		(41,437,416)
Balance at end of period		(99,156,534)
RETAINED EARNINGS	17	
Appropriated		100,000,000
Unappropriated		
Balance at beginning of period		229,511,975
Net income		474,971,210
Balance at end of period		704,483,185
		804,483,185
		₱1,888,187,333

See accompanying Notes to Financial Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER

STATEMENT OF CASH FLOWS

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax		₱680,942,772
Adjustments for:		
Depreciation and amortization	10	172,247,381
Interest expense	14	56,146,968
Retirement benefits	16	36,119,468
Gain on disposal of property and equipment	10	(8,866,033)
Net reversal of allowance for impairment losses on receivables	7	(7,971,460)
Interest income	6	(236,415)
Operating income before working capital changes		928,382,681
Decrease (increase) in:		
Trade and other receivables		(23,399,478)
Merchandise inventories		(1,469,237,029)
Other current assets		(26,441,358)
Increase in trade and other payables		478,921,087
Net cash used for operations		(111,774,097)
Income taxes paid		(135,096,717)
Contributions to retirement plan	16	(33,789,648)
Interest received		236,415
Net cash used in operating activities		(280,424,047)
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (increase) in:		
Due from related parties		664,000,000
Other noncurrent assets		(58,315,495)
Additions to:		
Property and equipment	10	(270,223,334)
Computer software	12	(67,071,195)
Proceeds from disposal of property and equipment	10	21,096,694
Net cash provided by investing activities		289,486,670
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of long-term debt		415,000,000
Payments of:		
Long-term debt		(188,520,833)
Interest		(56,146,968)
Increase (decrease) in:		
Due to related parties		(91,248,211)
Other noncurrent liability		2,463,796
Net availments of short-term debt		16,779,720
Net cash provided by financing activities		98,327,504
NET INCREASE IN CASH		107,390,127
CASH AT BEGINNING OF PERIOD		196,163,141
CASH AT END OF PERIOD	6	₱303,553,268
NONCASH INVESTING ACTIVITY		
Reclassification of investment properties to property and equipment	11	₱31,243,850

See accompanying Notes to Financial Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Company, formerly Wilcon Builder's Depot, Inc.) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 15, 2004. The Company is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail. The change in corporate name of the Company was approved by the SEC on May 26, 2014.

Wilcon Depot, Inc. (WDI) is a subsidiary of the Company that was registered with the SEC on December 17, 2015. WDI is engaged in the same line of business as the Company and started commercial operations on April 1, 2016.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Company approved the transfer of its Trading Business, including the related assets and liabilities, to WDI in exchange for shares of stock of WDI. On the same date, the BOD and stockholders of WDI approved the acquisition and receipt of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of WDI is approved by the SEC on November 15, 2016. The transfer of the Company's trading business to WDI is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of WDI. As at December 9, 2016, WDI is in the process of filing the required documentation with the SEC and PSE.

On November 11, 2016, the SEC approved the change in the Company's corporate name to WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER and primary purpose to hold, own, invest in and acquire shares of stocks, bonds and other investments. On the same date, the increase in authorized capital stock is approved by SEC (see Note 17).

The registered office address of the Company is at #90 E. Rodriguez Jr. Ave., Brgy. Ugong Norte, District 3, Quezon City.

The accompanying financial statements as at and for the nine-month period ended September 30, 2015 were approved and authorized for issue by the BOD on December 9, 2016.

2. Basis of Preparation and Statement of Compliance

The financial statements of the Company have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. All amounts are stated in absolute values, unless otherwise indicated.

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

The accompanying financial statements are prepared for the filing with the SEC and PSE pursuant to the planned listing with the PSE and the public offering of shares of WDI (see Note 1). Thus, the

2015 figures for statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows presented are for the nine-month period instead of one year and have no comparative figures required by PFRS.

3. Summary of Changes in Accounting Standards

Adoption of New and Revised PFRS

The Company adopted the following new and revised PFRS effective January 1, 2015 as summarized below.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions,* apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendments to PAS 40, *Investment Property,* clarify the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including nonfinancial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments.*

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

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS, which are not yet effective for the nine-month period ended September 30, 2015 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their financial statements.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements – The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'* – The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective for annual period beginning on or after January 1, 2017:

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

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

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (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 they 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 for there to be objective evidence of impairment before a credit loss is recognized.

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

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

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' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

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

The Company anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Company's financial assets and liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. Summary of Significant Accounting Policies and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the financial statements are summarized below.

<u>Financial Instruments</u>

Date of Recognition. Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 year 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 financial instrument, except for financial instruments at 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.

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 as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Company classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available for sale (AFS) financial assets and loans and receivables. The Company classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

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

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2015.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks; trade and other receivables; due from related parties; container deposits (presented as part of other current assets); refundable cash bonds; and security, rental and electricity deposits (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Payables are recognized in the year in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are measured at amortized cost, normally equal to nominal amount.

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

Offsetting Financial Instruments. Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

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

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

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 when:

- the right to receive cash flows from the asset has expired;
- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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.

Fair Value Measurement

The Company uses market observable data to a possible extent when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 25, *Fair Value of Financial Instruments*.

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 deferred input value-added tax (VAT), net amount of VAT recoverable from tax authority, container deposits and prepaid expenses.

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

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority; or

- receivables and payables that are stated with the amount of tax included.

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

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 input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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 year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Property and Equipment
Land is stated at cost less any impairment in value. Depreciable 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.

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

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

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.

Investment Properties
Investment properties consist of land, which are carried at cost less any impairment losses.

Investment properties are defined as properties such as land, building, part of building or both held for the purposes of earning rental or for capital appreciation or both. These properties are not held to be used in the ordinary course of business.

Investment properties are initially measured at acquisition cost. An investment property acquired through an exchange transaction is measured at fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of asset given up.

Investment property is derecognized upon disposal or when permanently withdrawn from use, and no future economic benefit is expected from its disposal. Any gain or loss on the retirement, transfer or disposal of an investment property is recognized in profit or loss in the period of retirement, transfer or disposal.

Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development.

Other Noncurrent Assets

Other noncurrent assets comprise of computer software, security, rental and electricity deposits, and refundable cash bonds. Security, rental and electricity deposits and refundable cash bonds qualify as financial assets and are disclosed under financial instruments.

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

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

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

Impairment of Nonfinancial Assets

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

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

Nonfinancial assets include property and equipment, investment properties and computer software.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from proceeds, net of tax.

Additional Paid-in Capital. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Deposits for Stock Subscriptions. Deposits for stock subscriptions represent the deposits received by the Company from the individual existing stockholders, to subscribe for the increase in the Company's capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 as issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as an account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

b. There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and

c. The application for the approval of the proposed increase has been filed with the SEC.

If the foregoing conditions are not met, the "Deposits for stock subscriptions" account is presented as a liability.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments. Appropriated retained earnings represent that portion which has been restricted and are not available for dividend declaration. Unappropriated retained earnings represent that portion which can be declared as dividends to stockholders.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive loss pertains to cumulative remeasurement gains or losses on retirement liability.

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

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

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

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 Expenses 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.

Retirement 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 accounting 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 periods.

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 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 benefit 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses are recognized on a net basis.

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 can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

Determining the Classification of Lease Arrangements. The Company, as a lessee, has various lease agreements for land, buildings and delivery 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 ₱120.4 million for the nine-month period ended September 30, 2015 (see Note 22).

The Company, as a lessor, has existing lease agreements on commercial spaces, gondola lightings, facade billboards, window displays and street banners. The Company has determined that the significant risk 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 ₱66.8 million for the nine-month period ended September 30, 2015 (see Note 22).

Determining the Classification of Property. The Company determines the classification of property and equipment and investment property depending on its use. The property is classified as follows:

- Property and equipment comprise of tangible properties that are held for use as stores and warehouses for more than one year.
- Investment properties comprise of buildings and parcels of land not used in the Company's operations and are currently held for lease or long-term capital appreciation.

The change of the use of properties will trigger a change in classification and accounting of the properties.

In 2015, the Company reclassified investment properties, which are being used in the operations, amounting to ₱31.2 million to property and equipment (see Note 11).

Estimates and Assumptions

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

Determining Fair Values of Financial Instruments. Fair value determinations for financial assets are based generally on quoted market prices. If market prices are not available, fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 25.

Estimating Impairment Losses on Receivables and Refundable Cash Bonds. Impairment losses on receivables and refundable cash bond 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 value of trade and other receivables amounted to ₱365.8 million as at September 30, 2015 (see Note 7). Allowance for impairment losses on receivables amounted to ₱45.3 million as at September 30, 2015 (see Note 7).

As at September 30, 2015, refundable cash bonds amounting to ₱83.4 million have been fully provided with allowance for impairment since June 2013 (see Note 12).

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 ₱7,234.8 million as at September 30, 2015 (see Note 8). Allowance for inventory write down and losses amounted to ₱32.5 million as at September 30, 2015 (see Note 8).

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

There is no change in estimated useful lives of property and equipment and computer software for the nine-month period September 30, 2015.

The carrying value of property and equipment amounted ₱2,964.5 million as at September 30, 2015 (see Note 10). The carrying value of computer software amounted to ₱88.4 million as at September 30, 2015 (see Note 12).

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 are 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 belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized for the nine-month period ended September 30, 2015.

The carrying values of nonfinancial assets as at September 30, 2015 assessed for possible impairment are presented below.

	Note	
Property and equipment	10	₱2,964,479,209
Investment properties	11	1,348,417,694
Computer software	12	88,375,872
		₱4,401,272,775

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

Retirement liability amounted to ₱307.8 million as at September 30, 2015 (see Note 16).

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 ₱151.9 million as at September 30, 2015 (see Note 21).

6. Cash

Details of this account follow:

Cash on hand	₱4,961,631
Cash in banks	298,591,637
	₱303,553,268

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱236,415 for the nine-month period ended September 30, 2015 (see Note 20).

7. Trade and Other Receivables

Details of this account follow:

	Note	
Trade:		
Third parties		₱275,028,282
Related parties	23	43,707,360
Advances to suppliers		75,727,799
Rental	22	15,718,534
Others		902,436
		411,084,411
Allowance for impairment losses		(45,310,328)
		₱365,774,083

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

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

Movements of allowance for impairment losses on receivables follow:

	Note	
Balance at beginning of period		₱53,281,788
Reversal	19	(24,624,929)
Provision	19	16,653,469
Balance at end of period		₱45,310,328

8. Merchandise Inventories

Details of this account follow:

At cost	₱7,136,168,687
At net realizable value	98,610,012
	₱7,234,778,699

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

The cost of merchandise inventories stated at net realizable value amounted to ₱131.1 million as at September 30, 2015.

Allowance for inventory write down and losses as at September 30, 2015 amounted to ₱32.5 million.

9. Other Current Assets

Details of this account follow:

Deferred input VAT	₱170,904,102
Input VAT	30,789,315
Container deposits	14,342,500
Prepaid expenses:	
Insurance	1,655,751
Real property tax	238,693
Advance import duties	321,636
Others	24,500
	₱218,276,497

Deferred input VAT pertains to unamortized portion of input VAT on property and equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

10. Property and Equipment

Details and movements of this account follow:

	Land	Buildings and Improvements	Leasehold Improvements	Transportation Equipment	Furniture and Equipment	Construction in Progress	Total
Cost							
Balance at beginning of period	₱1,209,488,150	₱1,609,851,230	₱210,963,320	₱258,706,330	₱282,535,844	₱234,333,922	₱3,805,878,796
Additions	953,334	1,769,422	7,350,492	54,502,330	-	205,647,756	270,223,334
Disposal	-	-	-	(99,132,027)	-	-	(99,132,027)
Reclassifications	31,243,850	59,674,853	-	-	-	(59,674,853)	31,243,850
Balance at end of period	1,241,685,334	1,671,295,505	218,313,812	214,076,633	282,535,844	380,306,825	4,008,213,953
Accumulated depreciation							
Balance at beginning of period	-	467,869,544	164,055,710	173,055,186	160,414,449	-	965,394,889
Depreciation and amortization	-	67,432,201	28,844,589	27,812,864	41,151,567	-	165,241,221
Disposal	-	-	-	(86,901,366)	-	-	(86,901,366)
Balance at end of period	-	535,301,745	192,900,299	113,966,684	201,566,016	-	1,043,734,744
Net book value	₱1,241,685,334	₱1,135,993,760	₱25,413,513	₱100,109,949	₱80,969,828	₱380,306,825	₱2,964,479,209

Construction in progress pertains to the cost of construction of additional stores and extension of main warehouse. These expansion projects of the Company are expected to be completed in the last quarters of 2016 and 2017 (see Note 17).

Depreciation and amortization for the nine-month period ended September 30, 2015 charged to operating expenses are summarized below (see Note 19):

	Note	
Property and equipment		₱165,241,221
Computer software	12	7,006,160
		₱172,247,381

In 2015, the Company disposed off certain transportation equipment for a total consideration of ₱21.1 million resulting to a gain amounting to ₱8.9 million (see Note 20).

Fully depreciated assets with aggregate cost amounting to ₱226.3 million as at September 30, 2015 are still being used in the Company's operations.

Property and equipment with a carrying value of ₱791.8 million as at September 30, 2015 were used as collateral in relation to long-term debt (see Note 14).

11. Investment Properties

Movements of this account follow:

	Note	
Balance at beginning of period		₱1,379,661,544
Reclassification	10	(31,243,850)
Balance at end of period		₱1,348,417,694

These pertain to parcels of land not used in the Company's operations and are currently long-term capital appreciation.

Investment properties with carrying value of ₱725.2 million as at September 30, 2015 are held as collateral for long-term debt (see Note 14).

Investment properties amounting to ₱31.2 million were reclassified to property and equipment in 2015 because these properties are already being used in the operations.

The fair value of the land was not determined as at September 30, 2015. Management believes that there were no conditions present that may change the fair value of the land determined at acquisition dates.

12. Other Noncurrent Assets

Details of this account follow:

	Note	
Computer software		₱88,375,872
Security and rental deposits	22	59,912,778
Electricity deposits		16,640,517
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		–
		₱164,929,167

Computer software includes computer programs that have been built, installed or supplied by the manufacturer ready to operate and/or require some customization based on the Company's specific requirements.

Movements in computer software follow:

	Note	
Cost		
Balance at beginning of period		₱71,017,016
Additions		67,071,195
Balance at end of period		138,088,211
Accumulated amortization		
Balance at beginning of period		42,706,179
Amortization	10	7,006,160
Balance at end of period		49,712,339
Net book value		₱88,375,872

Security and rental deposits pertain to refundable deposits to various lessors. These refundable deposits will be returned at the end of the lease term.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

Refundable cash bonds refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the 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 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, 2015, the refund of cash bonds is still pending with the BOC.

13. Short-term Debt

Details of this account follow:

Loans	₱1,110,256,174
Trust receipts	242,172,429
	₱1,352,428,603

Short-term loans and trust receipts bear interests, which are being repriced monthly, ranging from 2.5% to 2.625% for the nine-month period ended September 30, 2015.

Interest expense amounted to ₱19.5 million for the nine-month period ended September 30, 2015 (see Note 14).

14. Long-term Debt

Details of long-term debt follow:

	Terms	Principal	Outstanding Balance
Loan 1	Quarterly installment payment until December 2019	₱500,000,000	₱425,000,000
Loan 2	Monthly installment payment until February 2018	450,000,000	167,307,692
Loan 3	Quarterly installment payment until March 2020	320,000,000	320,000,000
Loan 4	Quarterly installment payment until December 2018	300,000,000	300,000,000
Loan 5	Monthly installment payment until August 2021	210,000,000	191,153,846
Loan 6	Monthly installment payment until August 2021	170,000,000	154,743,590
Loan 7	Monthly installment payment until February 2018	150,000,000	55,769,231
Loan 8	Monthly installment payment until March 2018	100,000,000	100,000,000
Loan 9	Quarterly installment payment until June 2016	17,000,000	2,125,000
		₱2,217,000,000	1,716,099,359
Current portion			(411,831,731)
Noncurrent portion			₱1,304,267,628

Long-term loans were obtained from various local banks for working capital requirements of the Company. The loans bear interests, which are being repriced monthly, ranging from 2.5% to 2.875% for the nine-month period ended September 30, 2015.

Interest expense for the nine-month period ended September 30, 2015 is summarized below:

	Note	
Long-term debt		₱36,681,393
Short-term debt	13	19,465,575
		₱56,146,968

As at September 30, 2015, certain loans are collateralized by property and equipment and investment properties with a carrying value of ₱791.8 million and ₱725.2 million, respectively (see Notes 10 and 11).

The maturities of the long-term borrowings follow:

Less than one year	₱411,831,731
Between one to two years	411,831,731
Between two to five years	838,846,154
More than five years	53,589,743
	₱1,716,099,359

15. Trade and Other Payables

Details of this account follow:

	Note	
Trade:		
Third parties		₱1,353,394,277
Related parties	23	1,337,707,901
Nontrade:		
Third parties		321,246,189
Related parties	23	8,244,587
Advances from customers		174,999,411
Accrued expenses:		
Utilities		40,013,327
Outsourced services		37,285,766
Salaries and wages		6,923,568
Rent:	22	
Third parties		17,655,410
Related parties	23	1,994,759
Unearned revenue		17,904,378
Others		20,684,696
		₱3,338,054,269

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

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel which, are payable in the succeeding month.

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers. Refundable deposits amounted to ₱112.2 million as at September 30, 2015.

Accrued expenses refer to accruals for manpower service fees, salaries and wages, utilities and professional fees which are payable in the succeeding month.

Others pertain to unearned revenue, unredeemed gift certificates and statutory obligations.

16. Retirement Benefits

The Wilcon Depot Multiemployer Retirement Plan, the Company's retirement plan, is noncontributory 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 of the plan is as at December 31, 2015.

The following tables summarize the components of retirement benefits recognized in the statement of comprehensive income and the retirement liability recognized in the statement of financial position.

Retirement benefits for the nine-month period ended September 30, 2015 follow:

Current service cost	26,961,306
Net interest cost	9,158,162
	₱36,119,468

The components of retirement liability recognized in the statement of financial position follow:

Present value of defined benefit obligation	₱341,156,346
Fair value of plan asset	(33,319,190)
Balance at end of period	₱307,837,156

The changes in the present value of the defined benefit obligation follow:

Balance at beginning of period	₱246,311,027
Current service cost	26,961,306
Interest cost	9,827,810
Remeasurement loss	58,056,203
Balance at end of period	₱341,156,346

The changes in fair value of plan asset follow:

Contributions	₱33,789,648
Remeasurement loss	(1,140,106)
Interest income	669,648
Balance at end of period	₱33,319,190

The categories of plan assets follow:

Mutual funds	67.40%
Unit investment trust funds	33.67
Others	(1.07)
	100.00%

The cumulative actuarial losses recognized in other comprehensive income follows:

	Cumulative Remeasurement Loss	Deferred Tax (see Note 21)	Net
Balance at beginning of period	(₱82,455,883)	₱24,736,765	(₱57,719,118)
Remeasurement loss	(59,196,309)	17,758,893	(41,437,416)
Balance at end of period	(₱141,652,192)	₱42,495,658	(₱99,156,534)

The principal actuarial assumptions used to determine the retirement liability follow:

Discount rate	4.89%
Annual salary increase rate	8.00%

The Company is expected to contribute a total of ₱44.7 million to the retirement fund for the year ending December 31, 2016.

Sensitivity analysis on retirement liability for the nine-month period ended September 30, 2015 follows:

	Basis Points	Amount
Discount rate	+100	(₱65,580,783)
	-100	83,698,883
Salary rate	+100	76,391,175
	-100	(61,886,759)
Turnover rate	0%	124,634,732

As at September 30, 2015, the expected future benefits payments follow:

Year	Amount
2016	₱16,384,713
2017	605,782
2018	8,555,077
2019	795,748
2020	949,474
2021 to 2025	37,614,221
	₱64,905,015

17. Equity

Capital Stock

Details of capital stock follow:

	Number of Shares	Amount
Authorized - at ₱100 a share	10,000,000	₱1,000,000,000
Issued and outstanding	3,963,037	₱396,303,700

As at September 30, 2015, deposits for stock subscriptions amounted to ₱2,200.0 million.

On November 11, 2016, SEC approved the increase in authorized capital stock of the Company from ₱1,000.0 million, consisting of 10.0 million shares of common stock with a par value of ₱100.00 per share, to ₱5,000.0 million, consisting of 5,000.0 million shares of common stock with a par value of ₱1.00 per share.

Retained Earnings
Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of the paid-up capital, except when justified by any of the reasons mentioned in the Code.

On December 12, 2012, the BOD approved the appropriation of retained earnings amounting to ₱100.0 million for the expansion projects of the Company. The expansion projects include the construction of extension of main warehouse in Montalban and additional stores in San Pablo City, Pangasinan and Makati City. Construction of the main warehouse was extended and is expected to be completed in the last quarter of 2016.

On December 7, 2015, the BOD approved additional appropriation of retained earnings amounting to ₱600.0 million to support the extended construction of the main warehouse and of three additional stores in Bacolod, Cabanatuan and Tacloban. The additional stores are expected to be completed in the last quarter of 2017 (see Note 10).

18. Cost of Sales

Details of cost of sales for the nine-month period ended September 30, 2015 follow:

	Note	
Merchandise inventories, beginning		₱5,798,037,721
Net purchases		9,413,562,359
Total goods available for sale		15,211,600,080
Merchandise inventories, end	8	7,234,778,699
		₱7,976,821,381

19. Operating Expenses

Details of operating expenses for the nine-month period ended September 30, 2015 follow:

	Note	
Salaries, wages and employee benefits		₱395,811,866
Trucking		309,724,863
Outsourced services		262,048,681
Utilities		244,252,999
Depreciation and amortization	10	172,247,381
Rent	22	120,431,904
Taxes and licenses		111,133,993
Credit card charges		99,477,376
Security services		62,816,493
Supplies		60,262,567
Repairs and maintenance		56,151,534
Advertising and promotions		53,305,543
Postage, telephone and telegraph		15,069,201
Transportation and travel		11,282,056
Fuel and oil		10,499,689

(Forward)

	Note	
Donations and contributions		₱9,133,745
Professional fees		8,110,483
Net reversal of allowance for impairment losses on receivables	7	(7,971,460)
Insurance		3,405,415
Others		24,123,093
		₱2,021,317,422

20. Other Income

Other income for the nine-month period ended September 30, 2015 consists of:

	Note	
Rent	22	₱66,779,379
Gain on disposal of property and equipment	10	8,866,033
Foreign exchange gain		426,078
Interest	6	236,415
Others		20,506,702
		₱96,814,607

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

Others pertain to the amounts charged to and from the suppliers for the use of billboards and signage, office supplies and other reimbursable costs.

21. Income Taxes

The current income expense for the nine-month period ended September 30, 2015 represents regular corporate income tax.

The reconciliation between income tax expense at statutory tax rate and income tax expense presented in the statement of comprehensive income for the nine-month period ended September 30, 2015 is as follows:

Income tax expense at statutory rate	₱204,282,831
Tax effects of:	
Nondeductible expenses	1,759,656
Interest income already subjected to final tax	(70,925)
	₱205,971,562

Deferred tax assets relate to the tax effect of the following temporary differences:

Retirement liability	₱92,351,147
Allowance for impairment of refundable cash bonds	25,022,980
Allowance for impairment losses on receivables	13,593,098
Allowance for inventory write down and losses	9,748,815
Unearned revenue from loyalty program	5,371,314
Accrued rent on straight-line basis	4,487,765
Other accruals	1,310,741
	₱151,885,860

The presentation of deferred tax assets follow:

	Note	
Through profit or loss		₱109,390,202
Through other comprehensive income	16	42,495,658
		₱151,885,860

22. Leases

The Company as a Lessee

The Company has various existing lease agreements with third parties for the use of land and buildings for a period of one to 30 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

As at September 30, 2015, security and rental deposits amounted to ₱43.8 million and ₱16.1 million, respectively (see Note 12). These refundable deposits will be returned at the end of the lease term.

Rent payable amounted to ₱19.7 million as at September 30, 2015 (see Note 15).

Rent expense amounted to ₱120.4 million for the nine-month period ended September 30, 2015 (see Note 19).

Future minimum rental payments under operating lease as at September 30, 2015 are as follows:

Within one year	₱165,065,888
After one year but not more than five years	550,686,430
More than five years	624,725,358
	₱1,340,477,676

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 ranging from less than a year to 12 years. The leases are renewable upon mutual agreement by the parties and include escalation provision.

As at September 30, 2015, security deposits amounted to ₱2.5 million. The security deposits will be refunded at the end of the lease term and presented as "Other noncurrent liability" in the statement of financial position.

Rental receivables amounted to ₱15.7 million as at September 30, 2015 (see Note 7).

Rent income amounted to ₱66.8 million for the nine-month period ended September 30, 2015 (see Note 20).

Future minimum rental receivables under operating lease follow:

Within one year	₱33,805,515
After one year but not more than five years	73,311,399
More than five years	56,644,393
	₱163,761,307

23. Related Party Transactions and Balances

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

Related Party	Nature of Transactions	Transactions during the Period	Trade Receivables (see Note 7)	Due from Related Parties	Trade Payables (see Note 15)	Nontrade Payables (see Note 15)	Rent Payable (see Note 15)	Due to Related Parties
Stockholders	Noninterest-bearing advances	₱323,364,326	₱–	₱–	₱–	₱–	₱–	₱2,206,087,324
	Leases	1,234,800	–	–	–	–	–	–
Entities under Common Control	Noninterest-bearing advances	226,711,667	–	349,354,774	–	–	–	27,711,667
	Trucking charges	155,739,585	–	–	–	8,244,587	–	–
	Purchases of goods	401,442,244	–	–	1,337,707,901	–	–	–
	Sale of goods	24,678,414	43,707,360	–	–	–	–	–
	Leases	16,968,730	–	–	–	–	1,994,759	–
			₱43,707,360	₱349,354,774	₱1,337,707,901	₱8,244,587	₱1,994,759	₱2,233,798,991

Transactions with related parties follow:

a. Deposits for stock subscriptions from its stockholders aggregating ₱2,200.0 million on December 12, 2012 (see Note 17).

b. Purchase and sale of merchandise inventories and trucking services with entities under common control.

c. Various existing lease agreements with the related parties for the use of land, buildings and transportation equipment for a period of one to 30 years (see Note 22).

Outstanding balances of due to and from related parties are unsecured, noninterest-bearing and settlement occurs in cash and collectible and payable upon demand. The Company did not recognize any provision for impairment loss on due from related parties for the nine-month period ended September 30, 2015.

Outstanding balance of trade receivables and trade and nontrade payables are generally settled in varying periods, normally within 30 to 90 days depending on the arrangements with related parties.

Compensation of Key Management Personnel

Compensation of key management personnel amounted to ₱17.3 million for the nine-month period ended September 30, 2015.

24. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash in banks, trade and other receivables and payables, short-term and long-term borrowings and due to/from related parties. 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, interest rate risk and foreign currency 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 doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks, trade and other receivables, due from related parties, container deposits, security and rental deposits, electricity deposits and refundable cash bonds, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

Cash in banks	₱298,591,637
Trade and other receivables	411,084,411
Due from related parties	349,354,774
Container deposits	14,342,500
Security and rental deposits	59,912,778
Electricity deposits	16,640,517
Refundable cash bonds	83,409,934
	₱1,233,336,551

The Company does not have major concentration of credit risk.

The table below summarizes the financial assets based on aging:

	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	Total
		Less than One Year	One Year and Over		
Cash in banks	₱298,591,637	₱–	₱–	₱–	₱298,591,637
Trade and other receivables	114,129,460	204,401,529	47,243,094	45,310,328	411,084,411
Due from related parties	349,354,774	–	–	–	349,354,774
Container deposits	14,342,500	–	–	–	14,342,500
Security and rental deposits	59,912,778	–	–	–	59,912,778
Electricity deposits	16,640,517	–	–	–	16,640,517
Refundable cash bonds	–	–	–	83,409,934	83,409,934
	₱852,971,666	₱204,401,529	₱47,243,094	₱128,720,262	₱1,233,336,551

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

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

	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱298,591,637	₱–	₱–	₱298,591,637
Trade and other receivables	–	114,129,460	–	114,129,460
Due from related parties	–	349,354,774	–	349,354,774
Container deposits	–	–	14,342,500	14,342,500
Security and rental deposits	–	59,912,778	–	59,912,778
Electricity deposits	–	16,640,517	–	16,640,517
	₱298,591,637	₱540,037,529	₱14,342,500	₱852,971,666

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

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

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

	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱684,850,237	₱667,578,366	₱–	₱1,352,428,603
Trade and other payables*	–	3,299,488,670	–	–	3,299,488,670
Long-term debt	–	103,754,808	308,076,923	1,304,267,628	1,716,099,359
Due to related parties	–	–	2,233,798,991	–	2,233,798,991
	₱–	₱4,088,093,715	₱3,209,454,280	₱1,304,267,628	₱8,601,815,623

**Exclusive of statutory obligations, unredeemed gift certificates and unearned revenue ₱38.6 million.*

As at September 30, 2015, the Company had at its disposal cash on hand and in banks amounting ₱303.6 million. The Company's holding of cash, together with net cash flows from operations, investing and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
September 30, 2015	0.69%	(₱495,403)
	(0.69%)	495,403

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rate.

The Company's exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Company's financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Company considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Company's financial position and financial performance is minimal.

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

Capital Management

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 Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity. Total debt includes total liabilities and deposits for future stock subscriptions.

Total equity includes capital stock, additional paid-in capital, other comprehensive income and retained earnings. The debt-to-equity ratio as at September 30, 2015 is as follows:

Total debt	₱11,213,261,918
Total equity	1,888,187,333
Debt-to-equity	5.94:1

25. Fair Value of Financial Instruments

The table below presents a comparison by category of carrying amounts and fair values of the financial instruments as at September 30, 2015:

	Carrying Amount	Fair Value
Financial Assets		
Cash	₱303,553,268	₱303,553,268
Trade and other receivables	365,774,083	365,774,083
Due from related parties	349,354,774	349,354,774
Container deposits	14,342,500	14,342,500
Security and rental deposits	59,912,778	43,813,949
Electricity deposits	16,640,517	16,640,517
	₱1,109,577,920	₱1,093,479,091
Financial Liabilities		
Short-term debt	₱1,352,428,603	₱1,352,428,603
Trade and other payables*	3,299,488,670	3,299,488,670
Long-term debt	1,716,099,359	1,716,099,359
Due to related parties	2,233,798,991	2,233,798,991
	₱8,601,815,623	₱8,601,815,623

****Exclusive of statutory obligations, unredeemed gift certificates and unearned revenue ₱38.6 million.***

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

Cash, trade and other receivables and payables, container deposits, security and rental deposits, electricity deposits, short-term debt, and due to/from related parties. The carrying amounts of cash in banks, trade and other receivables and payables, container deposits, short-term borrowings, and due to/from related parties approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposits are under Level 2 of the fair value measurements hierarchy for financial statements.

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.

For the nine-month period ended September 30, 2015, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER
#90 E. Rodriguez Jr. Ave.
Brgy. Ugong Norte, District 3, Quezon City

We have audited the accompanying financial statements of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Company) as at and for the nine-month period ended September 30, 2015, on which we have rendered our report dated December 9, 2016.

In compliance with Securities Regulation Code Rule No. 68, as amended, we are stating that the Company has eight stockholders owning 100 or more shares.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

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

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

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REPORT OF INDEPENDENT AUDITOR
ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER
#90 E. Rodriguez Jr. Ave.
Brgy. Ugong Norte, District 3, Quezon City

We have audited in accordance with Philippine Standards on Auditing the accompanying financial statements of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Company) as at and for the nine-month period ended September 30, 2015, and have issued our report dated December 9, 2016. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Adoption of Effective Accounting Standards and Interpretations is the responsibility of the management of the Company. This schedule is presented for purposes of complying with Securities Regulation Code Rule 68, as amended, and is not part of the basic financial statements. This information have been subjected to the auditing procedures applied in the audit of the financial statements, including comparing such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respect in relation to the financial statements taken as a whole.

REYES TACANDONG & CO.

HaydeeM. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
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Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

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WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER

SUPPLEMENTARY SCHEDULE OF ADOPTION OF EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
SEPTEMBER 30, 2015

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 (PFRSs)

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: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	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	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Operating Segments-Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments: Classification and Measurement of Financial Assets		✓	
	Financial Instruments: Classification and Measurement of Financial Liabilities		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Portfolio Exception			✓

Philippine Accounting Standards (PASs)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1 (Revised): Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1 (Revised): Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
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: Property Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19 (Revised): Defined Benefit Plans: Employee Contributions			✓
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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendment to PAS 24: Related Party Disclosures - Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27 (Amended): Investment Entities			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Nonfinancial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated 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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendment to PAS 40: Investment Property – Clarifying the Interrelationship between PFRS 3, Business Combination and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓
PAS 41	Agriculture			✓

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	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		

Interpretations	Title	Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

PHILIPPINE INTERPRETATIONS - SIC

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

INDEPENDENT AUDITOR'S REPORT

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

We have examined the pro-forma financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT AND WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON BUILDER'S DEPOT INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Parent Company), which comprise the pro-forma statements of financial position as at September 30, 2016 and December 31, 2015, and the pro-forma statements of comprehensive income, pro-forma statements of changes in equity and pro-forma statements of cash flows for the nine-month periods ended September 30, 2016 and 2015, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the pro-forma financial statements, which are based on the audited financial statements of the Company as at and for the nine-month period ended September 30, 2016, audited financial statements of the Parent Company as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015 and carved-out special purpose statements of the Trading Business of the Parent Company prepared by management as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015 and as at and for the nine-month period ended September 30, 2015, after giving effect to pro-forma adjustments based on management's assumptions as described in Note 2 to pro-forma financial statements. The audited financial statements of the Company and Parent Company and the carved-out special purpose statements of the Trading Business of the Parent Company are attached and labeled as Appendices.

Our examination was conducted in accordance with Philippine Standard on Assurance Engagement 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and the Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008, *Guidelines on Reporting and Attestation of Pro-Forma Financial Information*, and accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of the pro-forma financial statements is to show the significant effects on the audited financial statements of the Company had the transactions described in Note 2 occurred at an earlier date and on the audited carved-out special purpose statements of the trading business of the Parent Company. However, the pro-forma financial statements are not necessarily indicative of the results of financial performance or related effects on the financial position and cash flows that would have been attained had the foregoing transactions actually occurred earlier.

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In our opinion, management's assumptions to the pro-forma financial statements provide a reasonable basis for presenting the significant effects directly attributable to the transactions described in Note 2 to pro-forma financial statements, the related pro-forma adjustments give appropriate effect to those assumptions, and the pro-forma amounts reflect the proper application of those adjustments to the audited financial statements in the pro-forma statements of financial position of the Company as at September 30, 2016 and December 31, 2015 and the pro-forma statements of comprehensive income, pro-forma statements of changes in equity and pro-forma statements of cash flows for the periods ended September 30, 2016 and 2015.

We have audited the financial statements of the Company, covering the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows as at and for the nine-month period ended September 30, 2016, and the financial statements of the Parent Company as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015. We have also audited the carved-out special purpose statements, covering the carved-out statements of net assets, carved-out statements of comprehensive income and carved-out statements of cash flows as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015 of the Trading Business of the Parent Company. We have expressed our unqualified opinion on the financial statements and the carved-out special purpose statements.

Other Matter

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

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

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

PRO-FORMA STATEMENTS OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2016 AND DECEMBER 31, 2015

	Note	September 30, 2016	December 31, 2015
ASSETS			
Current Assets			
Cash	6	₱234,838,738	₱322,644,394
Trade and other receivables	7	453,291,139	365,339,723
Due from Parent Company	21	599,471,322	–
Merchandise inventories	8	6,790,603,623	7,153,387,843
Other current assets	9	798,015,435	119,615,618
Total Current Assets		8,876,220,257	7,960,987,578
Noncurrent Assets			
Property and equipment	10	323,540,724	296,114,735
Deferred tax assets	19	198,859,103	166,197,378
Other noncurrent assets	11	167,883,873	157,742,014
Total Noncurrent Assets		690,283,700	620,054,127
		₱9,566,503,957	₱8,581,041,705
LIABILITIES AND EQUITY			
Current Liabilities			
Short-term debt	12	₱503,579,142	₱843,058,199
Current portion of long-term debt	13	258,461,539	179,524,039
Trade and other payables	14	4,679,097,753	3,745,307,959
Income tax payable		60,618,069	–
Total Current Liabilities		5,501,756,503	4,767,890,197
Noncurrent Liabilities			
Long-term debt - net of current portion	13	713,974,358	967,820,512
Retirement liability	15	404,656,466	358,233,365
Total Noncurrent Liabilities		1,118,630,824	1,326,053,877
Total Liabilities		6,620,387,327	6,093,944,074
Equity			
Capital stock	22	50,000,000	50,000,000
Deposit for stock subscription	22	2,655,817,916	1,682,724,564
Other comprehensive loss	15	(73,155,725)	(63,515,400)
Retained earnings		1,300,828,370	817,888,467
Effect of the pro-forma adjustments	2	(987,373,931)	–
Total Equity		2,946,116,630	2,487,097,631
		₱9,566,503,957	₱8,581,041,705

See accompanying Notes to Pro-Forma Financial Statements.

WILCON DEPOT, INC.
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WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

PRO-FORMA STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	Note	2016	2015
NET SALES		₱11,729,089,913	₱10,638,413,936
COST OF SALES	16	8,773,322,166	7,976,821,381
GROSS INCOME		2,955,767,747	2,661,592,555
OPERATING EXPENSES	17	(2,264,782,737)	(2,194,663,898)
INTEREST EXPENSE	13	(33,726,096)	(56,146,969)
OTHER INCOME - Net	18	34,992,695	51,272,485
INCOME BEFORE INCOME TAX		692,251,609	462,054,173
INCOME TAX EXPENSE (BENEFIT)	19		
Current		237,841,863	148,075,087
Deferred		(28,530,157)	(9,500,504)
		209,311,706	138,574,583
NET INCOME		482,939,903	323,479,590
OTHER COMPREHENSIVE LOSS			
Item not to be reclassified to profit or loss			
Remeasurement loss on retirement liability, net of deferred income tax	15	(9,640,325)	(39,054,407)
TOTAL COMPREHENSIVE INCOME		₱473,299,578	₱284,425,183
BASIC AND DILUTED EARNINGS PER SHARE	23	₱0.18	₱0.21

See accompanying Notes to Pro-Forma Financial Statements.

WILCON DEPOT, INC.
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WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

PRO-FORMA STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	Note	2016	2015
CAPITAL STOCK - ₱1 par value	22	₱50,000,000	50,000,000
DEPOSIT FOR FUTURE STOCK SUBSCRIPTION	22		
Balance at beginning of period		1,682,724,564	839,229,122
Additions		973,093,352	632,621,582
Balance at end of period		2,655,817,916	1,471,850,704
OTHER COMPREHENSIVE LOSS			
Cumulative Remeasurement Loss on Retirement Liability	15		
Balance at beginning of period		(63,515,400)	(11,442,857)
Remeasurement loss, net of deferred income tax		(9,640,325)	(39,054,407)
Balance at end of period		(73,155,725)	(50,497,264)
RETAINED EARNINGS			
Balance at beginning of period		817,888,467	279,866,012
Net income		482,939,903	323,479,590
Balance at end of period		1,300,828,370	603,345,602
EFFECT OF THE PRO-FORMA ADJUSTMENTS	2	(987,373,931)	–
		₱2,946,116,630	₱2,074,699,042

See accompanying Notes to Pro-Forma Financial Statements.

WILCON DEPOT, INC.
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PRO-FORMA STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2016 AND 2015

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱692,251,609	₱462,054,173
Adjustments for:			
Depreciation and amortization	10	55,900,722	69,996,156
Provision (reversal of allowance) for impairment losses on receivables	7	41,956,823	(7,971,460)
Interest expense	13	33,726,096	56,146,969
Retirement benefits	15	32,651,208	35,354,342
Provision for inventory write down and losses	8	17,560,546	–
Interest income	6	(534,341)	(236,415)
Unrealized foreign exchange gain		(217,580)	–
Operating income before working capital changes		873,295,083	615,343,765
Decrease (increase) in:			
Trade and other receivables		(129,908,239)	(25,699,568)
Merchandise inventories		345,223,674	(1,469,237,029)
Other current assets		(678,399,817)	5,696,919
Increase in trade and other payables		934,007,374	368,039,540
Net cash generated from (used for) operations		1,344,218,075	(505,856,373)
Income taxes paid		(177,223,794)	(112,174,726)
Interest received		534,341	236,415
Net cash provided by (used in) operating activities		1,167,528,622	(617,794,684)
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in:			
Due from Parent Company		(599,471,322)	–
Other noncurrent assets		(10,239,656)	(51,578,720)
Additions to property and equipment	10	(83,228,914)	(116,719,506)
Net cash used in investing activities		(692,939,892)	(168,298,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Effect of the pro-forma adjustments	2	(987,373,931)	–
Additions to deposit for stock subscription	22	973,093,352	632,621,582
Net availments (payments) of short-term debt		(339,479,057)	16,779,720
Payments of:			
Long-term debt		(174,908,654)	(119,290,064)
Interest		(33,726,096)	(56,146,969)
Proceeds from availments of long-term debt		–	415,000,000
Net cash provided by (used in) financing activities		(562,394,386)	888,964,269
NET INCREASE (DECREASE) IN CASH		(87,805,656)	102,871,359
CASH AT BEGINNING OF PERIOD		322,644,394	243,104,251
CASH AT END OF PERIOD	6	₱234,838,738	₱345,975,610

See accompanying Notes to Pro-Forma Financial Statements.

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

NOTES TO PRO-FORMA FINANCIAL STATEMENTS

1. Corporate Information

WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT AND WILCON HOME ESSENTIALS (formerly Wilcon Depot, Inc.) (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 change in corporate name of the Company was approved by the SEC on April 29, 2016.

The Company is a subsidiary of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Parent Company), a company incorporated in the Philippines and engaged in the same line of business.

On November 11, 2016, the SEC approved the change in the corporate name of the Company to WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Parent Company approved the transfer of its Trading Business, including the related assets and liabilities, to the Company in exchange for shares of stock of the Company. On the same date, the BOD and stockholders of the Company approved the acquisition and receipt of the former's Trading Business effective April 1, 2016. The transfer of net assets in exchange for shares of stock of the Company and the increase in authorized capital stock are approved by the SEC on November 15, 2016 (see Note 22). The transfer of the Parent Company's Trading Business to the Company is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of the Company. As at December 9, 2016, the Company is in the process of filing the required documentation with the SEC and PSE.

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

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

The accompanying pro-forma financial statements of the Company as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015 were approved and authorized for issue by the BOD on December 9, 2016.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

The accompanying pro-forma financial statements as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015, were prepared in compliance 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.

Basis of Preparation

The pro-forma financial statements were based on the audited financial statements of the Company as at and for the nine-month period ended September 30, 2016, audited financial statements of the Parent Company as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015, and as at and for the nine-month period ended September 30, 2015, and carved-out special purpose statements of the Trading Business of the Parent Company prepared by management as at and for the three-month period ended March 31, 2016, as at and for the year ended December 31, 2015 and as at and for the nine-month period ended September 30, 2015, after giving effect to the pro-forma adjustments described in the succeeding paragraphs. As discussed in Note 1, the Trading Business of the Parent Company was transferred on April 1, 2016. The audited financial statements of the Company and carved-out special purpose statements of the Trading Business of the Parent Company are attached and labeled as Appendices.

These pro-forma financial statements are for informational purposes only and do not purport to present what would have been the financial position, financial performance and cash flows of the Company as at September 30, 2016 and December 31, 2015 and for the nine-month periods ended September 30, 2016 and 2015, had the following transactions occurred on the various dates or purport to project what would have been the financial position, financial performance and cash flows for any future years.

The pro-forma adjustments arising from the transactions described in the succeeding paragraphs represent significant effects directly attributable to the said transactions, which have been determined based on available information and assumptions that management believes to be reasonable.

The accompanying pro-forma financial statements assume that (i) the Parent Company charged the Company rental fee for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software owned by the Parent Company; and (ii) the capital stock and deposit for stock subscription as at September 30, 2016 represents the audited balances as at the same date; (iii) the amount of the Company's net assets as at December 31, 2015 is equal to the total equity of the Company as at the same date. The components of equity include capital stock, deposit for stock subscription, other comprehensive loss, retained earnings and the effect of the pro-forma adjustments. The capital stock and deposit for stock subscription as at December 31, 2015 were reclassified from assigned capital. The retained earnings and other comprehensive loss are the pro-forma cumulative net income and losses from January 1, 2013 to September 30, 2016.

The pro-forma financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. All amounts are in absolute values, unless otherwise indicated.

The following tables show the effects of the pro-forma adjustments to the Company's audited statement of financial position as at September 30, 2016 and audited statement of comprehensive income for the nine-month period then ended, and audited carved-out statement of financial position as at December 31, 2015 and audited carved-out statements of comprehensive income for the three-month period ended March 31, 2016 and for the nine-month period ended September 30, 2015 of the Trading Business of the Parent Company.

		Pro-forma Statements of Financial Position					
		September 30, 2016			December 31, 2015		
	Note	Audited Amounts*	Pro-forma Adjustments	Pro-forma Amounts	Audited Carved-out Amounts**	Pro-forma Adjustments	Pro-forma Amounts
ASSETS							
Current Assets							
Cash	A	₱234,838,738	₱–	₱234,838,738	₱272,644,394	₱50,000,000	₱322,644,394
Trade and other receivables		453,291,139	–	453,291,139	365,339,723	–	365,339,723
Due from Parent Company		599,471,322	–	599,471,322	–	–	–
Merchandise inventories		6,790,603,623	–	6,790,603,623	7,153,387,843	–	7,153,387,843
Other current assets	B	798,015,435	–	798,015,435	113,606,701	6,008,917	119,615,618
Total Current Assets		8,876,220,257	–	8,876,220,257	7,904,978,661	56,008,917	7,960,987,578
Noncurrent Assets							
Property and equipment		323,540,724	–	323,540,724	296,114,735	–	296,114,735
Deferred tax assets	C	197,408,626	1,450,477	198,859,103	166,197,378	–	166,197,378
Other noncurrent assets	D	95,791,572	72,092,301	167,883,873	58,811,383	98,930,631	157,742,014
Total Noncurrent Assets		616,740,922	73,542,778	690,283,700	521,123,496	98,930,631	620,054,127
		₱9,492,961,179	₱73,542,778	₱9,566,503,957	₱8,426,102,157	₱154,939,548	₱8,581,041,705
LIABILITIES AND EQUITY							
Current Liabilities							
Short-term debt		₱503,579,142	₱–	₱503,579,142	₱843,058,199	₱–	₱843,058,199
Current portion of long-term debt		258,461,539	–	258,461,539	179,524,039	–	179,524,039
Trade and other payables	E	4,471,791,564	207,306,189	4,679,097,753	3,424,483,911	320,824,048	3,745,307,959
Income tax payable	F	18,202,590	42,415,479	60,618,069	215,884,500	(215,884,500)	–
Total Current Liabilities		5,252,034,835	249,721,668	5,501,756,503	4,662,950,649	104,939,548	4,767,890,197
Noncurrent Liabilities							
Long-term debt - net of current portion		713,974,358	–	713,974,358	967,820,512	–	967,820,512
Retirement liability		404,656,466	–	404,656,466	358,233,365	–	358,233,365
Total Noncurrent Liabilities		1,118,630,824	–	1,118,630,824	1,326,053,877	–	1,326,053,877
Equity	G						
Capital stock		50,000,000	–	50,000,000	–	50,000,000	50,000,000
Deposit for stock subscription		2,655,817,916	–	2,655,817,916	–	1,682,724,564	1,682,724,564
Other comprehensive loss		(9,640,325)	(63,515,400)	(73,155,725)	–	(63,515,400)	(63,515,400)
Retained earnings		426,117,929	874,710,441	1,300,828,370	–	817,888,467	817,888,467
Effect of the pro-forma adjustments		–	(987,373,931)	(987,373,931)	–	–	–
Total Equity		3,122,295,520	(176,178,890)	2,946,116,630	–	2,487,097,631	2,487,097,631
		₱9,492,961,179	₱73,542,778	₱9,566,503,957	₱5,989,004,526	₱2,592,037,179	₱8,581,041,705

* *Audited amounts of the Company.*
** *Audited carved-out amounts of the Trading Business of the Parent Company.*

		Pro-forma Statements of Comprehensive Income						
		For the Nine-month Period Ended September 30, 2016				For the Nine-Month Period Ended September 30, 2015		
	Note	Audited Carved-out Amounts* (Three Months)	Audited Amounts** (Six Months)	Pro-forma Adjustments*** (Three Months)	Pro-forma Amounts (Nine Months)	Audited Carved-out Amounts	Pro-forma Adjustments (Nine Months)	Pro-forma Amounts
NET SALES		₱3,666,673,258	₱8,062,416,655	₱–	₱11,729,089,913	₱10,638,413,936	₱–	₱10,638,413,936
COST OF SALES		2,598,731,723	6,174,590,443	–	8,773,322,166	7,976,821,381	–	7,976,821,381
GROSS INCOME		1,067,941,535	1,887,826,212	–	2,955,767,747	2,661,592,555	–	2,661,592,555
OPERATING EXPENSES	H	(591,974,859)	(1,537,593,990)	(135,213,888)	(2,264,782,737)	(1,861,193,543)	(333,470,355)	(2,194,663,898)
INTEREST EXPENSE		(12,896,579)	(20,829,517)	–	(33,726,096)	(56,146,969)	–	(56,146,969)
OTHER INCOME – Net		3,623,467	31,369,228	–	34,992,695	51,272,485	–	51,272,485
INCOME BEFORE INCOME TAX		466,693,564	360,771,933	(135,213,888)	692,251,609	795,524,528	(333,470,355)	462,054,173
INCOME TAX EXPENSE (BENEFIT)	C							
Current		155,637,817	127,173,552	(44,969,506)	237,841,863	251,443,130	(103,368,043)	148,075,087
Deferred		(13,918,126)	(193,049,805)	178,437,774	(28,530,157)	(12,827,440)	3,326,936	(9,500,504)
		141,719,691	(65,876,253)	133,468,268	209,311,706	238,615,690	(100,041,107)	138,574,583
NET INCOME		324,973,873	426,648,186	(268,682,156)	482,939,903	556,908,838	(233,429,248)	323,479,590
OTHER COMPREHENSIVE LOSS		–	(9,640,325)	–	(9,640,325)	(39,054,407)	–	(39,054,407)
TOTAL COMPREHENSIVE INCOME		₱324,973,873	₱417,007,861	(₱268,682,156)	₱473,299,578	₱517,854,431	(₱233,429,248)	₱284,425,183

As discussed in Note 1, the Company started its commercial operations on April 1, 2016. Consequently, the pro-forma amounts for the nine-month period ended September 30, 2016 comprise of the following:

* *Audited carved-out amounts of the Trading Business of the Parent Company for the three-month period ended March 31, 2016.*

** *Audited amounts of the Company for the nine-month period ended September 30, 2016 (with six months transactions from April 1, 2016).*

*** *Pro-forma adjustments.*

Notes to Pro-forma Adjustments

A. Cash subscriptions for the initial capital of the Company.

B. Prepaid income tax resulting from the current tax effect of the pro-forma adjustments.

C. Tax effect of pro-forma adjustments.

D. Security deposits on lease arrangements with the Parent Company.

E. Unpaid rentals and security deposits on lease agreements with the Parent Company.

F. Additional income tax payable in 2016 for the carved-out results of operations for the three-month period ended March 31, 2016 of the Parent Company and income tax effects of pro-forma adjustments in 2015.

G. Equity as at September 30, 2016 represents the following:
   - Capital stock and deposit for stock subscription - represents the audited balances as at September 30, 2016.
   - Other comprehensive loss and retained earnings - represents pro-forma cumulative net income and remeasurement loss of the Company from January 1, 2013 to December 31, 2015.

- Details of the effect of the pro-forma adjustments as at September 30, 2016 are as follows:

Pro-forma retained earnings representing pro-forma net income from January 1, 2013 to December 31, 2015	(₱817,888,467)
Carved-out net income of the Trading Business of the Parent Company for the three-month period ended March 31, 2016	(324,973,873)
Derecognition of deferred tax assets on temporary differences on assets and liabilities transferred to the Company (see Note 1)	179,888,251
Additional income tax payable based on the pro-forma taxable income for nine-month period ended September 30, 2016	(87,384,985)
Pro-forma cumulative remeasurement losses on retirement liability from January 1, 2013 to December 31, 2015	63,515,400
Historical deficit of the Company as at December 31, 2015 not considered in the pro-forma financial statements	(530,257)
	(₱987,373,931)

Equity as at December 31, 2015 is equal to the net assets of the Trading Business of the Parent Company for transfer to the Company at the same date. Broken down as follows:

Capital stock	₱50,000,000
Deposit for stock subscription	1,682,724,564
Other comprehensive loss	(63,515,400)
Retained earnings	817,888,467
	₱2,487,097,631

H. Rent expense on land and buildings, transportation equipment and computer software. Details as follow:

	March 31, 2016 (Three Months)	September 30, 2015 (Nine Months)
Rent expense on:		
Buildings	**₱108,212,363**	₱279,937,112
Computer software	**15,563,707**	21,152,057
Transportation equipment	**11,437,818**	32,381,186
	₱135,213,888	₱333,470,355

3. Summary of Changes in Accounting Standards

<u>Adoption of New and Revised PFRS</u>
The Company adopted the following new and revised PFRS effective January 1, 2016 as summarized below.

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements – The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'* – The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

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

<u>New and Revised PFRS Not Yet Adopted</u>
Relevant new and revised PFRS, which are not yet effective for the nine-month period ended September 30, 2016 and have not been applied in preparing the pro-forma financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2017:

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

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

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39, *Financial Instrument: 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 they 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 for there to be objective evidence of impairment before a credit loss is recognized.

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

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

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' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the pro-forma financial statements of the Company, except for PFRS 9 and PFRS 16. Additional disclosures will be included in the pro-forma financial statements, as applicable.

The Company anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Company's financial assets and liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the pro-forma financial statements are summarized below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the pro-forma statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 financial instrument, except for financial instruments at fair value through profit or loss (FVPL). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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 as expense or income.

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

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

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2016 and December 31, 2015.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables, due from Parent Company and container deposits (presented as part of other current assets), and security and electricity deposits and refundable cash bonds (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

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 when:

- the right to receive cash flows from the asset has expired;

- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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 pro-forma 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.

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

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

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

Fair Value Measurement
The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 25, *Fair Value of Financial Instruments.*

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 consists of net amount of value-added tax (VAT) recoverable from taxation authority, deferred input VAT, prepaid expenses and container deposits.

VAT. The VAT recoverable from tax authority is net of output liability. 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.

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 input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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 year are classified as current assets. Otherwise, these are classified as noncurrent assets.

<u>Other Noncurrent Assets</u>
Other noncurrent assets comprise of computer software, security, rental and electricity deposits and refundable cash bonds. These, except advance rental, qualify as financial assets and are disclosed under financial instruments.

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.

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

Electric Deposits. Electricity deposits are carried at cost less any impairment value, and will be refunded upon mutual agreement.

Advance Rental. Advance rental represents deposits made in relation to the lease agreements entered into by the Company. These are carried at cost less any impairment in value, and will be applied at the end of the lease term.

<u>Property and Equipment</u>
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. The cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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.

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

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

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.

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. 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 periods. A reversal of an impairment loss is recognized immediately in profit or loss.

Nonfinancial assets include property and equipment and computer software.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction from proceeds, net of tax.

Deposit for Stock Subscription. Deposit for stock subscription represents the deposit received by the Company from an entity, an existing stockholder, to subscribe for the portion of the increase in the Company's authorized capital stock with a view of applying the same as payment.

Under Financial Reporting Bulletin No. 6 as issued by the SEC, the Company should classify a contract to deliver its own equity instruments under equity as an account from outstanding capital stock, if and only if, all of the following elements are present as at reporting date:

a. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;

b. There is BOD and stockholders approval on the proposed increase in the authorized capital stock (for which a deposit was received by the Company); and

c. The application for the approval of the proposed increase has been filed with the SEC.

If the foregoing conditions are not met, the "Deposit for stock subscription" is presented as a liability.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the period. Other comprehensive loss pertains to cumulative remeasurement losses on retirement liability.

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

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

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

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 Expenses 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.

Employees Benefit

Short-term Employee Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting 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 pro-forma 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 benefit 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.

Foreign Currency-denominated Transactions
Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

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 date.

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 can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into 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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

5. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the pro-forma financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the pro-forma 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 pro-forma financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgment

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

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

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

Determining the Classification of Lease Arrangements. The Company, as a lessee, has various lease agreements with the Parent Company and third parties for land, buildings 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 ₱537.2 million and ₱453.9 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 20).

The Company, as a lessor, has existing lease agreements on commercial spaces, gondola lightings, facade billboards, window displays and street banners. The Company has determined that the significant risk 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 ₱24.1 million and ₱30.1 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 20).

Estimates and Assumptions

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

Determining Fair Values of Financial Instruments. The Company carries certain financial assets and liabilities at fair value. Fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 25.

Estimating Impairment Losses on Trade and Other Receivables and Refundable Cash Bonds. Impairment losses on trade and other receivables and refundable cash bonds 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 year 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 value of trade and other receivables amounted to ₱453.3 million and ₱365.3 million as at September 30, 2016 and December 31, 2015, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱84.6 million and ₱42.7 million as at September 30, 2016 and December 31, 2015, respectively (see Note 7).

Refundable cash bonds amounting to ₱83.4 million have been fully provided with allowance for impairment since June 2013 (see Note 11).

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

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

The carrying value of merchandise inventories amounted to ₱6,790.6 million and ₱7,153.4 million as at September 30, 2016 and December 31, 2015, respectively (see Note 8). Allowance for inventory write down and losses amounted to ₱50.1 million and ₱32.5 million as at September 30, 2016 and December 31, 2015, respectively (see Note 8).

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

There is no change in the estimated useful lives of property and equipment and computer software in 2016 and 2015.

The carrying value of property and equipment amounted ₱323.5 million and ₱296.1 million as at September 30, 2016 and December 31, 2015, respectively (see Note 10). The carrying value of computer software amounted to ₱10.4 million as at September 30, 2016 (see Note 11).

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 are 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 belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized for the nine-month periods ended September 30, 2016 and 2015.

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

	Note	**September 30, 2016**	December 31, 2015
Property and equipment	10	**₱323,540,724**	₱296,114,735
Computer software	11	**10,423,961**	–
		₱333,964,685	₱296,114,735

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 15 to pro-forma 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 years.

Retirement liability amounted to ₱404.7 million and ₱358.2 million as at September 30, 2016 and December 31, 2015, respectively (see Note 15).

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

Deferred tax assets amounted to ₱198.9 million and ₱166.2 million as at September 30, 2016 and December 31, 2015, respectively (see Note 19).

6. Cash

This account consists of:

	September 30, 2016	December 31, 2015
Cash on hand	**₱6,895,304**	₱8,206,830
Cash in banks	**227,943,434**	314,437,564
	₱234,838,738	₱322,644,394

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱534,341 and ₱236,415 for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 18).

7. Trade and Other Receivables

This account consists of:

	Note	September 30, 2016	December 31, 2015
Trade:			
Third parties		**₱361,870,356**	₱320,869,114
Related parties	21	**102,848,790**	43,707,360
Rental	20	**56,585,589**	17,928,771
Advances to suppliers		**10,639,363**	24,559,300
Others		**5,956,984**	928,298
		537,901,082	407,992,843
Allowance for impairment losses		**(84,609,943)**	(42,653,120)
		₱453,291,139	₱365,339,723

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

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

Movements of allowance for impairment losses on receivables follow:

	Note	September 30, 2016	December 31, 2015
Balance at beginning of period		**₱42,653,120**	₱53,281,788
Provision	17	**41,956,823**	22,204,625
Reversal	17	**–**	(32,833,293)
Balance at end of period		**₱84,609,943**	₱42,653,120

8. Merchandise Inventories

Details of this account follow:

	September 30, 2016	December 31, 2015
At cost	₱6,484,405,525	₱7,057,939,810
At net realizable value	306,198,098	95,448,033
	₱6,790,603,623	₱7,153,387,843

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

The cost of merchandise inventories stated at net realizable value amounted to ₱356.3 million and ₱127.9 million as at September 30, 2016 and December 31, 2015, respectively.

Movements in the allowance for inventory write down and losses follow:

	Note	September 30, 2016	December 31, 2015
Balance at beginning of period		₱32,496,051	₱32,496,051
Provision	16	17,560,546	–
Balance at end of period		₱50,056,597	₱32,496,051

9. Other Current Assets

This account consists of:

	Note	September 30, 2016	December 31, 2015
Input VAT		₱659,026,085	₱7,465,577
Deferred input VAT		121,884,844	84,326,412
Container deposits		11,739,329	15,586,750
Prepaid expenses:			
Insurance		211,179	1,950,516
Income tax		–	6,008,917
Others		5,153,998	4,277,446
		₱798,015,435	₱119,615,618

Deferred input VAT pertains to unamortized portion of input VAT on furniture and equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently. This will be applied against the output VAT on sold goods.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

10. Property and Equipment

Details and movements of this account follow:

	September 30, 2016				
	Leasehold Improvements	Transportation Equipment	Furniture and Equipment	Construction In Progress	Total
Cost					
Balance at beginning of period	₱217,860,169	₱–	₱390,624,895	₱109,052,804	₱717,537,868
Reclassification	109,369,015	–	–	(109,369,015)	–
Additions	17,100,468	4,670,536	61,141,699	316,211	83,228,914
Balance at end of period	344,329,652	4,670,536	451,766,594	–	800,766,782
Accumulated Depreciation and Amortization					
Balance at beginning of period	203,725,032	–	217,698,101	–	421,423,133
Depreciation and amortization	6,877,265	126,711	48,798,949	–	55,802,925
Balance at end of period	210,602,297	126,711	266,497,050	–	477,226,058
Net Book Value	₱133,727,355	₱4,543,825	₱185,269,544	₱–	₱323,540,724

	December 31, 2015			
	Leasehold Improvements	Furniture and Equipment	Construction in Progress	Total
Cost				
Balance at beginning of period	₱210,963,320	₱282,535,844	₱–	₱493,499,164
Additions	6,896,849	108,089,051	109,052,804	224,038,704
Balance at end of period	217,860,169	390,624,895	109,052,804	717,537,868
Accumulated Depreciation and Amortization				
Balance at beginning of period	164,055,710	160,414,449	–	324,470,159
Depreciation and amortization	39,669,322	57,283,652	–	96,952,974
Balance at end of period	203,725,032	217,698,101	–	421,423,133
Net Book Value	₱14,135,137	₱172,926,794	₱109,052,804	₱296,114,735

Construction in progress pertains to the construction of solar panels being installed at the roof deck of store buildings.

Depreciation and amortization for the nine-month periods ended September 30, 2016 and 2015 follow:

	Note	2016	2015
Property and equipment		₱55,802,925	₱69,996,156
Computer software	11	97,797	–
	17	₱55,900,722	₱69,996,156

Fully depreciated assets with an aggregate cost amounting to ₱271.5 million and ₱88.0 million as at September 30, 2016 and December 31, 2015, respectively, are still being used in the Company's operations.

11. Other Noncurrent Assets

Details of this account follow:

	Note	September 30, 2016	December 31, 2015
Security and rental deposits	20	₱140,657,566	₱140,807,976
Electricity deposits		16,802,346	16,934,038
Computer software		10,423,961	–
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		–	–
		₱167,883,873	₱157,742,014

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. The refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

Movements in computer software, which pertains to payroll software, for the nine-month period ended September 30, 2016 follows:

	Note	
Additions for the period and balance at end of period		₱10,521,758
Amortization for the period and balance at end of period	10	97,797
		₱10,423,961

Refundable cash bonds refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the 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 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, 2016, the refund of cash bonds is still pending from the BOC.

12. Short-term Debt

This account consists of:

	September 30, 2016	December 31, 2015
Loans	₱503,579,142	₱736,633,576
Trust receipts	–	106,424,623
	₱503,579,142	₱843,058,199

Short-term loans and trust receipts bear interest, which is being repriced monthly, ranging from 2% to 3.13% in 2016 and 2015.

Interest expense amounted to ₱11.4 million and ₱19.5 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 13).

13. Long-term Debt

Details of long-term debt follow:

	Terms	Principal	Outstanding Balances September 30, 2016	Outstanding Balances December 31, 2015
Loan 1	Quarterly payment starting March 2015 until December 2019	₱500,000,000	₱325,000,000	₱400,000,000
Loan 2	Lumpsum payment on March 31, 2020	320,000,000	280,000,000	320,000,000
Loan 3	Monthly payment starting March 2015 until September 2021	210,000,000	158,846,154	183,076,923
Loan 4	Monthly payment starting March 2015 until September 2021	170,000,000	128,589,743	148,205,128
Loan 5	Monthly payment starting March 2015 until March 2018 based on a five-year amortization and balloon payment on March 2018	100,000,000	80,000,000	95,000,000
Loan 6	Quarterly payment starting June 2011 until June 2016	17,000,000	–	1,062,500
		₱1,317,000,000	972,435,897	1,147,344,551
Current portion			(258,461,539)	(179,524,039)
Noncurrent portion			₱713,974,358	₱967,820,512

Long-term loans were obtained from various local banks for working capital requirements of the Company. The loans bear interests, which are being repriced monthly, ranges from 2.50% to 2.88% in 2016 and 2015.

Interest expense for the nine-month periods ended September 30, 2016 and 2015 is summarized below:

	Note	2016	2015
Long-term debt		₱22,310,872	₱36,597,659
Short-term debt	12	11,415,224	19,549,310
		₱33,726,096	₱56,146,969

As at September 30, 2016 and December 31, 2015, certain loans are collateralized by property and equipment and investment properties owned by the Parent Company with a carrying value of ₱791.8 million and ₱725.2 million, respectively.

The maturities of the long-term debt follow:

	September 30, 2016	December 31, 2015
Less than one year	₱258,461,539	₱179,524,039
Between one to two years	258,461,539	178,461,537
Between two to five years	455,512,819	750,384,615
More than five years	–	38,974,360
	₱972,435,897	₱1,147,344,551

14. Trade and Other Payables

This account consists of:

	Note	September 30, 2016	December 31, 2015
Trade:			
Related parties	21	₱2,018,983,937	₱1,225,214,060
Third parties		1,696,262,231	1,802,309,826
Rent:			
Related parties	21	398,777,946	221,135,907
Third parties		7,377,825	30,571,847
Advances from customers		244,085,207	209,788,584
Nontrade:			
Related parties	21	156,622,017	100,060,502
Third parties		36,299,262	73,602,843
Accrued expenses:			
Utilities		37,134,570	4,990,266
Outsourced services		21,542,131	32,466,001
Salaries and wages		6,607,063	7,036,345
Others		5,219,214	50,000
Unearned revenue		24,899,094	16,719,989
Others		25,287,256	21,361,789
		₱4,679,097,753	₱3,745,307,959

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

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers. Refundable deposits amounted to ₱103.5 million and ₱117.2 million as at September 30, 2016 and December 31, 2015, respectively.

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel which, are payable in the succeeding month.

Accrued expenses are payable in the succeeding month.

Unearned revenue refers to unredeemed award credits from the loyalty program of the Company, which is redeemable within two years from the date of availment.

Others pertain to unredeemed gift certificates, withholding taxes and statutory obligations.

15. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering all of its eligible employees. The latest actuarial valuation report was dated as at September 30, 2016.

The following tables summarize the components of retirement benefits recognized in the pro-forma statements of comprehensive income and the retirement liability recognized in the pro-forma statements of financial position.

Retirement benefits for the nine-month periods ended September 30, 2016 and 2015 follow:

	2016	2015
Current service cost	₱28,077,154	₱25,909,816
Interest cost	4,574,054	9,444,526
	₱32,651,208	₱35,354,342

Movements in the retirement liability follow:

	September 30, 2016	December 30, 2015
Balance at beginning of period	₱358,233,365	₱236,704,896
Current service cost	28,077,154	34,546,421
Remeasurement loss	13,771,893	74,389,347
Interest cost	4,574,054	12,592,701
Balance at end of period	₱404,656,466	₱358,233,365

The cumulative remeasurement losses recognized directly in equity follow:

	September 30, 2016		
	Cumulative Remeasurement Loss	Deferred Tax (see Note19)	Net
Balance at beginning of period	₱90,736,285	(₱27,220,885)	₱63,515,400
Remeasurement loss	13,771,893	(4,131,568)	9,640,325
Balance at end of period	₱104,508,178	(₱31,352,453)	₱73,155,725

	December 31, 2015		
	Cumulative Remeasurement Loss	Deferred Tax (see Note19)	Net
Balance at beginning of period	₱16,346,938	(₱4,904,081)	₱11,442,857
Remeasurement loss	74,389,347	(22,316,804)	52,072,543
Balance at end of period	₱90,736,285	(₱27,220,885)	₱63,515,400

The principal actuarial assumptions used to determine the retirement liability follow:

	2016	2015
Discount rate	4.65%	4.89%
Salary increase rate	8.00%	8.00%

Sensitivity analysis on retirement liability for 2016 follows:

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

As at September 30, 2016, the expected future retirement benefits payments follow:

Year	Amount
2017	₱15,600,000
2018	7,344,000
2019	–
2020	382,395
2021	4,109,643
2022 to 2026	38,623,444
	₱66,059,482

16. Cost of Sales

Details of this account for the nine-month periods ended September 30, 2016 and 2015 follow:

	Note	2016	2015
Merchandise inventories, beginning		₱7,185,883,894	₱5,798,037,721
Net purchases		8,410,537,946	9,446,058,410
Total goods available for sale		15,596,421,840	15,244,096,131
Merchandise inventories, end		(6,840,660,220)	(7,267,274,750)
		8,755,761,620	7,976,821,381
Provision for inventory write down and losses	8	17,560,546	–
		₱8,773,322,166	₱7,976,821,381

17. Operating Expenses

Details of this account for the nine-month period ended September 30, 2016 and 2015 follow:

	Note	2016	2015
Rent	20	₱537,248,453	₱453,902,260
Salaries, wages and employee benefits		447,212,092	381,062,580
Outsourced services		404,869,025	324,865,174
Utilities		203,275,403	244,252,999
Trucking services	20	165,343,430	309,724,863
Taxes and licenses		114,523,022	85,924,384
Credit card charges		105,013,905	99,477,376
Depreciation and amortization	10	55,900,722	69,996,156
Advertising and promotions		50,370,510	53,305,543
Supplies		48,063,791	60,262,567
Provision (reversal of allowance) for impairment losses on receivables	7	41,956,823	(7,971,460)
Repairs and maintenance		37,248,423	38,237,773
Communication		14,204,729	15,069,201
Donations and contributions		7,162,473	9,133,745
Fuel and oil		6,958,603	10,499,689
Transportation and travel		6,809,096	11,282,056
Professional fees		5,963,575	8,110,483
Insurance		1,295,665	3,405,415
Others		11,362,997	24,123,094
		₱2,264,782,737	₱2,194,663,898

18. Other Income

Details of this account for the nine-month periods ended September 30, 2016 and 2015 follow:

	Note	2016	2015
Rent	20	₱24,068,488	₱30,103,289
Interest	6	534,341	236,415
Foreign exchange gain		159,855	426,078
Others		10,230,011	20,506,703
		₱34,992,695	₱51,272,485

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 and other reimbursable costs.

19. Income Taxes

The current income tax expense represents regular corporate income tax for the nine-month periods ended September 30, 2016 and 2015.

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

	2016	2015
Income tax expense at statutory rate	₱207,675,483	₱138,616,252
Tax effects of:		
Nondeductible expense	1,796,525	29,256
Interest income already subjected to final tax	(160,302)	(70,925)
	₱209,311,706	₱138,574,583

Deferred tax assets and liabilities relate to the tax effect of the following temporary differences:

	September 30, 2016	December 31, 2015
Deferred tax assets:		
Retirement liability	₱121,396,940	₱107,470,010
Allowance for impairment losses on:		
Trade and other receivables	25,382,983	12,795,935
Refundable cash bonds	25,022,980	25,022,980
Allowance for inventory write down and losses	15,016,979	9,748,815
Accrued rent on straight-line basis	9,463,746	4,837,603
Unearned revenue from loyalty program	7,469,728	5,015,997
Other accruals	–	1,310,741
	203,753,356	166,202,081
Deferred tax liabilities:		
Advance rental	(4,894,253)	–
Unrealized foreign exchange gain	–	(4,703)
	₱198,859,103	₱166,197,378

The presentation of net deferred tax assets follows:

	Note	September 30, 2016	December 31, 2015
Through profit or loss		₱167,506,650	₱138,976,493
Through other comprehensive income	15	31,352,453	27,220,885
		₱198,859,103	₱166,197,378

20. Leases

The Company as a Lessee

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

Security and rental deposits amounted to ₱140.7 million and ₱140.8 million as at September 30, 2016 and December 31, 2015, respectively (see Note 11). These refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively.

Rent payable amounted to ₱406.2 million and ₱251.7 million as at September 30, 2016 and December 31, 2015, respectively (see Note 14).

Rent expense amounted to ₱537.2 million and ₱453.9 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 17).

Trucking services amounted to ₱165.3 million and ₱309.7 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 17).

Future minimum rental payments under operating lease follow:

	September 30, 2016	December 31, 2015
Within one year	₱604,895,732	₱117,429,781
After one year but not more than five years	1,193,008,762	355,633,276
More than five years	480,984,122	341,878,117
	₱2,278,888,616	₱814,941,174

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 and include escalation provision.

Rental receivable amounted to ₱56.6 million and ₱17.9 million as at September 30, 2016 and December 31, 2015, respectively (see Note 7).

Rent income amounted to ₱24.1 million and ₱30.1 million for the nine-month periods ended September 30, 2016 and 2015, respectively (see Note 18).

21. Related Party Transactions and Balances

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

Related Party	Nature of Transactions	Year	Transactions during the Period	Trade Receivables (see Note 7)	Due from Parent Company	Trade Payables (see Note 14)	Rent Payable (See Note 14)	Nontrade Payables (see Note 14)
Stockholder	Rent	2016	₱7,326,000	₱–	₱–	₱–	₱7,326,000	₱–
		2015	–	–	–	–	–	–
Parent Company	Noninterest-bearing advances	2016	599,471,322	–	599,471,322	–	–	–
		2015	–	–	–	–	–	–
	Rent	2016	384,298,993	–	–	–	365,543,888	72,092,301
		2015	444,627,140	–	–	–	221,135,907	98,930,631
	Purchases of goods	2016	121,075,282	–	–	55,786,081	–	–
		2015	1,007,816,169	–	–	1,225,214,060	–	–
	Utilities	2016	28,240,673	–	–	–	–	28,240,673
		2015	–	–	–	–	–	–
Entities under Common Control	Sale of goods	2016	20,133,400	102,848,790	–	–	–	–
		2015	24,678,414	43,707,360	–	–	–	–
	Purchases of goods	2016	746,728,576	–	–	1,963,197,856	–	–
		2015	–	–	–	–	–	–
	Rent	2016	25,908,058	–	–	–	25,908,058	–
		2015	–	–	–	–	–	–
	Trucking services	2016	118,179,243	–	–	–	–	56,289,043
		2015	–	–	–	–	–	1,129,871
		2016		₱102,848,790	₱599,471,322	₱2,018,983,937	₱398,777,946	₱156,622,017
		2015		43,707,360	–	1,225,214,060	221,135,907	100,060,502

Transactions with related parties include:

a. Purchase and sale of merchandise inventories and trucking services with Parent Company and entities under common control.

b. Various lease agreements with the Parent Company for the use of land and buildings for office, stores and warehouse, transportation equipment and computer software for a period of one to 30 years (see Note 20).

c. Advances to Parent Company for working capital requirements.

Outstanding balance of due from Parent Company is unsecured, noninterest-bearing and settlements are made in cash. The Company did not recognize any provision for impairment loss on due from Parent Company for the nine-month periods ended September 30, 2016 and 2015.

Outstanding balance of trade receivables and payables, rent and nontrade payables are generally settled in varying periods, normally within 30 to 90 days depending on arrangement with related parties.

<u>Compensation of Key Management Personnel</u>
Compensation of key management personnel amounted to ₱18.0 million and ₱17.3 million for the nine-month periods ended September 30, 2016 and 2015, respectively.

22. Equity

Details of capital stock are as follow:

	Number of Shares	Amount
Authorized - at ₱1 a share	200,000,000	₱200,000,000
Issued and outstanding	50,000,000	₱50,000,000

Movements of deposit for stock subscription are as follow:

	2016	2015
Balance at beginning of period	**₱1,682,724,564**	₱839,229,122
Additions	**973,093,352**	632,621,582
Balance at end of period	**₱2,655,817,916**	₱1,471,850,704

On April 1, 2016, the Company's BOD and stockholders approved the increase in authorized capital stock of the Company from ₱200.0 million, consisting of 200,000,000 shares of common stock with a par value of ₱1.00 per share, to ₱5,000.0 million, consisting of 5,000,000,000 shares of common stock with a par value of ₱1.00 per share.

On the same date, the Parent Company subscribed to 2,655.8 million shares of stock of the Company in exchange for the net assets of the former's Trading Business amounting to ₱2,655.8 million determined as at March 31, 2016 (see Note 1). The subscription is classified as deposit for stock subscription under equity pending the approval by the SEC as at September 30, 2016.

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

The capital stock and deposit for stock subscription amounting to ₱50.0 million and ₱1,471.9 million, respectively, as at December 31, 2015 were reclassified from assigned capital.

23. Earnings per Share

Basic and diluted earnings per share for the nine-month periods ended September 30, 2016 and 2015 are computed as follows:

	2016	2015
Net income for the period	**₱482,939,903**	₱323,479,590
Divided by the weighted average number of outstanding shares*	**2,705,817,916**	1,521,850,704
Basic and diluted earnings per share	**₱0.18**	₱0.21

* *Outstanding shares include subscribed shares classified as deposit and assumed to be outstanding at the beginning of the period.*

Diluted earnings per share is equal to the basic earnings per share because the Company does not have potential dilutive shares.

24. Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments consist of cash in banks, trade and other receivables and payables, due from Parent Company 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 its operating, investing and financing 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, interest rate risk and foreign currency 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 doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	September 30, 2016	December 31, 2015
Cash in banks	₱227,943,434	₱314,437,564
Trade and other receivables	537,901,082	407,992,843
Due from Parent Company	599,471,322	–
Container deposits	11,739,329	15,586,750
Refundable cash bonds	83,409,934	83,409,934
Security and rental deposits*	124,343,390	140,807,976
Electricity deposits	16,802,346	16,934,038
	₱1,601,610,837	₱979,169,105

**Exclusive of advance rentals amounting to ₱16.3 million as at September 30, 2016.*

The Company does not have major concentration of credit risk.

The following table summarizes the financial assets based on aging:

	September 30, 2016				
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than One Year	Past Due but not Impaired: One Year and Over	Past Due and Impaired	Total
Cash in banks	₱227,943,434	₱–	₱–	₱–	₱227,943,434
Trade and other receivables	153,585,374	269,600,155	30,105,610	84,609,943	537,901,082
Due from Parent Company	599,471,322	–	–	–	599,471,322
Container deposits	11,739,329	–	–	–	11,739,329
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Security and rental deposits*	124,343,390	–	–	–	124,343,390
Electricity deposits	16,802,346	–	–	–	16,802,346
	₱1,133,885,195	₱269,600,155	₱30,105,610	₱168,019,877	₱1,601,610,837

**Exclusive of advance rentals amounting to ₱16.3 million.*

	December 31, 2015				
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than One Year	Past Due but not Impaired: One Year and Over	Past Due and Impaired	Total
Cash in banks	₱314,437,564	₱–	₱–	₱–	₱314,437,564
Trade and other receivables	132,141,621	181,926,472	51,271,630	42,653,120	407,992,843
Container deposits	15,586,750	–	–	–	15,586,750
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Security and rental deposits	140,807,976	–	–	–	140,807,976
Electricity deposits	16,934,038	–	–	–	16,934,038
	₱619,907,949	₱181,926,472	₱51,271,630	₱126,063,054	₱979,169,105

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

The tables below show the credit quality of the financial assets that are neither past due nor impaired based on their historical experience with the counter parties.

	September 30, 2016			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks	₱227,943,434	₱–	₱–	₱227,943,434
Trade and other receivables	–	153,585,374	–	153,585,374
Due from Parent Company		599,471,322	–	599,471,322
Container deposits	–	–	11,739,329	11,739,329
Security and rental deposits*	–	124,343,390	–	124,343,390
Electricity deposits	–	16,802,346	–	16,802,346
	₱227,943,434	₱894,202,432	₱11,739,329	₱1,133,885,195

**Exclusive of advance rentals amounting to ₱16.3 million.*

	December 31, 2015			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱314,437,564	₱–	₱–	₱314,437,564
Trade and other receivables	–	132,141,621	–	132,141,621
Container deposits	–	–	15,586,750	15,586,750
Security and rental deposits	–	140,807,976	–	140,807,976
Electricity deposits	–	16,934,038	–	16,934,038
	₱314,437,564	₱289,883,635	₱15,586,750	₱619,907,949

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

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

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

	September 30, 2016				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱503,579,142	₱–	₱–	₱503,579,142
Trade and other payables*	–	4,623,911,403	–	–	4,623,911,403
Long-term debt	–	64,615,385	193,846,154	713,974,358	972,435,897
	₱–	₱5,192,105,930	₱193,846,154	₱713,974,358	₱6,099,926,442

**Exclusive of statutory liabilities, unearned revenue and unredeemed gift certificates aggregating to ₱50.2 million.*

	December 31, 2015				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱722,336,347	₱120,721,852	₱–	₱843,058,199
Trade and other payables*	–	3,707,226,181	–	–	3,707,226,181
Long-term debt	–	45,677,885	133,846,154	967,820,512	1,147,344,551
	₱–	₱4,475,240,413	₱254,568,006	₱967,820,512	₱5,697,628,931

** Exclusive of statutory liabilities, unearned revenue and unredeemed gift certificates aggregating to ₱38.1 million.*

As at September 30, 2016 and December 31, 2015, the Company has available cash on hand and in banks amounting ₱234.8 million and ₱322.6 million, respectively. The available cash, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
September 30, 2016	**0.75%**	**(₱288,637)**
	(0.75%)	**288,637**
December 31, 2015	0.70%	(345,277)
	(0.70%	345,277

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Company's financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Company considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Company's financial position and financial performance is minimal.

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

Capital Management

The primary objective of 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 Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity.

Total equity includes assigned capital, other comprehensive loss and retained earnings. The debt-to-equity ratio is as follows:

	September 30, 2016	December 31, 2015
Total debt	₱6,620,387,327	₱6,093,944,074
Total equity	2,946,116,630	2,487,097,631
Debt-to-equity	2.25:1	2.45:1

25. Fair Value of Financial Instruments

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

	September 30, 2016		December 31, 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	₱234,838,738	₱234,838,738	₱322,644,394	₱322,644,394
Trade and other receivables	453,291,139	453,291,139	365,339,723	365,339,723
Due from Parent Company	599,471,322	599,471,322	–	–
Container deposits	11,739,329	11,739,329	15,586,750	15,586,750
Security and rental deposits*	124,343,390	120,540,983	140,807,976	118,270,905
Electricity deposits	16,802,346	16,802,346	16,934,038	16,934,038
	₱1,440,486,264	₱1,436,683,857	₱861,312,881	₱838,775,810
Financial Liabilities				
Short-term debt	₱503,579,142	₱503,579,142	₱843,058,199	₱843,058,199
Trade and other payables**	4,628,911,403	4,628,911,403	3,707,226,181	3,707,226,181
Long-term debt	972,435,897	972,435,897	1,147,344,551	1,147,344,551
	₱6,104,926,442	₱6,104,926,442	₱5,697,628,931	₱5,697,628,931

** Exclusive of advance rentals amounting to ₱16.3 million as at September 30, 2016.*

*** Exclusive of statutory liabilities, unearned revenue and unredeemed gift certificates aggregating to ₱50.2 and ₱38.1 million as at September 30, 2016 and December 31, 2015, respectively.*

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

Cash, trade and other receivables, due from Parent Company, security and rental deposits (excluding advance rentals), container deposits, electricity deposits, short-term debt and trade and other payables (excluding statutory liabilities, unearned revenue and unredeemed gift certificates). The carrying amounts payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposits are under Level 2 of the fair value measurements hierarchy for financial instruments.

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.

For the nine-month periods ended September 30, 2016 and 2015, there were no transfers among Level 1, Level 2 and Level 3 of fair value measurements.

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

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON DEPOT, INC.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte, Quezon City

We have examined the pro-forma financial statements of WILCON DEPOT, INC. (the Company), a subsidiary of WILCON BUILDER'S DEPOT INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (WBDI), which comprise the pro-forma statements of financial position as at December 31, 2015, 2014 and 2013, and the pro-forma statements of comprehensive income, pro-forma statements of changes in equity and pro-forma statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management is responsible for the pro-forma financial statements, which are based on carved-out special purpose statements of the trading business of WBDI prepared by management as at and for the years ended December 31 2015, 2014 and 2013, after giving effect to pro-forma adjustments based on management's assumptions as described in Note 2 to pro-forma financial statements. The carved-out special purpose statements are attached and labeled as Appendix A.

Our examination was conducted in accordance with Philippine Standard on Assurance Engagement 3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, and the Securities and Exchange Commission Memorandum Circular No. 2, Series of 2008, *Guidelines on Reporting and Attestation of Pro-Forma Financial Information*, and accordingly, included such procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

The objective of the pro-forma financial statements is to show the significant effects on the audited financial statements of WBDI and audited carved-out special purpose statements of the trading business of WBDI that might have been had the transactions described in Note 2 occurred at an earlier date. However, the pro-forma financial statements are not necessarily indicative of the results of financial performance or related effects on the financial position and cash flows that would have been attained had the foregoing transactions actually occurred earlier.

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

In our opinion, management's assumptions to the pro-forma financial statements provide a reasonable basis for presenting the significant effects directly attributable to the transactions described in Note 2 to the pro-forma financial statements, the related pro-forma adjustments give appropriate effect to those assumptions, and the pro-forma amounts reflect the proper application of those adjustments to the audited financial statements and audited carved-out special purpose statements amounts in the pro-forma statements of financial position of the Company as at December 31, 2015, 2014 and 2013 and the pro-forma statements of comprehensive income, pro-forma statements of changes in equity and pro-forma statements of cash flows for years then ended.

We have audited the carved-out special purpose statements covering the carved-out statements of net assets, carved-out statements of comprehensive income and carved-out statements of cash flows as at and for the years ended December 31, 2015, 2014 and 2013 of the trading business of WBDI. We have also audited the historical financial statements of WBDI as at and for the years ended December 31, 2015, 2014 and 2013. We have expressed our unqualified opinion on the carved-out special purpose statements and the historical financial statements.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
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BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-6-2013
Valid until November 26, 2016
PTR No. 5321843
Issued January 5, 2016, Makati City

November 11, 2016
Makati City, Metro Manila

WILCON DEPOT, INC.
**(A Subsidiary of WILCON BUILDER'S DEPOT INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER)**

PRO-FORMA STATEMENTS OF FINANCIAL POSITION

		December 31		
	Note	**2015**	2014	2013
ASSETS				
Current Assets				
Cash	6	**₱322,644,394**	₱243,104,251	₱188,051,901
Trade and other receivables	7	**365,339,723**	331,883,955	278,623,618
Merchandise inventories	8	**7,153,387,843**	5,765,541,670	5,660,309,066
Other current assets	9	**119,615,618**	222,054,471	184,108,342
Total Current Assets		**7,960,987,578**	6,562,584,347	6,311,092,927
Noncurrent Assets				
Property and equipment	10	**296,114,735**	169,029,005	219,011,460
Deferred tax assets	19	**166,197,378**	140,661,148	106,409,128
Other noncurrent assets	11	**157,742,014**	105,691,514	104,699,753
Total Noncurrent Assets		**620,054,127**	415,381,667	430,120,341
		₱8,581,041,705	₱6,977,966,014	₱6,741,213,268
LIABILITIES AND EQUITY				
Current Liabilities				
Short-term debt	12	**₱843,058,199**	₱1,335,648,883	₱2,079,856,427
Current portion of long-term debt	13	**179,524,039**	16,250,000	78,817,647
Trade and other payables	14	**3,745,307,959**	3,050,647,458	2,254,181,735
Income tax payable		**–**	–	37,065,175
Total Current Liabilities		**4,767,890,197**	4,402,546,341	4,449,920,984
Noncurrent Liabilities				
Long-term debt - net of current portion	13	**967,820,512**	1,181,062,500	21,479,168
Retirement liability	15	**358,233,365**	236,704,896	195,998,618
Total Noncurrent Liabilities		**1,326,053,877**	1,417,767,396	217,477,786
Total Liabilities		**6,093,944,074**	5,820,313,737	4,667,398,770
Equity				
Assigned capital	22	**1,732,724,564**	889,229,122	1,845,116,232
Other comprehensive loss	15	**(63,515,400)**	(11,442,857)	(11,442,857)
Retained earnings		**817,888,467**	279,866,012	240,141,123
Total Equity		**2,487,097,631**	1,157,652,277	2,073,814,498
		₱8,581,041,705	₱6,977,966,014	₱6,741,213,268

See accompanying Notes to Pro-Forma Financial Statements.

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

PRO-FORMA STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2015**	2014	2013
NET SALES		**₱14,450,141,427**	₱13,595,537,099	₱11,861,589,999
COST OF SALES	16	**10,840,446,520**	11,075,546,099	9,300,556,268
GROSS INCOME		**3,609,694,907**	2,519,991,000	2,561,033,731
OPERATING EXPENSES	17	**(2,848,619,450)**	(2,428,002,033)	(2,193,703,062)
INTEREST EXPENSE	13	**(60,899,766)**	(76,001,340)	(71,045,753)
OTHER INCOME - Net	18	**68,354,349**	40,668,657	46,739,869
INCOME BEFORE INCOME TAX		**768,530,040**	56,656,284	343,024,785
INCOME TAX EXPENSE (BENEFIT)	19			
Current		**241,947,565**	51,183,415	124,292,243
Deferred		**(11,439,980)**	(34,252,020)	(21,408,581)
		230,507,585	16,931,395	102,883,662
NET INCOME		**538,022,455**	39,724,889	240,141,123
OTHER COMPREHENSIVE LOSS				
Item not to be reclassified to profit or loss				
Remeasurement loss on retirement liability, net of deferred income tax	15	**(52,072,543)**	–	(11,442,857)
TOTAL COMPREHENSIVE INCOME		**₱485,949,912**	₱39,724,889	₱228,698,266
BASIC AND DILUTED EARNINGS PER SHARE	23	**₱31.05**	₱4.47	₱13.01

See accompanying Notes to Pro-Forma Financial Statements.

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

PRO-FORMA STATEMENTS OF CHANGES IN EQUITY

		Years Ended December 31		
	Note	**2015**	2014	2013
ASSIGNED CAPITAL	22			
Balance at beginning of year		**₱889,229,122**	₱1,845,116,232	₱1,851,867,520
Increase (decrease) in net assets		**843,495,442**	(955,887,110)	(6,751,288)
Balance at end of year		**1,732,724,564**	889,229,122	1,845,116,232
OTHER COMPREHENSIVE LOSS	15			
Balance at beginning of year		**(11,442,857)**	(11,442,857)	–
Remeasurement loss, net of deferred income tax		**(52,072,543)**	–	(11,442,857)
Balance at end of year		**(63,515,400)**	(11,442,857)	(11,442,857)
RETAINED EARNINGS				
Balance at beginning of year		**279,866,012**	240,141,123	–
Net income		**538,022,455**	39,724,889	240,141,123
Balance at end of year		**817,888,467**	279,866,012	240,141,123
		₱2,487,097,631	₱1,157,652,277	₱2,073,814,498

See accompanying Notes to Pro-Forma Financial Statements.

WILCON DEPOT, INC.

(A Subsidiary of WILCON BUILDER'S DEPOT INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER)

PRO-FORMA STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱768,530,040**	₱56,656,284	₱343,024,785
Adjustments for:				
Depreciation and amortization	10	**96,952,974**	93,758,822	81,695,438
Interest expense	13	**60,899,766**	76,001,340	71,045,753
Retirement benefits	15	**47,139,122**	40,706,278	36,779,107
Provision (reversal of allowance) for impairment losses on receivables	17	**(10,628,668)**	44,082,059	4,222,337
Interest income	6	**(291,777)**	(371,574)	(134,890)
Unrealized foreign exchange gain		**(15,678)**	(137,218)	–
Provision for inventory write down and losses	8	**–**	527,990	4,029,061
Operating income before working capital changes		**962,585,779**	311,223,981	540,661,591
Decrease (increase) in:				
Trade and other receivables		**(22,827,100)**	(97,342,396)	(27,871,910)
Merchandise inventories		**(1,387,846,173)**	(105,760,594)	(1,360,424,718)
Other current assets		**102,438,853**	(37,946,129)	(161,686,774)
Increase in trade and other payables		**694,676,179**	796,602,941	817,322,937
Net cash generated from (used for) operations		**349,027,538**	866,777,803	(191,998,874)
Income taxes paid		**(233,727,011)**	(88,248,590)	(87,227,068)
Interest received		**291,777**	371,574	134,890
Net cash provided by (used in) operating activities		**115,592,304**	778,900,787	(279,091,052)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	10	**(224,038,704)**	(43,776,367)	(89,969,928)
Increase in other noncurrent assets		**(52,050,500)**	(991,761)	(86,461,953)
Cash used in investing activities		**(276,089,204)**	(44,768,128)	(176,431,881)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in assigned capital	22	**843,495,442**	(955,887,110)	(6,751,288)
Net availments (payments) of short-term debt		**(492,590,684)**	(744,207,544)	1,211,474,121
Payments of long-term debt		**(469,967,949)**	(82,984,315)	(617,306,504)
Proceeds from availments of long-term debt		**420,000,000**	1,180,000,000	25,000,000
Interest paid		**(60,899,766)**	(76,001,340)	(71,045,753)
Net cash provided by (used in) financing activities		**240,037,043**	(679,080,309)	541,370,576
NET INCREASE IN CASH		**79,540,143**	55,052,350	85,847,643
CASH AT BEGINNING OF YEAR		**243,104,251**	188,051,901	102,204,258
CASH AT END OF YEAR	6	**₱322,644,394**	₱243,104,251	₱188,051,901

See accompanying Notes to Pro-Forma Financial Statements.

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

NOTES TO PRO-FORMA FINANCIAL STATEMENTS

1. Corporate Information

Wilcon Depot, Inc. (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 started its commercial operations on April 1, 2016.

The Company is a subsidiary of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (WBDI or the Parent Company), a company incorporated in the Philippines and engaged in the same line of business.

On March 31, 2016, the Board of Directors (BOD) and stockholders of WBDI approved the transfer of its trading business, including the related assets and liabilities, to the Company in exchange for the shares of stock of the Company. On the same date, the BOD and stockholders of the Company approved the acquisition and receipt of the former's trading business effective April 1, 2016. The transfer of WBDI's trading business to the Company is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of the Company. As at November 11, 2016, the Company is in the process of filing the required documentation with the SEC and PSE.

On April 29, 2016, the SEC approved the change in the corporate name to WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS.

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

The accompanying pro-forma financial statements of the Company as at and for the years ended December 31, 2015, 2014 and 2013 were approved and authorized for issue by the BOD on November 11, 2016.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance
The accompanying pro-forma financial statements were based on the carved-out special purpose statements of the trading business of WBDI as at and for the years ended December 31, 2015, 2014, 2013 and 2012, which were prepared in compliance 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.

Basis of Preparation

The accompanying pro-forma financial statements as at and for the years ended December 31, 2015, 2014 and 2013 have been prepared as if the trading business of WBDI is carried under the Company.

The pro-forma financial statements as at and for the years ended December 31, 2015, 2014 and 2013 are based on carved-out special purpose statements of the trading business of WBDI prepared by management as at and for the years ended December 31, 2015, 2014 and 2013, after giving effect to the pro-forma adjustments described in the succeeding paragraphs. The carved-out special purpose statements are attached and labeled as Appendix A.

The accompanying pro-forma financial statements are for informational purposes only and do not purport to present the financial position, financial performance and cash flows of the Company would have been as at and for the years ended December 31, 2015, 2014 and 2013, had the following transactions occurred on the various dates or purport to project the financial position, financial performance and cash flows for any future years.

The pro-forma adjustments arising from the transactions described in the succeeding paragraphs represent significant effects directly attributable to the said transactions which have been determined based upon the available information and assumptions that management believes to be reasonable.

The accompanying pro-forma financial statements assume that (i) WBDI charged the Company rental fee for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software owned by WBDI; and (ii) the amount of the WBDI's net assets as at December 31, 2015, 2014 and 2013 is equal to the total equity of the Company as at the same dates. The components of equity include assigned capital, other comprehensive loss and retained earnings. The retained earnings and other comprehensive loss are the cumulative net income and losses from 2013 to 2015, respectively.

The pro-forma financial statements are presented in Philippine Peso, which is the functional and presentation currency of the Company. All amounts are in absolute values, unless otherwise indicated.

The following tables show the effects of the pro-forma adjustments to the Company's carved-out statements of financial position as at December 31, 2015, 2014 and 2013, and carved-out statements of comprehensive income for the years then ended.

Pro-forma Statements of Financial Position

		2015			2014			2013		
	Note	Audited Carved-out Amounts	Pro-forma Adjustments	Pro-forma Amounts	Audited Carved-out Amounts	Pro-forma Adjustments	Pro-forma Amounts	Audited Carved-out Amounts	Pro-forma Adjustments	Pro-forma Amounts
ASSETS										
Current Assets										
Cash	A	₱272,644,394	₱50,000,000	₱322,644,394	₱193,104,251	₱50,000,000	₱243,104,251	₱138,051,901	₱50,000,000	₱188,051,901
Trade and other receivables		365,339,723	–	365,339,723	331,883,955	–	331,883,955	278,623,618	–	278,623,618
Merchandise inventories		7,153,387,843	–	7,153,387,843	5,765,541,670	–	5,765,541,670	5,660,309,066	–	5,660,309,066
Other current assets	B	113,606,701	6,008,917	119,615,618	146,205,664	75,848,807	222,054,471	184,108,342	–	184,108,342
Total Current Assets		7,904,978,661	56,008,917	7,960,987,578	6,436,735,540	125,848,807	6,562,584,347	6,261,092,927	50,000,000	6,311,092,927
Noncurrent Assets										
Property and equipment		296,114,735	–	296,114,735	169,029,005	–	169,029,005	219,011,460	–	219,011,460
Deferred tax assets	C	166,197,378	–	166,197,378	128,004,680	12,656,468	140,661,148	102,128,133	4,280,995	106,409,128
Other noncurrent assets	D	58,811,383	98,930,631	157,742,014	18,237,800	87,453,714	105,691,514	18,237,800	86,461,953	104,699,753
Total Noncurrent Assets		521,123,496	98,930,631	620,054,127	315,271,485	100,110,182	415,381,667	339,377,393	90,742,948	430,120,341
		₱8,426,102,157	₱154,939,548	₱8,581,041,705	₱6,752,007,025	₱225,958,989	₱6,977,966,014	₱6,600,470,320	₱140,742,948	₱6,741,213,268
LIABILITIES AND EQUITY										
Current Liabilities										
Short-term debt		₱843,058,199	₱–	₱843,058,199	₱1,335,648,883	₱–	₱1,335,648,883	₱2,079,856,427	₱–	₱2,079,856,427
Current portion of long-term debt		179,524,039	–	179,524,039	16,250,000	–	16,250,000	78,817,647	–	78,817,647
Trade and other payables	E	3,424,483,911	320,824,048	3,745,307,959	2,858,621,278	192,026,180	3,050,647,458	2,048,395,982	205,785,753	2,254,181,735
Income tax payable	B	215,884,500	(215,884,500)	–	16,067,191	(16,067,191)	–	152,107,980	(115,042,805)	37,065,175
Total Current Liabilities		4,662,950,649	104,939,548	4,767,890,197	4,226,587,352	175,958,989	4,402,546,341	4,359,178,036	90,742,948	4,449,920,984
Noncurrent Liabilities										
Long-term debt - net of current portion		967,820,512	–	967,820,512	1,181,062,500	–	1,181,062,500	21,479,168	–	21,479,168
Retirement liability		358,233,365	–	358,233,365	236,704,896	–	236,704,896	195,998,618	–	195,998,618
Total Noncurrent Liabilities		1,326,053,877	–	1,326,053,877	1,417,767,396	–	1,417,767,396	217,477,786	–	217,477,786
Equity	F									
Assigned capital		–	1,732,724,564	1,732,724,564	–	889,229,122	889,229,122	–	1,845,116,232	1,845,116,232
Other comprehensive loss		–	(63,515,400)	(63,515,400)	–	(11,442,857)	(11,442,857)	–	(11,442,857)	(11,442,857)
Retained earnings		–	817,888,467	817,888,467	–	279,866,012	279,866,012	–	240,141,123	240,141,123
		–	2,487,097,631	2,487,097,631	–	1,157,652,277	1,157,652,277	–	2,073,814,498	2,073,814,498
		₱–	₱2,592,037,179	₱8,581,041,705	₱5,644,354,748	₱1,333,611,266	₱6,977,966,014	₱4,576,655,822	₱2,164,557,446	₱6,741,213,268

Pro-forma Statements of Comprehensive Income

	Note	2015 Audited Carved-out Amounts	2015 Pro-forma Adjustments	2015 Pro-forma Amounts	2014 Audited Carved-out Amounts	2014 Pro-forma Adjustments	2014 Pro-forma Amounts	2013 Audited Carved-out Amounts	2013 Pro-forma Adjustments	2013 Pro-forma Amounts
NET SALES		₱14,450,141,427	₱–	₱14,450,141,427	₱13,595,537,099	₱–	₱13,595,537,099	₱11,861,589,999	₱–	₱11,861,589,999
COST OF SALES		10,840,446,520	–	10,840,446,520	11,075,546,099	–	11,075,546,099	9,300,556,268	–	9,300,556,268
GROSS INCOME		3,609,694,907	–	3,609,694,907	2,519,991,000	–	2,519,991,000	2,561,033,731	–	2,561,033,731
OPERATING EXPENSES	G	(2,403,992,310)	(444,627,140)	(2,848,619,450)	(2,017,290,491)	(410,711,542)	(2,428,002,033)	(1,796,714,571)	(396,988,491)	(2,193,703,062)
INTEREST EXPENSE		(60,899,766)	–	(60,899,766)	(76,001,340)	–	(76,001,340)	(71,045,753)	–	(71,045,753)
OTHER INCOME - Net		68,354,349	–	68,354,349	40,668,657	–	40,668,657	46,739,869	–	46,739,869
INCOME BEFORE INCOME TAX		1,213,157,180	(444,627,140)	768,530,040	467,367,826	(410,711,542)	56,656,284	740,013,276	(396,988,491)	343,024,785
INCOME TAX EXPENSE (BENEFIT)	B									
Current		379,771,621	(137,824,056)	241,947,565	166,021,405	(114,837,990)	51,183,415	239,335,048	(115,042,805)	124,292,243
Deferred		(15,875,894)	4,435,914	(11,439,980)	(25,876,547)	(8,375,473)	(34,252,020)	(17,354,839)	(4,053,742)	(21,408,581)
		363,895,727	(133,388,142)	230,507,585	140,144,858	(123,213,463)	16,931,395	221,980,209	(119,096,547)	102,883,662
NET INCOME		849,261,453	(311,238,998)	538,022,455	327,222,968	(287,498,079)	39,724,889	518,033,067	(277,891,944)	240,141,123
OTHER COMPREHENSIVE LOSS		(52,072,543)	–	(52,072,543)	–	–	–	(11,442,857)	–	(11,442,857)
TOTAL COMPREHENSIVE INCOME		₱797,188,910	(₱311,238,998)	₱485,949,912	₱327,222,968	(₱287,498,079)	₱39,724,889	₱506,590,210	(₱277,891,944)	₱228,698,266

Notes to Pro-forma Adjustments

A. Represents cash subscriptions for the initial capital of the Company.
B. Represents the application of prepaid income tax against the income tax liability resulting from the current tax effect on the pro-forma adjustments.
C. Represents the deferred tax effect on the pro-forma adjustments.
D. Represents security deposits on lease arrangements with WBDI.
E. Represents unpaid rentals and security and rental deposits on lease agreements with WBDI.
F. Represents the following:

	2015	2014	2013
Initial capital	₱–	₱–	₱50,000,000
Net assets of WBDI at beginning of year	1,157,652,277	2,073,814,498	1,801,867,520
Increase (decrease) in net assets	1,329,445,354	(916,162,221)	221,946,978
	₱2,487,097,631	₱1,157,652,277	₱2,073,814,498

Details of equity are as follows:

	2015	2014	2013
Assigned capital	₱1,732,724,564	₱889,229,122	₱1,845,116,232
Other comprehensive loss	(63,515,400)	(11,442,857)	(11,442,857)
Retained earnings	817,888,467	279,866,012	240,141,123
	₱2,487,097,631	₱1,157,652,277	₱2,073,814,498

G. Represents rent expense on land and buildings, transportation equipment and computer software. Details as follows:

	2015	2014	2013
Rent expense on:			
Land and buildings	₱373,249,482	₱335,028,475	₱319,046,150
Transportation equipment	43,174,915	60,913,387	63,545,415
Computer software	28,202,743	14,769,680	14,396,926
	₱444,627,140	₱410,711,542	₱396,988,491

3. Summary of Changes in Accounting Standards

Adoption of New and Revised PFRS
The Company adopted the following new and revised PFRS effective January 1, 2015, as summarized below.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions,* apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including nonfinancial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments.*

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

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS, which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the pro-forma financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

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

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides 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 they 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 be no longer necessary for 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 nonfinancial risk exposures.

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

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

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the pro-forma financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the pro-forma statement of financial position when the Company becomes a party to the contractual provisions of the instruments. 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 year 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 financial instrument, except for financial instruments at 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.

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 as expense or income.

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

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

The Company does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at December 31, 2015, 2014 and 2013.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks; trade and other receivables; refundable cash bonds and container deposits (presented as part of other current assets); and security and electricity deposits (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The short-term and long-term debt and trade and other payables (excluding statutory liabilities) are included in this category.

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 when:

- the right to receive cash flows from the asset has expired;

- 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 of the asset.

When the Company has transferred its right 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 is measured at the lower of the 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 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 pro-forma 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.

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

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

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

<u>Fair Value Measurement</u>
The Company uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 25, *Fair Value of Financial Instruments*.

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 year when the related revenue is recognized.

Other Current Assets
Other current assets mainly consists of include net amount of value-added tax (VAT) recoverable from taxation authority, deferred input VAT, prepaid expenses, refundable cash bonds 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 pro-forma 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 input VAT that are expected to be claimed against output VAT for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Prepaid Expenses. Prepaid expenses are expenses paid in advance and recorded as 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 year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Refundable Cash Bonds and Container Deposits. Refundable cash bonds and container deposits qualify as financial assets and are disclosed under financial instruments.

Other Noncurrent Assets
Other noncurrent assets comprise of security, rental and electricity deposits. These 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. The cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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

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

Asset Type	Number of Years
Leasehold improvements	5 or term of lease, whichever is shorter
Furniture and 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.

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.

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. 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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

Equity

Assigned Capital. Assigned capital is measured at par value for all shares issued. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction from proceeds, net of tax.

Other Comprehensive Income (Loss). Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive loss pertains to cumulative remeasurement gains or losses on retirement liability.

Retained Earnings. Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

Revenue Recognition

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

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

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

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 Expenses 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.

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 interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

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 and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in other comprehensive income in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent years.

The retirement liability is the aggregate of the present value of the defined benefit obligation which is 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 pro-forma 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 benefit 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

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

Earnings per Share

Basic earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year.

Diluted earnings per share is computed by adjusting the weighted average number of common shares outstanding to assume conversion of all the dilutive potential common shares into 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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

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

5. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the pro-forma financial statements requires the Company to exercise judgment, make estimates and use assumptions that affect the amounts reported in the pro-forma 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 pro-forma financial statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgment

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

Determining the Classification of Lease Arrangements. The Company, as a lessee, has various lease agreements with WBDI and third parties for land, buildings 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 ₱577.7 million, ₱506.3 million and ₱470.2 million in 2015, 2014 and 2013, respectively (see Note 20).

The Company, as a lessor, has existing lease agreements on commercial spaces, gondola lightings, facade billboards, window displays and street banners. The Company has determined that the significant risk 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 ₱45.8 million, ₱48.3 million and ₱45.0 million in 2015, 2014 and 2013, respectively (see Note 20).

Estimates and Assumptions

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

Determining Fair Values of Financial Instruments. The Company carries certain financial assets and liabilities at fair value. Fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Company determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 25.

Estimating Impairment Losses on Trade and Other Receivables and Refundable Cash Bonds. Impairment losses on trade and other receivables and refundable cash bonds 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 year 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 value of trade and other receivables amounted to ₱365.3 million, ₱331.9 million and ₱278.6 million as at December 31, 2015, 2014 and 2013, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱42.7 million, ₱53.3 million and ₱11.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 7).

Refundable cash bonds amounting to ₱83.4 million have been fully provided with allowance for impairment since June 2013 (see Note 9).

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

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

The carrying value of merchandise inventories amounted to ₱7,153.4 million, ₱5,765.5 million and ₱5,660.3 million as at December 31, 2015, 2014 and 2013, respectively (see Note 8). Allowance for inventory write down and losses amounted to ₱32.5 million, ₱32.5 million and ₱32.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 8).

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

There is no change in the estimated useful lives of property and equipment in 2015, 2014 and 2013.

The carrying value of property and equipment amounted ₱296.1 million, ₱169.0 million and ₱219.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 10).

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 are 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 belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized for the years ended December 31, 2015, 2014 and 2013.

The carrying values of property and equipment assessed for possible impairment amounted to ₱296.1 million, ₱169.0 million and ₱219.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 10).

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 15 to pro-forma 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 years.

Retirement liability amounted to ₱358.2 million, ₱236.7 million and ₱196.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 15).

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

Deferred tax assets amounted to ₱166.2 million, ₱140.7 million and ₱106.4 million as at December 31, 2015, 2014 and 2013, respectively (see Note 19).

6. Cash

This account consists of:

	2015	2014	2013
Cash on hand	**₱8,206,830**	₱5,567,144	₱4,354,782
Cash in banks	**314,437,564**	237,537,107	183,697,119
	₱322,644,394	₱243,104,251	₱188,051,901

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱291,777, ₱371,574 and ₱134,890 in 2015, 2014 and 2013, respectively (see Note 18).

7. Trade and Other Receivables

This account consists of:

	2015	2014	2013
Trade	**₱364,576,474**	₱275,054,404	₱289,184,505
Advances to suppliers	**24,559,300**	84,323,011	–
Rental receivables	**17,928,771**	24,940,038	–
Others	**928,298**	848,290	423,828
	407,992,843	385,165,743	289,608,333
Allowance for impairment losses	**(42,653,120)**	(53,281,788)	(10,984,715)
	₱365,339,723	₱331,883,955	₱278,623,618

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

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

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

	Note	**2015**	2014	2013
Balance at beginning of year		**₱53,281,788**	₱10,984,715	₱6,762,378
Reversals	17	**(32,833,293)**	–	–
Provisions	17	**22,204,625**	44,082,059	4,222,337
Write-off		**–**	(1,784,986)	–
Balance at end of year		**₱42,653,120**	₱53,281,788	₱10,984,715

8. Merchandise Inventories

Details of this account are as follows:

	2015	2014	2013
At cost	**₱7,057,939,810**	₱5,559,436,777	₱5,365,623,800
At net realizable value	**95,448,033**	206,104,893	294,685,266
	₱7,153,387,843	₱5,765,541,670	₱5,660,309,066

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

The cost of merchandise inventories stated at net realizable value amounted to ₱127.9 million, ₱238.6 million and ₱326.7 million as at December 31, 2015, 2014 and 2013, respectively.

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

	Note	2015	2014	2013
Balance at beginning of year		**₱32,496,051**	₱31,968,061	₱27,939,000
Provisions	16	**–**	527,990	4,029,061
Balance at end of year		**₱32,496,051**	₱32,496,051	₱31,968,061

9. Other Current Assets

This account consists of:

	2015	2014	2013
Deferred input VAT	**₱84,326,412**	₱84,770,530	₱102,478,694
Container deposits	**15,586,750**	12,173,500	11,311,999
Input VAT	**7,465,577**	39,204,143	56,131,255
Prepaid expenses:			
Income tax	**6,008,917**	75,848,807	–
Insurance	**1,950,516**	1,050,057	991,683
Rent	**–**	2,884,058	–
Others	**4,277,446**	–	–
Advanced import duties	**–**	6,123,376	13,194,711
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million	**–**	–	–
	₱119,615,618	₱222,054,471	₱184,108,342

Deferred input VAT pertains to unamortized portion of input VAT on furniture and equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently. This will be applied against on output VAT on sold goods.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

Advanced import duties refer to tax collected by the Bureau of Customs (BOC) on imported purchases of the Company. This will be reclassified to merchandise inventories once the items are received.

Refundable cash bonds refer to payments made to the BOC for the release of imported goods purchased by the 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 Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2015, the refund of cash bonds is still pending from the BOC.

10. Property and Equipment

Details and movements of this account are as follows:

		2015			
	Note	Leasehold Improvements	Furniture and Equipment	Construction in Progress	Total
Cost					
Balance at beginning of year		₱210,963,320	₱282,535,844	₱–	₱493,499,164
Additions		6,896,849	108,089,051	109,052,804	224,038,704
Balance at end of year		217,860,169	390,624,895	109,052,804	717,537,868
Accumulated Depreciation and Amortization					
Balance at beginning of year		164,055,710	160,414,449	–	324,470,159
Depreciation and amortization	17	39,669,322	57,283,652	–	96,952,974
Balance at end of year		203,725,032	217,698,101	–	421,423,133
Net Book Value		₱14,135,137	₱172,926,794	₱109,052,804	₱296,114,735

		2014		
	Note	Leasehold Improvements	Furniture and Equipment	Total
Cost				
Balance at beginning of year		₱210,875,744	₱238,847,053	₱449,722,797
Additions		87,576	43,688,791	43,776,367
Balance at end of year		210,963,320	282,535,844	493,499,164
Accumulated Depreciation and Amortization				
Balance at beginning of year		121,867,423	108,843,914	230,711,337
Depreciation and amortization	17	42,188,287	51,570,535	93,758,822
Balance at end of year		164,055,710	160,414,449	324,470,159
Net Book Value		₱46,907,610	₱122,121,395	₱169,029,005

		2013		
	Note	Leasehold Improvements	Furniture and Equipment	Total
Cost				
Balance at beginning of year		₱191,054,991	₱168,697,878	₱359,752,869
Additions		19,820,753	70,149,175	89,969,928
Balance at end of year		210,875,744	238,847,053	449,722,797
Accumulated Depreciation and Amortization				
Balance at beginning of year		80,872,257	68,143,642	149,015,899
Depreciation and amortization	17	40,995,166	40,700,272	81,695,438
Balance at end of year		121,867,423	108,843,914	230,711,337
Net Book Value		₱89,008,321	₱130,003,139	₱219,011,460

Construction in progress pertains to the construction of solar panels being installed at the roof deck of store's building.

Fully depreciated assets with aggregate cost amounting to ₱88.0 million and ₱30.8 million as at December 31, 2015 and 2014, respectively, are still being used in the Company's operations.

11. Other Noncurrent Assets

This account consists of:

	Note	2015	2014	2013
Security and rental deposits	20	**₱140,807,976**	₱90,532,165	₱89,540,404
Electricity deposits		**16,934,038**	15,159,349	15,159,349
		₱157,742,014	₱105,691,514	₱104,699,753

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. The refundable deposits and advance rentals will be returned and applied at the end of the lease term, respectively.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

12. Short-term Debt

This account consists of:

	2015	2014	2013
Loans	**₱736,633,576**	₱1,133,321,667	₱1,918,875,000
Trust receipts	**106,424,623**	202,327,216	160,981,427
	₱843,058,199	₱1,335,648,883	₱2,079,856,427

Short-term loans and trust receipts bear interest, which is being repriced monthly, ranging from 2% to 3.13% in 2015, 2014 and 2013.

Inventories purchased under trust receipts amounted to ₱420.5 million, ₱567.4 million and ₱441.1 million in 2015, 2014 and 2013, respectively.

Interest expense amounted to ₱31.0 million, ₱61.4 million and ₱52.4 million in 2015, 2014 and 2013, respectively (see Note 13).

13. Long-term Debt

Details of long-term debt are as follows:

			Outstanding Balances		
	Terms	Principal	**2015**	2014	2013
Loan 1	Quarterly payment starting March 2015 until December 2019	₱500,000,000	**₱400,000,000**	₱500,000,000	₱–
Loan 2	Lumpsum payment on March 31, 2020	320,000,000	**320,000,000**	–	–
Loan 3	Quarterly payment starting March 2016 until December 2018	300,000,000	**–**	300,000,000	–
Loan 4	Monthly payment starting March 2015 until December 2021	210,000,000	**183,076,923**	210,000,000	–
Loan 5	Monthly payment starting March 2015 until September 2021	170,000,000	**148,205,128**	170,000,000	–

(Forward)

	Terms	Principal	Outstanding Balances 2015	2014	2013
Loan 6	Monthly payment starting March 2015 until March 2018 based on a five-year amortization and balloon payment on March 2018	₱100,000,000	**₱95,000,000**	₱–	₱–
Loan 7	Monthly payment starting January 2010 until December 2014	100,000,000	–	–	29,166,667
Loan 8	Monthly payment starting April 2010 until April 2014	100,000,000	–	–	7,450,000
Loan 9	Quarterly payment starting August 2010 until August 2015	80,000,000	–	12,000,000	28,000,000
Loan 10	Quarterly payment starting July 2009 until July 2014	76,000,000	–	–	13,411,765
Loan 11	Quarterly payment starting December 2009 until December 2014	37,800,000	–	–	8,894,118
Loan 12	Quarterly payment starting June 2011 until June 2016	17,000,000	**1,062,500**	5,312,500	9,562,500
Loan 13	Quarterly payment starting December 2009 until December 2014	16,200,000	–	–	3,811,765
		2,027,000,000	**1,147,344,551**	1,197,312,500	100,296,815
Current portion			**(179,524,039)**	(16,250,000)	(78,817,647)
Noncurrent portion			**₱967,820,512**	₱1,181,062,500	₱21,479,168

Long-term loans were obtained from various local banks for working capital requirements of the Company. The loans interest, which is being repriced monthly, ranges from 2.50% to 2.88% in 2015, 2014 and 2013.

As at December 31, 2015, 2014 and 2013, certain loans are collateralized by property and equipment and investment properties owned by WBDI with a total carrying value of ₱647.1 million.

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

	2015	2014	2013
Less than one year	**₱179,524,039**	₱16,250,000	₱78,817,647
Between one to two years	**178,461,537**	101,062,500	20,416,668
Between two to five years	**750,384,615**	700,000,000	1,062,500
More than five years	**38,974,360**	380,000,000	–
	₱1,147,344,551	₱1,197,312,500	₱100,296,815

Interest expense is summarized below:

	Note	2015	2014	2013
Short-term debt	12	**₱30,979,056**	₱61,364,457	₱52,440,786
Long-term debt		**29,920,710**	14,636,883	18,604,967
		₱60,899,766	₱76,001,340	₱71,045,753

14. Trade and Other Payables

This account consists of:

	Note	2015	2014	2013
Trade:				
Third parties		**₱1,802,309,826**	₱2,220,779,579	₱1,646,587,565
Related parties	21	**1,225,214,060**	451,648,548	254,621,157
Rent	21	**251,707,754**	103,814,956	118,566,290
Advances from customers		**209,788,584**	96,191,263	8,300,617
Nontrade:				
Related party	21	**100,060,502**	88,021,155	86,461,953
Third parties		**73,602,843**	35,259,845	85,075,933
Accrued expenses:				
Outsourced services		**32,466,001**	4,859,373	–
Salaries and wages		**7,036,345**	8,422,177	1,819,854
Others		**5,040,266**	4,419,135	50,000
Unearned revenue		**16,719,989**	16,557,683	18,065,787
Others		**21,361,789**	20,673,744	34,632,579
		₱3,745,307,959	₱3,050,647,458	₱2,254,181,735

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

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers. Refundable deposits amounted to ₱117.2 million, ₱57.7 million and ₱8.3 million as at December 31, 2015, 2014 and 2013, respectively.

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel which, are payable in the succeeding month.

Accrued expenses are payable in the succeeding month.

Unearned revenue refers to unredeemed award credits from the loyalty program of the Company, which is redeemable within two years from the date of availment.

Others pertain to unredeemed gift certificates, withholding taxes and statutory obligations.

15. Retirement Benefits

The Company has an unfunded, noncontributory defined benefit retirement plan covering all of its eligible employees. The latest actuarial valuation report was dated as at December 31, 2015.

The following tables summarize the components of retirement benefits recognized in the pro-forma statements of comprehensive income and the retirement liability recognized in the pro-forma statements of financial position.

Retirement benefits are as follows:

	2015	2014	2013
Current service cost	**₱34,546,421**	₱30,279,151	₱28,749,669
Interest cost	**12,592,701**	10,427,127	8,029,438
	₱47,139,122	₱40,706,278	₱36,779,107

Movements in the retirement liability are as follows:

	2015	2014	2013
Balance at beginning of year	**₱236,704,896**	₱195,998,618	₱142,872,573
Remeasurement loss	**74,389,347**	–	16,346,938
Current service cost	**34,546,421**	30,279,151	28,749,669
Interest cost	**12,592,701**	10,427,127	8,029,438
Balance at end of year	**₱358,233,365**	₱236,704,896	₱195,998,618

The remeasurement losses recognized directly in equity follows:

	2015		
	Cumulative Remeasurement Loss	**Deferred Tax** (see Note19)	**Net**
Balance at beginning of year	**₱16,346,938**	**(₱4,904,081)**	**₱11,442,857**
Remeasurement loss	**74,389,347**	**(22,316,804)**	**52,072,543**
Balance at end of year	**₱90,736,285**	**(₱27,220,885)**	**₱63,515,400**

	2014		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Balance at beginning and end of year	₱16,346,938	(₱4,904,081)	₱11,442,857

	2013		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱–	₱–	₱–
Remeasurement loss	16,346,938	(4,904,081)	11,442,857
Balance at end of year	₱16,346,938	(₱4,904,081)	₱11,442,857

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

	2015	2014	2013
Discount rate	**4.89%**	5.32%	5.32%
Salary increase rate	**8.00%**	8.00%	8.00%

Sensitivity analysis on retirement liability for 2015 follows:

	Basis Points	Amount
Discount rate	+100	(₱65,580,783)
	-100	83,698,883
Salary rate	+100	76,391,175
	-100	(61,886,759)
Turnover rate	0%	124,634,732

As at December 31, 2015, the expected future retirement benefits payments follow:

Year	Amount
2016	₱16,384,713
2017	605,782
2018	8,555,077
2019	795,748
2020	949,474
2021 to 2025	37,614,221
	₱64,905,015

16. Cost of Sales

Details of cost of sales follow:

	Note	2015	2014	2013
Merchandise inventories, beginning		**₱5,798,037,721**	₱5,692,277,127	₱4,331,852,409
Net purchases		**12,228,292,693**	11,180,778,703	10,656,951,925
Total goods available for sale		**18,026,330,414**	16,873,055,830	14,988,804,334
Merchandise inventories, end		**(7,185,883,894)**	(5,798,037,721)	(5,692,277,127)
		10,840,446,520	11,075,018,109	9,296,527,207
Provision for inventory write down and losses	8	**–**	527,990	4,029,061
		₱10,840,446,520	₱11,075,546,099	₱9,300,556,268

17. Operating Expenses

This account consists of:

	Note	2015	2014	2013
Rent	20	**₱577,742,634**	₱506,252,397	₱470,162,443
Salaries, wages and employee benefits		**552,890,038**	445,788,761	407,999,348
Trucking		**373,675,605**	242,075,354	196,122,224
Outsourced services		**370,516,109**	264,979,857	251,852,017
Utilities		**307,115,168**	301,231,931	267,061,362
Taxes and licenses		**121,653,176**	112,398,721	95,270,768

(Forward)

	Note	2015	2014	2013
Credit card charges		**₱120,582,228**	₱116,835,200	₱101,231,973
Depreciation and amortization	10	**96,952,974**	93,758,822	81,695,438
Security services		**96,115,036**	66,657,504	61,848,744
Advertising and promotions		**71,847,707**	72,643,211	84,827,720
Supplies		**37,607,428**	45,572,894	42,686,100
Repairs and maintenance		**25,058,106**	24,697,328	20,531,798
Communication		**19,211,805**	18,392,841	18,007,793
Fuel and oil		**14,264,618**	13,961,124	37,268,613
Donations and contributions		**12,989,516**	3,112,198	7,953,105
Transportation and travel		**12,348,547**	22,867,161	19,926,443
Provision (reversal of allowance) for impairment losses on receivables	7	**(10,628,668)**	44,082,059	4,222,337
Professional fees		**8,730,619**	5,559,860	4,762,702
Insurance		**4,665,001**	4,506,843	4,525,094
Others		**35,281,803**	22,627,967	15,747,040
		₱2,848,619,450	₱2,428,002,033	₱2,193,703,062

18. Other Income (Charges)

This account consists of:

	Note	2015	2014	2013
Rent income	20	**₱45,751,128**	₱48,349,751	₱45,033,925
Foreign exchange gain		**837,267**	504,325	6,295,000
Interest income	6	**291,777**	371,574	134,890
Others		**21,474,177**	(8,556,993)	(4,723,946)
		₱68,354,349	₱40,668,657	₱46,739,869

Rent income includes rentals lease of gondola lightings, facade billboards, window displays and street banners.

Other income (charges) pertain to the amounts charged to and from the suppliers for the use of billboards and signage, office supplies and other reimbursable costs.

19. Income Taxes

The current income tax expense represents RCIT in 2015 and 2013 and MCIT in 2014.

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

	2015	2014	2013
Income tax expense at statutory rate	**₱230,559,012**	₱16,996,885	₱102,907,436
Tax effects of:			
Interest income already subjected to final tax	**(87,533)**	(111,472)	(40,467)
Nondeductible expense	**36,106**	45,982	16,693
	₱230,507,585	₱16,931,395	₱102,883,662

Deferred tax assets and liability relate to the tax effect of the following temporary differences:

	2015	2014	2013
Deferred tax assets:			
Retirement liability	**₱107,470,010**	₱71,011,469	₱58,799,585
Allowance for impairment losses on:			
Refundable cash bonds	**25,022,980**	25,022,980	25,022,980
Trade and other receivables	**12,795,935**	15,984,535	3,295,414
Allowance for inventory write down and losses	**9,748,815**	9,748,815	9,590,418
Unearned revenue from loyalty program	**5,015,997**	4,967,305	5,419,736
Accrued rent on straight-line basis	**4,837,603**	4,435,914	4,280,995
Other accruals	**1,310,741**	1,310,741	–
Excess of MCIT over RCIT	**–**	8,220,554	–
	166,202,081	140,702,313	106,409,128
Deferred tax liability -			
Unrealized foreign exchange gain	**(4,703)**	(41,165)	–
	₱166,197,378	₱140,661,148	₱106,409,128

The presentation of net deferred tax assets are as follows:

	Note	2015	2014	2013
Through profit or loss		**₱138,976,493**	₱135,757,067	₱101,505,047
Through other comprehensive income	15	**27,220,885**	4,904,081	4,904,081
		₱166,197,378	₱140,661,148	₱106,409,128

Excess MCIT incurred in 2014 amounting to ₱8.7 million was applied against income tax due in 2015.

20. Leases

The Company as a Lessee

The Company has various existing lease agreements with WBDI and third parties for the use of land, buildings, transportation equipment and computer software for a period of one to 30 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

As at December 31, 2015, 2014 and 2013, security and rental deposits amounted to ₱140.8 million, ₱90.5 million and ₱89.5 million, respectively (see Note 11). These refundable deposits and advance rentals will be returned and applied at the end of the lease term.

Rent expense amounted to ₱577.7 million, ₱506.3 million and ₱470.2 million in 2015, 2014 and 2013, respectively (see Note 17).

Future minimum rental payments under operating lease are as follows:

	2015	2014	2013
Within one year	**₱117,429,781**	₱507,583,596	₱461,199,280
After one year but not more than five years	**355,633,276**	67,666,864	506,998,451
More than five years	**341,878,117**	215,780,080	227,329,895
	₱814,941,174	₱791,030,540	₱1,195,527,626

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 and include escalation provision.

Rent income amounted to ₱45.8 million, ₱48.3 million and ₱45.0 million in 2015, 2014 and 2013, respectively (see Note 18).

21. Related Party Transactions and Balances

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

Related Party	Nature of Transactions	Year	Transactions during the Year	Trade Payable (see Note 14)	Rent Payable (see Note 14)	Nontrade Payable (see Note 14)
Parent Company	Leases	**2015**	**₱444,627,140**	**₱–**	**₱221,135,907**	**₱98,930,631**
		2014	410,711,542	–	103,814,956	87,453,714
		2013	396,988,491	–	118,566,290	86,461,953
Entities under Common Control	Purchases of goods	**2015**	**1,007,816,169**	**1,225,214,060**	**–**	**–**
		2014	197,027,391	451,648,548	–	–
		2013	133,481,976	254,621,157	–	–
	Trucking services	**2015**	**189,649,570**	**–**	**–**	**1,129,871**
		2014	155,739,585	–	–	567,441
		2013	129,493,400	–	–	–
		2015		**₱1,225,214,060**	**₱221,135,907**	**₱100,060,502**
		2014		451,648,548	103,814,956	88,021,155
		2013		254,621,157	118,566,290	86,461,953

Transactions with related parties include:

a. Purchase of merchandise inventories and trucking services with entities under common control.

b. Various lease agreements with WBDI for the use of land and buildings for office, stores and warehouse, transportation equipment and computer software for a period of one to 30 years (see Note 20).

Outstanding balance of trade and nontrade payables and accrued expenses are generally settled in varying periods depending on arrangement with related parties, normally within 30 to 90 days.

Compensation of Key Management Personnel
Compensation of key management personnel amounted to ₱9.6 million, ₱6.5 million and ₱5.8 million in 2015, 2014 and 2013, respectively.

22. Assigned Capital

Movements in assigned capital follow:

	2015	2014	2013
Balance at beginning of year	**₱889,229,122**	₱1,845,116,232	₱1,851,867,520
Movement in net assets	**843,495,442**	(955,887,110)	(6,751,288)
Balance at end of year	**₱1,732,724,564**	₱889,229,122	₱1,845,116,232

The changes in net assets in 2015, 2014 and 2013 were presented as additions to (deductions from) assigned capital.

23. Earnings per Share

Basic and diluted earnings per share were computed as follows:

	2015	2014	2013
Net income for the year	**₱538,022,455**	₱39,724,889	₱240,141,123
Divided by the weighted average number of outstanding shares	**17,327,246**	8,892,291	18,451,162
Earnings per share - basic and diluted	**₱31.05**	₱4.47	₱13.01

Diluted earnings per share is equal to the basic earnings per share because the Company does not have potential dilutive shares.

24. Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments consist of cash in banks, trade and other receivables, container deposits, refundable cash bonds (presented as part of other current assets), security and rental and electricity deposits (presented as part of other noncurrent assets) trade and other payables (excluding statutory liabilities) 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 its operating, investing and financing 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, interest rate risk and foreign currency 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 doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	2015	2014	2013
Cash in banks	**₱314,437,564**	₱237,537,107	₱183,697,119
Trade and other receivables	**407,992,843**	385,165,743	289,608,333
Refundable cash bonds	**83,409,934**	83,409,934	83,409,934
Container deposits	**15,586,750**	12,173,500	11,311,999
Security and rental deposits*	**132,539,380**	90,532,165	89,540,404
Electricity deposits	**16,934,038**	15,159,349	15,159,349
	₱970,900,509	₱823,977,798	₱672,727,138

**Exclusive of advance rentals amounting to ₱8.3 million as at December 31, 2015.*

The Company does not have major concentration of credit risk.

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

	2015				
	Neither Past Due nor Impaired	**Past Due but not Impaired: Less than One Year**	**Past Due but not Impaired: One Year and Over**	**Past Due and Impaired**	**Total**
Cash in banks	**₱314,437,564**	**₱–**	**₱–**	**₱–**	**₱314,437,564**
Trade and other receivables	**132,141,621**	**181,926,472**	**51,271,630**	**42,653,120**	**407,992,843**
Refundable cash bonds	**–**	**–**	**–**	**83,409,934**	**83,409,934**
Container deposits	**15,586,750**	**–**	**–**	**–**	**15,586,750**
Security and rental deposits*	**132,539,380**	**–**	**–**	**–**	**132,539,380**
Electricity deposits	**16,934,038**	**–**	**–**	**–**	**16,934,038**
	₱611,639,353	**₱181,926,472**	**₱51,271,630**	**₱126,063,054**	**₱970,900,509**

**Exclusive of advance rentals amounting to ₱8.3 million.*

	2014				
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than One Year	Past Due but not Impaired: One Year and Over	Past Due and Impaired	Total
Cash in banks	₱237,537,107	₱–	₱–	₱–	₱237,537,107
Trade and other receivables	210,298,673	115,409,532	6,175,750	53,281,788	385,165,743
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	12,173,500	–	–	–	12,173,500
Security and rental deposits	90,532,165	–	–	–	90,532,165
Electricity deposits	15,159,349	–	–		15,159,349
	₱565,700,794	₱115,409,532	₱6,175,750	₱136,691,722	₱823,977,798

	2013				
	Neither Past Due nor Impaired	Past Due but not Impaired: Less than One Year	Past Due but not Impaired: One Year and Over	Past Due and Impaired	Total
Cash in banks	₱183,697,119	₱–	₱–	₱–	₱183,697,119
Trade and other receivables	278,623,618	–	–	10,984,715	289,608,333
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	11,311,999	–	–	–	11,311,999
Security and rental deposits	89,540,404	–	–	–	89,540,404
Electricity deposits	15,159,349	–	–	–	15,159,349
	₱578,332,489	₱–	₱–	₱94,394,649	₱672,727,138

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

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

	2015			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks	**₱314,437,564**	**₱–**	**₱–**	**₱314,437,564**
Trade and other receivables	**–**	**132,141,621**	**–**	**132,141,621**
Container deposits	**–**	**–**	**15,586,750**	**15,586,750**
Security and rental deposits*	**–**	**132,539,380**	**–**	**132,539,380**
Electricity deposits	**–**	**16,934,038**	**–**	**16,934,038**
	₱314,437,564	**₱281,615,039**	**₱15,586,750**	**₱611,639,353**

**Exclusive of advance rentals amounting to ₱8.3 million.*

	2014			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱237,537,107	₱–	₱–	₱237,537,107
Trade and other receivables	–	210,298,673	–	210,298,673
Container deposits	–	–	12,173,500	12,173,500
Security and rental deposits	–	90,532,165	–	90,532,165
Electricity deposits	–	15,159,349	–	15,159,349
	₱237,537,107	₱315,990,187	₱12,173,500	₱565,700,794

	2013			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱183,697,119	₱–	₱–	₱183,697,119
Trade and other receivables	–	278,623,618	–	278,623,618
Container deposits	–	–	11,311,999	11,311,999
Security and rental deposits	–	89,540,404	–	89,540,404
Electricity deposits	–	15,159,349	–	15,159,349
	₱183,697,119	₱383,323,371	₱11,311,999	₱578,332,489

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

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

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

	2015				
	On Demand	**Within Three Months**	**More than Three Months to One Year**	**More than One Year but less than Five Years**	**Total**
Short-term debt	**₱–**	**₱722,336,347**	**₱120,721,852**	**₱–**	**₱843,058,199**
Trade and other payables*	**–**	**3,725,325,601**	**–**	**–**	**3,725,325,601**
Long-term debt	**–**	**45,677,885**	**133,846,154**	**967,820,512**	**1,147,344,551**
	₱–	**₱4,493,339,833**	**₱254,568,006**	**₱967,820,512**	**₱5,715,728,351**

**Exclusive of statutory liabilities amounting to ₱20.0 million.*

	2014				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱333,912,221	₱1,001,736,662	₱–	₱1,335,648,883
Trade and other payables*	–	3,030,714,780	–	–	3,030,714,780
Long-term debt	–	5,062,500	11,187,500	1,181,062,500	1,197,312,500
	₱–	₱3,369,689,501	₱1,012,924,162	₱1,181,062,500	₱5,563,676,163

**Exclusive of statutory liabilities amounting to ₱19.9 million.*

	2013				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱519,964,107	₱1,559,892,320	₱–	₱2,079,856,427
Trade and other payables*	–	2,219,549,156	–	–	2,219,549,156
Long-term debt	–	22,600,000	56,217,647	21,479,168	100,296,815
	₱–	₱2,762,113,263	₱1,616,109,967	₱21,479,168	₱4,399,702,398

**Exclusive of statutory liabilities amounting to ₱34.6 million.*

As at December 31, 2015, 2014 and 2013, the Company has available cash on hand and in banks amounting ₱322.6 million, ₱243.1 million and ₱188.1 million, respectively. The available cash, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
December 31, 2015	**0.70%**	**(₱345,277)**
	(0.70%)	**345,277**
December 31, 2014	0.30%	(233,354)
	(0.30%)	233,345
December 31, 2013	10.53%	(7,921,367)
	(10.53%)	7,921,367

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Company's exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Company's financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Company considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Company's financial position and financial performance is minimal.

The change in currency rate is based on the Company's best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

Capital Management

The primary objective of 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 Company monitors capital on the basis of debt-to-equity ratio and makes adjustments to it in light of changes in economic conditions and its financial position. This ratio is calculated as total debt divided by total equity.

Total equity includes assigned capital, other comprehensive loss and retained earnings. The debt-to-equity ratio is as follows:

	2015	2014	2013
Total debt	**₱6,093,944,074**	₱5,820,313,737	₱4,667,398,770
Total equity	**2,487,097,631**	1,157,652,277	2,073,814,498
Debt-to-equity	**2.45:1**	5.03:1	2.25:1

25. Fair Value of Financial Instruments

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

	2015		2014		2013	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Cash in banks	**₱322,644,394**	**₱322,644,394**	₱243,104,251	₱243,104,251	₱188,051,901	₱188,051,901
Trade and other receivables	**365,339,723**	**365,339,723**	331,883,955	331,883,955	278,623,618	278,623,618
Container deposits	**15,586,750**	**15,586,750**	12,173,500	12,173,500	11,311,999	11,311,999
Security and rental deposits*	**132,539,380**	**118,270,905**	90,532,165	87,864,773	89,540,404	85,382,817
Electricity deposits	**16,934,038**	**16,934,038**	15,159,349	15,159,349	15,159,349	15,159,349
	₱853,044,285	**₱838,775,810**	₱692,853,220	₱690,185,828	₱582,687,271	₱578,529,684
Financial Liabilities						
Short-term debt	**843,058,199**	**843,058,199**	1,335,648,883	1,335,648,883	2,079,856,427	2,079,856,427
Trade and other payables**	**3,725,325,601**	**3,725,325,601**	3,030,714,780	3,030,714,780	2,219,549,156	2,219,549,156
Long-term debt	**1,147,344,551**	**1,147,344,551**	1,197,312,500	1,197,312,500	100,296,815	100,296,815
	₱5,715,728,351	**₱5,715,728,351**	₱5,563,676,163	₱5,563,676,163	₱4,399,702,398	₱4,399,702,398

**Exclusive of advance rentals amounting to ₱8.3 million as at December 31, 2015.*

***Exclusive of statutory liabilities amounting to ₱20.0 million, ₱19.9 million and ₱34.6 million in 2015, 2014 and 2013, respectively.*

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

Cash in banks, trade and other receivables, security and rental deposits (excluding advance rentals), container deposits, electricity deposits, short-term debt and trade and other payables (excluding statutory liabilities). The carrying amounts payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

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.

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte, Quezon City

We have audited the accompanying carved-out special purpose statements of the Trading Business of WILCON BUILDER'S DEPOT INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the carved-out statement of net assets as at March 31, 2016, and the carved-out statement of comprehensive income and carved-out statement of cash flows for the three-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carved-out Special Purpose Statement

Management is responsible for the preparation and fair presentation of these carved-out special purpose statements in accordance with the Philippine Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the carved-out special purpose statements that are free from material misstatement, whether due to fraud or error. The carved-out special purpose statements contain an aggregation of financial information relating to the Trading Business of the Company and have been carved-out and prepared from the books and records maintained by the Company as discussed in Note 2 to carved-out special purpose statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these carved-out special purpose statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carved-out special purpose statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carved-out special purpose statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carved-out special purpose statements, whether due to fraud or error. In making risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carved-out special purpose statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carved-out special purpose statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carved-out special purpose statements present fairly, in all material respects, the carved-out financial position of the Trading Business of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER as at March 31, 2016, and its carved-out financial performance and its carved-out cash flows for the three-month period then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to carved-out special purpose statements. The carved-out special purpose statements present aggregated carved-out financial information of the Trading Business of the Company. In preparing the carved-out special purpose statements, all the assets, liabilities, income, cost and expenses directly relating to the Trading Business of the Company have been carved-out on the basis described in Note 2. The carved-out special purpose statements may not necessarily be indicative of the financial position, financial performance and cash flows that would have been achieved if the Trading Business of the Company had operated as an independent entity.

REYES TACANDONG & CO.

Haydee M. Reyes

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Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENT OF NET ASSETS
AS AT MARCH 31, 2016

	Note	
ASSETS		
Current Assets		
Cash	6	₱199,731,283
Trade and other receivables	7	377,126,849
Merchandise inventories	8	7,214,079,609
Other current assets	9	14,210,928
Total Current Assets		7,805,148,669
Noncurrent Assets		
Property and equipment	10	339,385,907
Deferred tax assets	19	180,115,504
Other noncurrent assets	11	49,403,111
Total Noncurrent Assets		568,904,522
Total Assets		8,374,053,191
LIABILITIES		
Current Liabilities		
Short-term debt	12	603,504,383
Current portion of long-term debt	13	178,461,539
Trade and other payables	14	3,461,894,391
Income tax payable		367,108,864
Total Current Liabilities		4,610,969,177
Noncurrent Liabilities		
Long-term debt - net of current portion	13	923,205,127
Retirement liability	15	371,054,331
Total Noncurrent Liabilities		1,294,259,458
Total Liabilities		5,905,228,635
NET ASSETS		₱2,468,824,556

See accompanying Notes to Carved-out Special Purpose Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

	Note	
NET SALES		₱3,666,673,258
COST OF SALES	16	(2,598,731,723)
GROSS INCOME		1,067,941,535
OPERATING EXPENSES	17	(591,974,859)
INTEREST EXPENSE	13	(12,896,579)
OTHER INCOME - Net	18	3,623,467
INCOME BEFORE INCOME TAX		466,693,564
INCOME TAX EXPENSE (BENEFIT)	19	
Current		155,637,817
Deferred		(13,918,126)
		141,719,691
NET INCOME		324,973,873
OTHER COMPREHENSIVE LOSS		–
TOTAL COMPREHENSIVE INCOME		₱324,973,873

See accompanying Notes to Carved-out Special Purpose Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENT OF CASH FLOWS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax		₱466,693,564
Adjustments for:		
Provision for:		
Inventory write down and losses	8	17,560,546
Impairment losses on receivables	17	14,076,040
Depreciation and amortization	10	14,846,598
Interest expense	13	12,896,579
Retirement benefits	15	12,820,966
Net unrealized foreign exchange gain		(217,580)
Interest income	6	(106,543)
Operating income before working capital changes		538,570,170
Decrease (increase) in:		
Trade and other receivables		(25,863,166)
Merchandise inventories		(78,252,312)
Other current assets		99,395,773
Increase in trade and other payables		37,628,060
Net cash generated from operations		571,478,525
Income taxes paid		(4,413,453)
Interest received		106,543
Net cash provided by operating activities		567,171,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	10	(58,117,770)
Decrease in other noncurrent assets		9,408,272
Net cash used in investing activities		(48,709,498)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in net assets		(293,246,948)
Net payments of short-term debt		(239,553,816)
Payments of long-term debt		(45,677,885)
Interest paid		(12,896,579)
Cash used in financing activities		(591,375,228)
NET DECREASE IN CASH		(72,913,111)
CASH AT BEGINNING OF PERIOD		272,644,394
CASH AT END OF PERIOD	6	₱199,731,283

See accompanying Notes to Carved-out Special Purpose Statements.

NOTES TO CARVED-OUT SPECIAL PURPOSE STATEMENTS

1. Corporate Information

Wilcon Builder's Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 15, 2004. The Company is engaged in buying and selling at wholesale and retail of all kinds of goods, commodities, wares and merchandise.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Company approved the transfer of the Trading Business of the Company (the Trading Business), including the related assets and liabilities, to Wilcon Depot, Inc. (WDI), a subsidiary, effective April 1, 2016, in exchange for the shares of stock of WDI. The transfer of the Trading Business to WDI is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of WDI. As at December 9, 2016, WDI is in the process of filing the required documentation with the SEC and PSE.

WDI was incorporated in the Philippines and registered with the SEC on December 17, 2015. WDI is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail. WDI started its commercial operations on April 1, 2016.

On April 29, 2016, the SEC approved the change in the corporate name of WDI to WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS.

On November 11, 2016, the SEC approved the change in the Company's corporate name to WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER and primary purpose to hold, own, invest in and acquire shares of stocks, bonds and other investments.

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

The accompanying carved-out special purpose statements of the Trading Business of the Company as at and for the three-month period ended March 31, 2016 were approved and authorized for issue by the BOD on December 9, 2016.

2. Statement of Compliance and Basis of Preparation

<u>Statement of Compliance</u>
The carved-out special purpose statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including the SEC provision.

The accompanying carved-out special purpose statements are prepared for filing with the SEC and PSE pursuant to the planned listing with the PSE and the public offering of the shares of WDI (see Note 1). Thus, the carved-out statement of net assets, carved-out statement of comprehensive income and carved-out statement of cash flows presented as at and for the three-month period ended March 31, 2016 have no comparative information required by PFRS.

Basis of Preparation

The carved-out special purpose statements present aggregated carved-out financial information of the Trading Business. In preparing the carved-out special purpose statements, all the assets, liabilities, income, cost and expenses directly relating to the Trading Business have been carved-out as described below. The carved-out special purpose statements may not necessarily be indicative of the financial position, financial performance and cash flows that would have been achieved if the Trading Business had operated as an independent entity.

Carved-out Statement of Net Assets

The carved-out statement of net assets represents the historical financial position of the Trading Business. The net assets exclude the assets and liabilities related to and will be used for the real estate business of the Company as enumerated below:

- Cash in bank used for the rental activities
- Rent receivables from leases of properties to third parties
- Cash advances to employees retained by the Company
- Prepaid real property tax
- Land, buildings and improvements, transportation equipment, construction in progress pertaining to store buildings under construction and computer software
- Long-term debt used for the acquisition of transportation equipment
- Due from and to related parties
- Retirement liability pertaining to employees retained by the Company
- Deposits for stock subscriptions

Carved-out Statement of Comprehensive Income

The carved-out statement of comprehensive income includes all income, cost and expenses directly related to the Trading Business. The income, cost and expenses are recognized on the basis of available information and assumption that management believes to be reasonable. Following the transfer of the Trading Business as discussed in Note 1, WDI will be charged with rental fees by the Company for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software.

Revenue and expenses exclude the following that are related to the real estate business of the Company:

- Salaries and wages pertaining to employees retained by the Company
- Repairs and maintenance on buildings and improvements, transportation equipment and computer software
- Real property taxes and vehicle registration fees
- Depreciation and amortization of buildings and improvements, transportation equipment, and computer software
- Rental income from leases of properties of the Company to third parties
- Gain on sale of transportation equipment

Carved-out Statement of Cash Flows
The cash generated from operating, investing and financing activities were prepared based on the carved-out statement of net assets and carved-out statement of comprehensive income and representative of the historical cash flows of the Trading Business.

The carved-out special purpose statements of the Trading Business have been prepared on a historical cost basis and are presented in Philippine Peso, which is the functional and presentation currency of the Trading Business. All amounts are stated in absolute values, unless otherwise indicated.

3. Summary of Changes in Accounting Standards

Adoption of New and Amended PFRS
The Trading Business adopted the following new and revised PFRS effective January 1, 2016 as summarized below.

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'* – The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

The adoption of the foregoing new and amended PFRS did not have any material effect on the carved-out special purpose statements of the Trading Business. Additional disclosures have been included in the notes to carved-out special purpose statements, as applicable.

New and Amended PFRS Not Yet Adopted

Relevant new and amended PFRS, which are not yet effective for the three-month period ended March 31, 2016 and have not been applied in preparing the carved-out special purpose statements, are summarized below.

Effective for annual period beginning on or after January 1, 2017:

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

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

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (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 they 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 for there to be objective evidence of impairment before a credit loss is recognized.

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

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

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' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the carved-out special purpose statements of the Trading Business, except for PFRS 9 and PFRS 16. Additional disclosures will be included in the carved-out special purpose statements, as applicable.

The Trading Business anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Trading Business' financial assets and liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the carved-out special purpose statements are summarized below.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the carved-out statement of net assets when the Trading Business becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Trading Business 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 year 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 financial instrument, except for financial instruments at 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 Trading Business 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 Trading Business determines the appropriate method of recognizing a day 1 difference.

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 as expense or income.

The Trading Business classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Trading Business classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities at amortized cost.

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

The Trading Business does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at March 31, 2016.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables, container deposits (presented as part of other current assets), and security and electricity deposits and refundable cash bonds (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

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

Offsetting of Financial Instruments. Financial assets and liabilities are offset and the net amount is reported in the carved-out 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.

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

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

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

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 when:

- the right to receive cash flows from the asset has expired;
- the Trading Business 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 Trading Business 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 of the asset.

When the Trading Business has transferred its right 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 Trading Business' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trading Business could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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.

Fair Value Measurement

The Trading Business uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Trading Business recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 23, *Fair Value of Financial Instruments.*

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 year when the related revenue is recognized.

Other Current Assets

Other current assets mainly consist of container deposits and prepaid expenses.

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

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 within 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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

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

The estimated useful lives and depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date to ensure that such period 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.

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.

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. 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 asset includes property and equipment.

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

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

The award credits from the loyalty program are identifiable component of sale transactions in which these are granted. The fair value of the consideration received or receivable in respect to the sale is allocated between the award credits and the other components of the sale. The Trading Business 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 in "Trade and other payables" account.

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 Trading Business through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expenses 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 year 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 separate 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 benefit 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

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 can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time if 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 year 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.

Related Party Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Trading Business 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 Trading Business; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Trading Business that gives them significant influence over the Trading Business 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions

Provisions are recognized when the Trading Business 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 carved-out special purpose statements but are disclosed in the notes to carved-out special purpose statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the carved-out special purpose statements but are disclosed in the notes to carved-out special purpose statements when an inflow of economic benefits is probable.

Events after the Reporting Date

Subsequent events that provide additional information about the Trading Business' financial position at the end of the reporting period (adjusting events) are reflected in the carved-out special purpose statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to carved-out special purpose statements when material.

5. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the carved-out special purpose statements requires the Trading Business to exercise judgment, make estimates and use assumptions that affect the amounts reported in the carved-out special purpose 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 carved-out special purpose statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgment
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 carved-out special purpose statements.

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

Rent expense amounted to ₱49.3 million for the three-month period ended March 31, 2016 (see Note 20).

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

Rent income amounted to ₱9.2 million for the three-month period ended March 31, 2016 (see Note 20).

Estimates and Assumptions
The key estimates and assumptions used in the carved-out special purpose statements are based upon management's evaluation of relevant facts and circumstances of the carved-out special purpose statements. Actual results could differ from those estimates. Presented below are the relevant estimates and assumptions performed by management on its carved-out special purpose statements.

Determining Fair Values of Financial Instruments. The Trading Business carries certain financial assets and liabilities at fair value. Fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Trading Business determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 23.

Estimating Impairment Losses on Trade and Other Receivables and Refundable Cash Bonds. Impairment losses on trade and other receivables and refundable cash bonds are provided for specific and groups of accounts, where objective evidence of impairment exists. The Trading Business 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 Trading Business' 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 Trading Business 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 value of trade and other receivables amounted to ₱377.1 million as at March 31, 2016 (see Note 7). Allowance for impairment losses on receivables amounted to ₱56.7 million as at March 31, 2016 (see Note 7).

Refundable cash bonds amounting to ₱83.4 million as at March 31, 2016 have been fully provided with allowance for impairment (see Note 11).

Determining Net Realizable Value of Merchandise Inventories. The Trading Business 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 ₱7,214.1 million as at March 31, 2016 (see Note 8). Allowance for inventory write down and losses amounted to ₱50.1 million as at March 31, 2016 (see Note 8).

Estimating Useful Lives of Property and Equipment. The Trading Business estimates the useful lives of property and equipment based on the period 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 the estimated useful lives of property and equipment in 2016.

The carrying value of property and equipment amounted to ₱339.4 million as at March 31, 2016 (see Note 10).

Assessing Impairment of Nonfinancial Assets. The Trading Business 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 Trading Business 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 are 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 belongs.

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

The carrying values of property and equipment assessed for possible impairment amounted to ₱339.4 million as at March 31, 2016 (see Note 10).

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

Retirement liability amounted to ₱371.1 million as at March 31, 2016 (see Note 15).

Assessing Realizability of Deferred Tax Assets. The Trading Business 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 assets to be recovered.

Deferred tax assets amounted to ₱180.1 million as at March 31, 2016 (see Note 19).

6. Cash

Details of this account follow:

Cash on hand	₱6,850,181
Cash in banks	192,881,102
	₱199,731,283

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱106,543 for the three-month period ended March 31, 2016 (see Note 18).

7. Trade and Other Receivables

Details of this account follow:

	Note	
Trade:		
Third parties		₱332,751,373
Related parties	21	77,602,017
Rental	20	20,331,007
Others		3,171,612
		433,856,009
Allowance for impairment losses		(56,729,160)
		₱377,126,849

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

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

Movements of allowance for impairment losses on receivables follow:

	Note	
Balance at beginning of period		₱42,653,120
Provision	17	21,735,664
Reversal	17	(7,659,624)
Balance at end of period		₱56,729,160

8. Merchandise Inventories

Details of this account follow:

At cost	₱7,115,469,597
At net realizable value	98,610,012
	₱7,214,079,609

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

The cost of merchandise inventories stated at net realizable value amounted to ₱148.7 million as at March 31, 2016.

Movements in the allowance for inventory write down and losses follow:

	Note	
Balance at beginning of period		₱32,496,051
Provision	16	17,560,546
Balance at end of period		₱50,056,597

9. Other Current Assets

Details of this account follow:

Container deposits	₱12,652,715
Prepaid expenses:	
Insurance	1,108,213
Others	450,000
	₱14,210,928

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

10. Property and Equipment

Details and movements of this account follow:

	Note	Leasehold Improvements	Furniture and Equipment	Construction in Progress	Total
Cost					
Balance at beginning of period		₱217,860,169	₱390,624,895	₱109,052,804	₱717,537,868
Additions		17,100,468	40,701,091	316,211	58,117,770
Balance at end of period		234,960,637	431,325,986	109,369,015	775,655,638
Accumulated Depreciation and Amortization					
Balance at beginning of period		203,725,032	217,698,101	–	421,423,133
Depreciation and amortization	17	24,395	14,822,203	–	14,846,598
Balance at end of period		203,749,427	232,520,304	–	436,269,731
Net Book Value		₱31,211,210	₱198,805,682	₱109,369,015	₱339,385,907

Construction in progress pertains to the construction of solar power panels being installed at the roof deck of stores' buildings.

The cost of fully depreciated assets amounting to ₱88.0 million as at March 31, 2016 are still being used in the Trading Business.

11. Other Noncurrent Assets

Details of this account follow:

	Note	
Security and rental deposits	20	₱32,600,765
Electricity deposits		16,802,346
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		–
		₱49,403,111

Security and rental deposits pertain to refundable deposits to various lessors. The refundable deposits will be returned at the end of the lease term.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

Refundable cash bonds refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Trading Business 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 Trading Business is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at March 31, 2016, the refund of cash bonds is still pending from the BOC.

12. Short-term Debt

Details of this account follow:

Loans	₱583,104,025
Trust receipts	20,400,358
	₱603,504,383

Short-term loans and trust receipts bear interests, which are being repriced monthly, ranging from 2% to 3.13% for the three-month period ended March 31, 2016.

Inventories purchased under trust receipts amounted to ₱420.5 million for the three-month period ended March 31, 2016.

Interest expense amounted to ₱4.5 million for the three-month period ended March 31, 2016 (see Note 13).

13. Long-term Debt

Details of this account follow:

	Terms	Principal	Outstanding Balances
Loan 1	Quarterly payment starting March 2015 until December 2019	₱500,000,000	₱375,000,000
Loan 2	Lumpsum payment on March 31, 2020	320,000,000	320,000,000
Loan 3	Monthly payment starting March 2015 until December 2021	210,000,000	175,000,000
Loan 4	Monthly payment starting March 2015 until September 2021	170,000,000	141,666,666
Loan 5	Monthly payment starting March 2015 until March 2018 based on a five-year amortization and balloon payment in March 2018	100,000,000	90,000,000
		₱1,300,000,000	1,101,666,666
Current portion			(178,461,539)
Noncurrent portion			₱923,205,127

Long-term loans were obtained from various local banks for working capital requirements of the Trading Business. The loans bear interests, which are being repriced monthly, ranging from 2.50% to 2.88% for the three-month period ended March 31, 2016.

Interest expense is summarized below:

	Note	
Long-term debt		₱8,413,800
Short-term debt	12	4,482,779
		₱12,896,579

As at March 31, 2016, certain loans are collateralized by property and equipment and investment properties owned by the Company with a total carrying value of ₱647.1 million.

The maturities of the long-term debt follow:

Less than one year	₱178,461,539
Between one to two years	178,461,539
Between two to five years	720,384,615
More than five years	24,358,973
	₱1,101,666,666

14. Trade and Other Payables

Details of this account follow:

	Note	
Trade:		
Third parties		₱1,934,394,685
Related parties	21	1,214,854,225
Advances from customers		187,229,342
Nontrade payables		46,476,470
Accrued expenses:		
Outsourced services		14,400,511
Salaries and wages		6,722,945
Others		6,439,020
Rent:	20	
Third parties		20,770,563
Related parties	21	5,556,583
Unearned revenue		18,858,092
Others		6,191,955
		₱3,461,894,391

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

Advances from customers pertain to refundable deposits to customers and payments made by the customers pending the delivery of goods purchased. Refundable deposits amounted to ₱113.6 million as at March 31, 2016.

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel, which are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Accrued expenses are payable in the succeeding month.

Unearned revenue refers to unredeemed award credits from the loyalty program of the Trading Business, which is redeemable within two years from the date of availment.

Others pertain to unredeemed gift certificates, withholding taxes and statutory obligations. Withholding taxes and statutory obligations are settled the following month.

15. Retirement Benefits

The Trading Business has unfunded, noncontributory defined benefit retirement plan covering all its eligible employees. The latest actuarial valuation report was dated as at December 31, 2015.

The following tables summarize the components of retirement benefits recognized in the carved-out statement of comprehensive income and the retirement liability recognized in the carved-out statement of net assets.

Retirement benefits for the three-month period ended March 31, 2016 follow:

Current service cost	₱8,246,912
Interest cost	4,574,054
	₱12,820,966

Movements in the retirement liability follow:

Balance at beginning of period	₱358,233,365
Retirement benefits	12,820,966
Balance at end of period	₱371,054,331

The cumulative remeasurement losses recognized in other comprehensive income as at March 31, 2016 follows:

	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Balance at beginning and end of period	₱153,629,451	(₱46,088,835)	₱107,540,616

The principal actuarial assumptions used to determine the retirement liability as at March 31, 2016 follow:

Discount rate	4.89%
Salary increase rate	8.00%

Sensitivity analysis on retirement liability for the three-month period ended March 31, 2016 follows:

	Basis Points	Amount
Discount rate	+100	(₱65,580,783)
	-100	83,698,883
Salary rate	+100	76,391,175
	-100	(61,886,759)
Turnover rate	0%	124,634,732

As at March 31, 2016, the expected future retirement benefits payments follow:

Year	Amount
2016	₱15,745,709
2017	582,157
2018	8,221,429
2019	764,714
2020	912,445
2021 to 2025	36,147,266
	₱62,373,720

16. Cost of Sales

Details of this account for the three-month period ended March 31, 2016 follow:

	Note	
Merchandise inventories, beginning		₱7,185,883,894
Net purchases		2,659,423,489
Total goods available for sale		9,845,307,383
Merchandise inventories, end		7,264,136,206
		2,581,171,177
Provision for inventory write down and losses	8	17,560,546
		₱2,598,731,723

17. Operating Expenses

Details of this account for the three-month period ended March 31, 2016 follow:

	Note	
Salaries, wages and employee benefits		₱140,820,304
Outsourced services		105,812,096
Utilities		78,099,030
Rent	20	49,256,503
Taxes and licenses		35,385,756
Credit card charges		31,164,930
Trucking		23,605,519
Advertising and promotions		23,509,921

(Forward)

	Note	
Security services		₱23,075,625
Supplies		18,075,289
Depreciation and amortization	10	14,846,598
Provision for impairment losses on receivables	7	14,076,040
Repairs and maintenance		10,215,183
Communication		5,460,332
Transportation and travel		4,188,352
Donations and contributions		3,876,278
Professional fees		2,564,776
Fuel and oil		1,637,158
Insurance		188,936
Others		6,116,233
		₱591,974,859

18. Other Income (Charges)

Details of this account for three-month period ended March 31, 2016 follow:

	Note	
Rent income	20	₱9,170,884
Net foreign exchange gain		159,855
Interest income	6	106,543
Others		(5,813,815)
		₱3,623,467

Rent income includes rentals lease of gondola lightings, facade billboards, window displays and street banners.

Other charges include amounts charged to and from the suppliers for the use of billboards and signage, office supplies and other reimbursable costs.

19. Income Taxes

The current income tax expense for the three-month period ended March 31, 2016 represents regular corporate income tax.

The reconciliation between income tax expense computed at statutory tax rate and income tax expense presented in the carved-out statement of comprehensive income for the three-month period ended March 31, 2016 is as follows:

Income tax expense at statutory rate	₱140,008,069
Tax effects of:	
Nondeductible expenses	1,743,585
Interest income already subjected to final tax	(31,963)
	₱141,719,691

Deferred tax assets and liability as at March 31, 2016 relate to the tax effect of the following temporary differences:

Deferred tax assets:	
Retirement liability	₱111,316,299
Allowance for impairment losses on:	
Refundable cash bonds	25,022,980
Trade and other receivables	17,018,748
Allowance for inventory write-down and losses	15,016,979
Unearned revenue from loyalty program	5,657,428
Accrued rent on straight-line basis	4,837,603
Other accruals	1,310,741
	180,180,778
Deferred tax liability -	
Unrealized foreign exchange gain	(65,274)
	₱180,115,504

The presentation of deferred tax assets are as follows:

	Note	
Through profit or loss		₱134,026,669
Through other comprehensive income	15	46,088,835
		₱180,115,504

20. Leases

The Trading Business as a Lessee

The Trading Business has various existing lease agreements with the third parties for the use of land and buildings for a period of one to 30 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

As at March 31, 2016, security and rental deposits amounted to ₱32.6 million (see Note 11). These refundable deposits will be returned at the end of the lease term.

Rent payable amounted to ₱26.3 million as at March 31, 2016 (see Note 14).

Rent expense amounted to ₱49.3 million for the three-month period ended March 31, 2016 (see Note 17).

Future minimum rental payments under operating lease are as follows:

Within one year	₱80,431,060
After one year but not more than five years	279,278,733
	₱359,709,793

The Trading Business as a Lessor

The Trading Business 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 and include escalation provision.

Rental receivable amounted to ₱20.3 million as at March 31, 2016 (see Note 7).

Rent income amounted to ₱9.2 million for the three-month period ended March 31, 2016 (see Note 18).

21. Related Party Transactions and Balances

The Trading Business, in the normal course of business, has various transactions with its related parties, as described below.

Related Party	Nature of Transactions	Transactions during the Period	Trade Receivables (see Note 7)	Trade Payables (see Note 14)	Nontrade Payables (see Note 14)	Rent Payables (see Note 14)
Entities under common control	Purchases of goods	₱863,056,498	₱–	₱1,214,854,225	₱–	₱–
	Leases	13,477,796	–	–	–	5,556,583
	Trucking services	16,056,510	–	–	–	–
	Sale of goods	2,872,934	77,602,017	–	–	–
			₱77,602,017	₱1,214,854,225	₱–	₱5,556,583

Transactions with related parties pertain to purchases and sales of merchandise inventories and trucking services with entities under common control.

Outstanding balances of trade payables are generally settled in varying periods depending on arrangement with related parties, normally within 30 to 90 days.

Compensation of Key Management Personnel
Compensation of key management personnel amounted to ₱8.6 million for the three-month period ended March 31, 2016.

22. Financial Risk Management Objectives and Policies

The Trading Business' principal financial instruments consist of cash in banks, trade and other receivables, container deposits (presented as part of other current assets), security and rental and electricity deposits, refundable cash bonds (presented as part of other noncurrent assets), trade and other payables (excluding statutory liabilities, unearned revenue and unredeemed gift certificates), short-term and long-term debt. The main purpose of these financial instruments is to fund the Trading Business' operations.

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

The main financial risks arising from the financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency 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 Trading Business 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 Trading Business' exposure to doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, container, security, rental and electricity deposits and refundable cash bonds exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

Cash in banks	₱192,881,102
Trade and other receivables	433,856,009
Container deposits	12,652,715
Security and rental deposits	32,600,765
Electricity deposits	16,802,346
Refundable cash bonds	83,409,934
	₱772,202,871

The Trading Business does not have major concentration of credit risk.

The following table summarizes the financial assets based on aging as at March 31, 2016:

	Neither Past Due nor Impaired	Past Due but not Impaired: Less than One Year	Past Due but not Impaired: One Year and Over	Past Due and Impaired	Total
Cash in banks	₱192,881,102	₱–	₱–	₱–	₱192,881,102
Trade and other receivables	121,497,367	204,401,529	51,227,953	56,729,160	433,856,009
Container deposits	12,652,715	–	–	–	12,652,715
Security and rental deposit	32,600,765	–	–	–	32,600,765
Electricity deposits	16,802,346	–	–	–	16,802,346
Refundable cash bonds	–	–	–	83,409,934	83,409,934
	₱376,434,295	₱204,401,529	₱51,227,953	₱140,139,094	₱772,202,871

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

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

	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱192,881,102	₱–	₱–	₱192,881,102
Trade and other receivables	–	121,497,367	–	121,497,367
Container deposits	–	–	12,652,715	12,652,715
Security and rental deposits	–	32,600,765	–	32,600,765
Electricity deposits	–	16,802,346	–	16,802,346
	₱192,881,102	₱170,900,478	₱12,652,715	₱376,434,295

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

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

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

	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Period	Total
Short-term debt	₱–	₱565,220,043	₱38,284,340	₱–	₱603,504,383
Trade and other payables*	–	3,436,844,344	–	–	3,436,844,344
Long-term debt	–	44,615,385	133,846,154	923,205,127	1,101,666,666
	₱–	₱4,046,679,772	₱172,130,494	₱923,205,127	₱5,142,015,393

**Exclusive of statutory liabilities, unredeemed gift certificates and unearned revenue ₱25.1 million.*

As at March 31, 2016, the Trading Business has available cash on hand and in banks amounting ₱199.7 million. The available cash of the Trading Business, together with net cash flows from operations, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
March 31, 2016	0.62%	(₱277,972)
	(0.62%)	277,972

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Trading Business' exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Trading Business' financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Trading Business considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Trading Business' financial position and financial performance is minimal.

The change in currency rate is based on the Trading Business' best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

23. Fair Value of Financial Instruments

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

	March 31, 2016	
	Carrying Amount	Fair Value
Financial Assets:		
Cash	₱199,731,283	₱199,731,283
Trade and other receivables	377,126,849	377,126,849
Container deposits	12,652,715	12,652,715
Security and rental deposits	32,600,765	27,905,861
Electricity deposits	16,802,346	16,802,346
	₱638,913,958	₱634,219,054
Financial Liabilities:		
Short-term debt	₱603,504,383	₱603,504,383
Trade and other payables*	3,436,844,344	3,436,844,344
Long-term debt	1,101,666,666	1,101,666,666
	₱5,142,015,393	₱5,142,015,393

***Exclusive of statutory liabilities, unredeemed gift certificates and unearned revenue ₱25.1 million.*

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

Cash in banks, trade and other receivables, container deposits, security and rental deposits, electricity deposits, short-term, trade and other payables (excluding statutory liabilities, unearned revenue and unredeemed gift certificates). The carrying amounts approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container deposit and security, rental and electricity deposit are under Level 2 of the fair value measurement hierarchy for financial instruments.

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.

For the three-month period ended March 31, 2016, there were no transfers among Level 1, Level 2 and Level 3 of fair value measurements.

BOA/PRC Accreditation No. 4782
December 29, 2015, valid until December 31, 2018
SEC Accreditation No. 0207-FR-1 (Group A)
September 27, 2016, valid until September 27, 2019

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC. and WILCON DEPOT, INC.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte, Quezon City

We have audited the accompanying carved-out special purpose statements of the trading business of WILCON BUILDER'S DEPOT INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the carved-out statements of net assets as at December 31, 2015, 2014 and 2013, and the carved-out statements of comprehensive income and carved-out statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carved-out Special Purpose Statements

Management is responsible for the preparation and fair presentation of these carved-out special purpose statements in accordance with the Philippine Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the carved-out special purpose statements that are free from material misstatement, whether due to fraud or error. The carved-out special purpose statements contain an aggregation of financial information relating to the trading business of the Company and have been carved-out and prepared from the books and records maintained by the Company as discussed in Note 2 to carved-out special purpose statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these carved-out special purpose statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carved-out special purpose statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carved-out special purpose statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carved-out special purpose statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carved-out special purpose statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carved-out special purpose statements.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carved-out special purpose statements present fairly, in all material respects, the carved-out financial position of the trading business of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER as at December 31, 2015, 2014 and 2013, and its carved-out financial performance and its carved-out cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to carved-out special purpose statements. The carved-out special purpose statements present aggregated carved-out financial information of the trading business of the Company. In preparing the carved-out special purpose statements, all the assets, liabilities, income and expenses directly relating to the trading business of the Company have been carved-out on the basis described in Note 2. The carved-out special purpose statements may not necessarily be indicative of the financial position, financial performance and cash flows that would have been achieved if the trading business of the Company had operated as an independent entity.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
BIR Accreditation No. 08-005144-6-2013
Valid until November 26, 2016
PTR No. 5321843
Issued January 5, 2016, Makati City

November 11, 2016
Makati City, Metro Manila

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENTS OF NET ASSETS

		December 31		
	Note	2015	2014	2013
ASSETS				
Current Assets				
Cash	6	₱272,644,394	₱193,104,251	₱138,051,901
Trade and other receivables	7	365,339,723	331,883,955	278,623,618
Merchandise inventories	8	7,153,387,843	5,765,541,670	5,660,309,066
Other current assets	9	113,606,701	146,205,664	184,108,342
Total Current Assets		7,904,978,661	6,436,735,540	6,261,092,927
Noncurrent Assets				
Property and equipment	10	296,114,735	169,029,005	219,011,460
Deferred tax assets	19	166,197,378	128,004,680	102,128,133
Other noncurrent assets	11	58,811,383	18,237,800	18,237,800
Total Noncurrent Assets		521,123,496	315,271,485	339,377,393
Total Assets		8,426,102,157	6,752,007,025	6,600,470,320
LIABILITIES				
Current Liabilities				
Short-term debt	12	843,058,199	1,335,648,883	2,079,856,427
Current portion of long-term debt	13	179,524,039	16,250,000	78,817,647
Trade and other payables	14	3,424,483,911	2,858,621,278	2,048,395,982
Income tax payable		215,884,500	16,067,191	152,107,980
Total Current Liabilities		4,662,950,649	4,226,587,352	4,359,178,036
Noncurrent Liabilities				
Long-term debt - net of current portion	13	967,820,512	1,181,062,500	21,479,168
Retirement liability	15	358,233,365	236,704,896	195,998,618
Total Noncurrent Liabilities		1,326,053,877	1,417,767,396	217,477,786
Total Liabilities		5,989,004,526	5,644,354,748	4,576,655,822
NET ASSETS		₱2,437,097,631	₱1,107,652,277	₱2,023,814,498

See accompanying Notes to Carved-out Special Purpose Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	2015	2014	2013
NET SALES		₱14,450,141,427	₱13,595,537,099	₱11,861,589,999
COST OF SALES	16	10,840,446,520	11,075,546,099	9,300,556,268
GROSS INCOME		3,609,694,907	2,519,991,000	2,561,033,731
OPERATING EXPENSES	17	(2,403,992,310)	(2,017,290,491)	(1,796,714,571)
INTEREST EXPENSE	13	(60,899,766)	(76,001,340)	(71,045,753)
OTHER INCOME - Net	18	68,354,349	40,668,657	46,739,869
INCOME BEFORE INCOME TAX		1,213,157,180	467,367,826	740,013,276
INCOME TAX EXPENSE (BENEFIT)	19			
Current		379,771,621	166,021,405	239,335,048
Deferred		(15,875,894)	(25,876,547)	(17,354,839)
		363,895,727	140,144,858	221,980,209
NET INCOME		849,261,453	327,222,968	518,033,067
OTHER COMPREHENSIVE LOSS				
Remeasurement loss on retirement liability, net of deferred income tax	15	(52,072,543)	–	(11,442,857)
TOTAL COMPREHENSIVE INCOME		₱797,188,910	₱327,222,968	₱506,590,210

See accompanying Notes to Carved-out Special Purpose Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱1,213,157,180	₱467,367,826	₱740,013,276
Adjustments for:				
Depreciation and amortization	10	96,952,974	93,758,822	81,695,438
Interest expense	13	60,899,766	76,001,340	71,045,753
Retirement benefits	15	47,139,122	40,706,278	36,779,107
Provision (reversal of allowance) for impairment losses on receivables	17	(10,628,668)	44,082,059	4,222,337
Interest income	6	(291,777)	(371,574)	(134,890)
Net unrealized foreign exchange gain		(15,678)	(137,218)	–
Provision for inventory write down and losses	8	–	527,990	4,029,061
Operating income before working capital changes		1,407,212,919	721,935,523	937,650,082
Decrease (increase) in:				
Trade and other receivables		(22,827,100)	(97,342,396)	(27,871,910)
Merchandise inventories		(1,387,846,173)	(105,760,594)	(1,360,424,718)
Other current assets		32,598,963	37,902,678	(161,686,774)
Increase in trade and other payables		565,878,311	810,362,514	611,764,437
Net cash generated from (used for) operations		595,016,920	1,367,097,725	(568,883)
Income taxes paid		(179,954,312)	(302,062,194)	(87,227,068)
Interest received		291,777	371,574	134,890
Net cash provided by (used in) operating activities		415,354,385	1,065,407,105	(87,661,061)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	10	(224,038,704)	(43,776,367)	(89,969,928)
Increase in other noncurrent assets		(40,573,583)	–	–
Cash used in investing activities		(264,612,287)	(43,776,367)	(89,969,928)
CASH FLOWS FROM FINANCING ACTIVITIES				
Increase (decrease) in net assets		532,256,444	(1,243,385,189)	(284,643,232)
Net availments (payments) of short-term debt		(492,590,684)	(744,207,544)	1,211,474,121
Payments of long-term debt		(469,967,949)	(82,984,315)	(617,306,504)
Proceeds from availments of long-term debt		420,000,000	1,180,000,000	25,000,000
Interest paid		(60,899,766)	(76,001,340)	(71,045,753)
Net cash provided by (used in) financing activities		(71,201,955)	(966,578,388)	263,478,632
NET INCREASE IN CASH		79,540,143	55,052,350	85,847,643
CASH AT BEGINNING OF YEAR		193,104,251	138,051,901	52,204,258
CASH AT END OF YEAR	6	₱272,644,394	₱193,104,251	₱138,051,901

See accompanying Notes to Carved-out Special Purpose Statements.

NOTES TO CARVED-OUT SPECIAL PURPOSE STATEMENTS

1. Corporate Information

Wilcon Builder's Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 15, 2004. The Company is engaged in buying and selling at wholesale and retail of all kinds of goods, commodities, wares and merchandise.

The trading business of the Company (the Trading Business) was transferred to WILCON DEPOT, INC. (WDI), a subsidiary, effective April 1, 2016. WDI was incorporated in the Philippines and registered with the SEC on December 17, 2015. WDI is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Company approved the transfer of the Trading Business, including the related assets and liabilities, to WDI effective April 1, 2016, in exchange for the shares of stock of WDI. The transfer of the Trading Business to WDI is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of WDI. As at November 11, 2016, WDI is in the process of filing the required documentation with the SEC and PSE.

WDI started its commercial operations on April 1, 2016.

On April 29, 2016, the SEC approved the change in the corporate name of WDI to WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS.

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

The accompanying carved-out special purpose statements of the Trading Business of the Company as at and for the years ended December 31, 2015, 2014 and 2013 were approved and authorized for issue by the BOD on November 11, 2016.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

The carved-out special purpose statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including the SEC provision.

<u>Basis of Preparation</u>

The carved-out special purpose statements present aggregated carved-out financial information of the Trading Business. In preparing the carved-out special purpose statements, all the assets, liabilities, income, cost and expenses directly relating to the Trading Business have been carved-out as described below. The carved-out special purpose statements may not necessarily be indicative of the financial position, financial performance and cash flows that would have been achieved if the Trading Business had operated as an independent entity.

Carved-out Statement of Net Assets

The carved-out statement of net assets represents the historical financial position of the Trading Business. The net assets exclude the assets and liabilities related to and will be used for the real estate business of the Company as enumerated below:

- Cash in bank used for the rental activities
- Rent receivables from leases of properties to third parties
- Cash advances from employees pertaining to employees retained by the Company
- Prepaid real property tax
- Land, buildings and improvements, transportation equipment, construction in progress pertaining to store buildings under construction and computer software
- Long-term debt used for the acquisition of transportation equipment
- Due from and to related parties
- Retirement liability pertaining to employees retained by the Company
- Deposits for future stock subscriptions

Carved-out Statement of Comprehensive Income

The carved-out statement of comprehensive income includes all revenue, cost and expenses directly related to the Trading Business. The expenses are recognized on the basis of available information and assumption that management believes to be reasonable. Following the transfer of the Trading Business as discussed in Note 1, WDI will be charged with rental fees by the Company for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software.

Revenue and expenses excluded the following that are related to the real estate business of the Company:

- Salaries and wages pertaining to employees retained by the Company
- Repairs and maintenance on buildings and improvements, transportation equipment and computer software
- Real property taxes and vehicle registration fees
- Depreciation and amortization of buildings and improvements, transportation equipment, and computer software
- Rental income from leases of properties of the Company to third parties
- Gain on sale of transportation equipment

Carved-out Statement of Cash Flows

The cash generated from operating, investing and financing activities were prepared based on the carved-out statement of net assets and carved-out statement of comprehensive income and representative of the historical cash flows of the Trading Business.

The carved-out special purpose statements of the Trading Business have been prepared on a historical cost basis and are presented in Philippine Peso, which is the functional and presentation currency of the Trading Business. All amounts are stated in absolute values, unless otherwise indicated.

3. Summary of Changes in Accounting Standards

Adoption of New and Revised PFRS

The Trading Business adopted the following new and revised PFRS effective January 1, 2015, as summarized below.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including nonfinancial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

The adoption of the foregoing new and revised PFRS did not have any material effect on the carved-out special purpose statements of the Trading Business. Additional disclosures have been included in the notes to carved-out special purpose statements, as applicable.

New and Revised PFRS Not Yet Adopted

Relevant new and revised PFRS, which are not yet effective for the year ended December 31, 2015 and have not been applied in preparing the carved-out special purpose statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation* – The amendments add guidance and clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

- Amendment to PAS 19, *Employee Benefits* – The amendment clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* – The amendment adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

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

- PFRS 9, *Fnancial Instruments* – This standard will replace PAS 39 (and all the previous versions of PFRS 9). It provides 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 they 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 be no longer necessary for 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 nonfinancial risk exposures.

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

Under prevailing circumstances, the adoption of the foregoing new and revised PFRS is not expected to have any material effect on the carved-out special purpose statements of the Trading Business. Additional disclosures will be included in the carved-out special purpose statements, as applicable.

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the carved-out special purpose statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the carved-out statement of net assets when the Trading Business becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Trading Business 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 year 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 financial instrument, except for financial instruments at 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 Trading Business 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 Trading Business determines the appropriate method of recognizing a day 1 difference.

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 as expense or income.

The Trading Business classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Trading Business classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

The Trading Business does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at December 31, 2015, 2014 and 2013.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks; trade and other receivables; refundable cash bonds and container deposits (presented as part of other current assets); and security and electricity deposits (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The short-term and long-term debt and trade and other payables (excluding statutory liabilities) are included in this category.

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 when:

- the right to receive cash flows from the asset has expired;
- the Trading Business 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 Trading Business 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 of the asset.

When the Trading Business has transferred its right 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 Trading Business' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trading Business could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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 carved-out 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.

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

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

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

Fair Value Measurement

The Trading Business uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Trading Business recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 23, *Fair Value of Financial Instruments.*

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 year when the related revenue is recognized.

Other Current Assets
Other current assets mainly consist of net amount of value-added tax (VAT) recoverable from taxation authority, prepaid expenses, refundable cash bonds 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 carved-out statement of net asset.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold, wherein the supplier's invoices are received subsequently. Deferred input VAT that are expected to be claimed against output VAT within 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 within 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Container Deposits and Refundable Cash Bond. Container deposits and refundable cash bonds qualify as financial assets and are disclosed under financial instruments.

Other Noncurrent Assets
Other noncurrent assets comprise of security, rental and electricity deposits. These 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. The cost includes the cost of replacing part of such property and equipment when that cost is incurred if the recognition criteria are met.

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

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

Asset Type	Number of Years
Leasehold improvements	5 or term of lease, whichever is shorter
Furniture and 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.

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.

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. 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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

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

The award credits from the loyalty program are identifiable component of sale transactions in which these are granted. The fair value of the consideration received or receivable in respect to the sale is allocated between the award credits and the other components of the sale. The Trading Business 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 in "Trade and other payables" account.

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 Trading Business through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expenses 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.

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 Trading Business recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

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 Trading Business recognizes restructuring-related costs.

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

The retirement liability is the aggregate of the present value of the defined benefit obligation which is 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 carve-out 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 benefit 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

Income Taxes

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time if 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 year 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.

Related Party Relationship and Transactions

Related party transactions consist of transfers of resources, services or obligations between the Trading Business 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 Trading Business; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Trading Business that gives them significant influence over the Trading Business 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.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions
Provisions are recognized when the Trading Business 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 carved-out special purpose statements but are disclosed in the notes to carved-out special purpose statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the carved-out special purpose statements but are disclosed in the notes to carved-out special purpose statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Post year-end events that provide additional information about the Trading Business' financial position at the end of the reporting year (adjusting events) are reflected in the carved-out special purpose statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to carved-out special purpose statements when material.

5. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the carved-out special purpose statements requires the Trading Business to exercise judgment, make estimates and use assumptions that affect the amounts reported in the carved-out special purpose 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 carved-out special purpose statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgment
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 carved-out special purpose statements.

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

Rent expense amounted to ₱133.1 million, ₱95.5 million and ₱73.2 million in 2015, 2014 and 2013, respectively (see Note 20).

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

Rent income amounted to ₱45.8 million, ₱48.3 million and ₱45.0 million in 2015, 2014 and 2013, respectively (see Note 20).

Estimates and Assumptions

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

Determining Fair Values of Financial Instruments. The Trading Business carries certain financial assets and liabilities at fair value. Fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Trading Business determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 23.

Estimating Impairment Losses on Trade and Other Receivables and Refundable Cash Bonds. Impairment losses on trade and other receivables and refundable cash bonds are provided for specific and groups of accounts, where objective evidence of impairment exists. The Trading Business 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 Trading Business' 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 Trading Business 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 value of trade and other receivables amounted to ₱365.3 million, ₱331.9 million and ₱278.6 million as at December 31, 2015, 2014 and 2013, respectively (see Note 7). Allowance for impairment losses on receivables amounted to ₱42.7 million, ₱53.3 million and ₱11.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 7).

Refundable cash bonds amounting to ₱83.4 million have been fully provided with allowance for impairment since June 2013 (see Note 9).

Determining Net Realizable Value of Merchandise Inventories. The Trading Business 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 ₱7,153.4 million, ₱5,765.5 million and ₱5,660.3 million as at December 31, 2015, 2014 and 2013, respectively (see Note 8). Allowance for inventory write down and losses amounted to ₱32.5 million, ₱32.5 million and ₱32.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 8).

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

There is no change in the estimated useful lives of property and equipment in 2015, 2014 and 2013.

The carrying value of property and equipment amounted to ₱296.1 million, ₱169.0 million and ₱219.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 10).

Assessing Impairment of Nonfinancial Assets. The Trading Business 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 Trading Business 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 are 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 belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2015, 2014 and 2013.

The carrying values of property and equipment assessed for possible impairment amounted to ₱296.1 million, ₱169.0 million and ₱219.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 10).

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

Retirement liability amounted to ₱358.2 million, ₱236.7 million and ₱196.0 million as at December 31, 2015, 2014 and 2013, respectively (see Note 15).

Assessing Realizability of Deferred Tax Assets. The Trading Business 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 ₱166.2 million, ₱128.0 million and ₱102.1 million as at December 31, 2015, 2014 and 2013, respectively (see Note 19).

6. Cash

This account consists of:

	2015	2014	2013
Cash on hand	₱8,206,830	₱5,567,144	₱4,354,782
Cash in banks	264,437,564	187,537,107	133,697,119
	₱272,644,394	₱193,104,251	₱138,051,901

Cash in banks earn interest at prevailing deposit rates. Interest income amounted to ₱291,777, ₱371,574 and ₱134,890 in 2015, 2014 and 2013, respectively (see Note 18).

7. Trade and Other Receivables

This account consists of:

	2015	2014	2013
Trade	₱364,576,474	₱275,054,404	₱289,184,505
Advances to suppliers	24,559,300	84,323,011	–
Rental receivables	17,928,771	24,940,038	–
Others	928,298	848,290	423,828
	407,992,843	385,165,743	289,608,333
Allowance for impairment losses	(42,653,120)	(53,281,788)	(10,984,715)
	₱365,339,723	₱331,883,955	₱278,623,618

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

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

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

	Note	2015	2014	2013
Balance at beginning of year		₱53,281,788	₱10,984,715	₱6,762,378
Reversals	17	(32,833,293)	–	–
Provisions	17	22,204,625	44,082,059	4,222,337
Write-off		–	(1,784,986)	–
Balance at end of year		₱42,653,120	₱53,281,788	₱10,984,715

8. Merchandise Inventories

Details of this account are as follows:

	2015	2014	2013
At cost	₱7,057,939,810	₱5,559,436,777	₱5,365,623,800
At net realizable value	95,448,033	206,104,893	294,685,266
	₱7,153,387,843	₱5,765,541,670	₱5,660,309,066

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

The cost of merchandise inventories stated at net realizable value amounted to ₱127.9 million, ₱238.6 million and ₱326.7 million as at December 31, 2015, 2014 and 2013, respectively.

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

	Note	2015	2014	2013
Balance at beginning of year		₱32,496,051	₱31,968,061	₱27,939,000
Provisions	16	–	527,990	4,029,061
Balance at end of year		₱32,496,051	₱32,496,051	₱31,968,061

9. Other Current Assets

This account consists of:

	2015	2014	2013
Deferred input VAT	₱84,326,412	₱84,770,530	₱102,478,694
Container deposits	15,586,750	12,173,500	11,311,999
Input VAT	7,465,577	39,204,143	56,131,255
Prepaid insurance	1,950,516	1,050,057	991,683

(Forward)

	2015	2014	2013
Advanced import duties	₱–	₱6,123,376	₱13,194,711
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million	–	–	–
Other prepayments	4,277,446	2,884,058	–
	₱113,606,701	₱146,205,664	₱184,108,342

Deferred input VAT pertains to unamortized portion of input VAT on furniture and equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently. This will be applied against on output VAT on sold goods.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

Advanced import duties refer to tax collected by the Bureau of Customs (BOC) on imported purchases of the Trading Business. This will be reclassified to merchandise inventories once the items are received.

Refundable cash bonds refer to payments made to the BOC for the release of imported goods purchased by the Trading Business 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 Trading Business is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2015, the refund of cash bonds is still pending from the BOC.

10. Property and Equipment

Details and movements of this account are as follows:

		2015			
	Note	Leasehold Improvements	Furniture and Equipment	Construction in Progress	Total
Cost					
Balance at beginning of year		₱210,963,320	₱282,535,844	₱–	₱493,499,164
Additions		6,896,849	108,089,051	109,052,804	224,038,704
Balance at end of year		217,860,169	390,624,895	109,052,804	717,537,868
Accumulated Depreciation and Amortization					
Balance at beginning of year		164,055,710	160,414,449	–	324,470,159
Depreciation and amortization	17	39,669,322	57,283,652	–	96,952,974
Balance at end of year		203,725,032	217,698,101	–	421,423,133
Net Book Value		₱14,135,137	₱172,926,794	₱109,052,804	₱296,114,735

	Note	2014 Leasehold Improvements	Furniture and Equipment	Total
Cost				
Balance at beginning of year		₱210,875,744	₱238,847,053	₱449,722,797
Additions		87,576	43,688,791	43,776,367
Balance at end of year		210,963,320	282,535,844	493,499,164
Accumulated Depreciation and Amortization				
Balance at beginning of year		121,867,423	108,843,914	230,711,337
Depreciation and amortization	17	42,188,287	51,570,535	93,758,822
Balance at end of year		164,055,710	160,414,449	324,470,159
Net Book Value		₱46,907,610	₱122,121,395	₱169,029,005

	Note	2013 Leasehold Improvements	Furniture and Equipment	Total
Cost				
Balance at beginning of year		₱191,054,991	₱168,697,878	₱359,752,869
Additions		19,820,753	70,149,175	89,969,928
Balance at end of year		210,875,744	238,847,053	449,722,797
Accumulated Depreciation and Amortization				
Balance at beginning of year		80,872,257	68,143,642	149,015,899
Depreciation and amortization	17	40,995,166	40,700,272	81,695,438
Balance at end of year		121,867,423	108,843,914	230,711,337
Net Book Value		₱89,008,321	₱130,003,139	₱219,011,460

Construction in progress pertains to the construction of solar power panels being installed at the roof deck of store's building.

The cost of fully depreciated assets amounting to ₱88.0 million, ₱30.8 million as at December 31, 2015 and 2014, respectively, are still being used in the Trading Business.

11. Other Noncurrent Assets

This account consists of:

	Note	2015	2014	2013
Security and rental deposits	20	**₱41,877,345**	₱3,078,451	₱3,078,451
Electricity deposits		**16,934,038**	15,159,349	15,159,349
		₱58,811,383	₱18,237,800	₱18,237,800

Security and rental deposits pertain to refundable deposits and advance rentals to various lessors. The refundable deposits and advance rentals will be returned and applied at the end of the lease term.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

12. Short-term Debt

This account consists of:

	2015	2014	2013
Loans	₱736,633,576	₱1,133,321,667	₱1,918,875,000
Trust receipts	106,424,623	202,327,216	160,981,427
	₱843,058,199	₱1,335,648,883	₱2,079,856,427

Short-term loans and trust receipts bear interest, which is being repriced monthly, ranging from 2% to 3.13% in 2015, 2014 and 2013.

Inventories purchased under trust receipts amounted to ₱420.5 million, ₱567.4 million and ₱441.1 million in 2015, 2014 and 2013, respectively.

Interest expense amounted to ₱31.0 million, ₱61.4 million and ₱52.4 million in 2015, 2014 and 2013, respectively (see Note 13).

13. Long-term Debt

Details of long-term debt are as follows:

			Outstanding Balances		
	Terms	Principal	2015	2014	2013
Loan 1	Quarterly payment starting March 2015 until December 2019	₱500,000,000	₱400,000,000	₱500,000,000	₱–
Loan 2	Lumpsum payment on March 31, 2020	320,000,000	320,000,000	–	–
Loan 3	Quarterly payment starting March 2016 until December 2018	300,000,000	–	300,000,000	–
Loan 4	Monthly payment starting March 2015 until December 2021	210,000,000	183,076,923	210,000,000	–
Loan 5	Monthly payment starting March 2015 until September 2021	170,000,000	148,205,128	170,000,000	–
Loan 6	Monthly payment starting January 2010 until December 2014	100,000,000	–	–	29,166,667
Loan 7	Monthly payment starting March 2015 until March 2018 based on a five-year amortization and balloon payment on March 2018	100,000,000	95,000,000	–	–
Loan 8	Monthly payment starting April 2010 until April 2014	100,000,000	–	–	7,450,000
Loan 9	Quarterly payment starting August 2010 until August 2015	80,000,000	–	12,000,000	28,000,000
Loan 10	Quarterly payment starting July 2009 until July 2014	76,000,000	–	–	13,411,765
Loan 11	Quarterly payment starting December 2009 until December 2014	37,800,000	–	–	8,894,118
Loan 12	Quarterly payment starting June 2011 until June 2016	17,000,000	1,062,500	5,312,500	9,562,500
Loan 13	Quarterly payment starting December 2009 until December 2014	16,200,000	–	–	3,811,765
		₱2,027,000,000	1,147,344,551	1,197,312,500	100,296,815
Current portion			(179,524,039)	(16,250,000)	(78,817,647)
Noncurrent portion			₱967,820,512	₱1,181,062,500	₱21,479,168

Long-term loans were obtained from various local banks for working capital requirements of the Trading Business. The debts bear interest, which is being repriced monthly, ranges from 2.50% to 2.88% in 2015, 2014 and 2013.

As at December 31, 2015, 2014 and 2013, certain loans are collateralized by property and equipment and investment properties owned by the Company with a total carrying value of ₱647.1 million.

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

	2015	2014	2013
Less than one year	₱179,524,039	₱16,250,000	₱78,817,647
Between one to two years	178,461,537	101,062,500	20,416,668
Between two to five years	750,384,615	700,000,000	1,062,500
More than five years	38,974,360	380,000,000	–
	₱1,147,344,551	₱1,197,312,500	₱100,296,815

Interest expense is summarized below:

	Note	2015	2014	2013
Short-term debt	12	₱30,979,056	₱61,364,457	₱52,440,786
Long-term debt		29,920,710	14,636,883	18,604,967
		₱60,899,766	₱76,001,340	₱71,045,753

14. Trade and Other Payables

This account consists of:

	Note	2015	2014	2013
Trade:				
Third parties		₱1,802,309,826	₱2,220,779,579	₱1,646,587,565
Related parties	21	1,225,214,060	451,648,548	254,621,157
Advances from customers		209,788,584	96,191,263	8,300,617
Nontrade:				
Third parties		72,895,333	34,552,335	84,368,423
Related party	21	1,129,871	567,441	–
Accrued expenses:				
Outsourced services		32,466,001	4,859,373	–
Salaries and wages		7,036,345	8,422,177	1,819,854
Others		4,990,266	4,369,135	–
Rent		30,571,847	–	–
Unearned revenue		16,719,989	16,557,683	18,065,787
Others		21,361,789	20,673,744	34,632,579
		₱3,424,483,911	₱2,858,621,278	₱2,048,395,982

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

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers. Refundable deposits amounted to ₱117.2 million, ₱57.7 million and ₱8.3 million as at December 31, 2015, 2014 and 2013, respectively.

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel, which are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Accrued expenses are payable in the succeeding month.

Unearned revenue refers to unredeemed award credits from the loyalty program of the Company, which is redeemable within two years from the date of availment.

Others pertain to unredeemed gift certificates, withholding taxes and statutory obligations.

15. Retirement Benefits

The Trading Business has unfunded, noncontributory defined benefit retirement plan covering all its eligible employees. The latest actuarial valuation report was dated as at December 31, 2015.

The following tables summarize the components of retirement benefits recognized in the carved-out statements of comprehensive income and the retirement liability recognized in the carved-out statements of net assets.

Retirement benefits are as follows:

	2015	2014	2013
Current service cost	**₱34,546,421**	₱30,279,151	₱28,749,669
Interest cost	**12,592,701**	10,427,127	8,029,438
	₱47,139,122	₱40,706,278	₱36,779,107

Movements in the retirement liability are as follows:

	2015	2014	2013
Balance at beginning of year	**₱236,704,896**	₱195,998,618	₱142,872,573
Remeasurement loss	**74,389,347**	–	16,346,938
Current service cost	**34,546,421**	30,279,151	28,749,669
Interest cost	**12,592,701**	10,427,127	8,029,438
Balance at end of year	**₱358,233,365**	₱236,704,896	₱195,998,618

The cumulative remeasurement losses recognized in other comprehensive income follows:

	2015		
	Cumulative Remeasurement Loss	**Deferred Tax (see Note 19)**	**Net**
Balance at beginning of year	**₱79,240,104**	**(₱23,772,031)**	**₱55,468,073**
Remeasurement loss	**74,389,347**	**(22,316,804)**	**52,072,543**
Balance at end of year	**₱153,629,451**	**(₱46,088,835)**	**₱107,540,616**

	2014		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Balance at beginning and end of year	₱79,240,104	(₱23,772,031)	₱55,468,073

	2013		
	Cumulative Remeasurement Loss	Deferred Tax (see Note 19)	Net
Balance at beginning of year	₱62,893,166	(₱18,867,950)	₱44,025,216
Remeasurement loss	16,346,938	(4,904,081)	11,442,857
Balance at end of year	₱79,240,104	(₱23,772,031)	₱55,468,073

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

	2015	2014	2013
Discount rate	**4.89%**	5.32%	5.32%
Salary increase rate	**8.00%**	8.00%	8.00%

Sensitivity analysis on retirement liability for 2015 follows:

	Basis Points	Amount
Discount rate	+100	(₱65,580,783)
	-100	83,698,883
Salary rate	+100	76,391,175
	-100	(61,886,759)
Turnover rate	0%	124,634,732

As at December 31, 2015, the expected future retirement benefits payments follow:

Year	Amount
2016	₱16,384,713
2017	605,782
2018	8,555,077
2019	795,748
2020	949,474
2021 to 2025	37,614,221
	₱64,905,015

16. Cost of Sales

Details of cost of sales follow:

	Note	2015	2014	2013
Merchandise inventories, beginning		₱5,798,037,721	₱5,692,277,127	₱4,331,852,409
Net Purchases		12,228,292,693	11,180,778,703	10,656,951,925
Total goods available for sale		18,026,330,414	16,873,055,830	14,988,804,334
Merchandise inventories, end		(7,185,883,894)	(5,798,037,721)	(5,692,277,127)
		10,840,446,520	11,075,018,109	9,296,527,207
Provision for inventory write down and losses	8	–	527,990	4,029,061
		₱10,840,446,520	₱11,075,546,099	₱9,300,556,268

17. Operating Expenses

This account consists of:

	Note	2015	2014	2013
Salaries, wages and employee benefits		₱552,890,038	₱445,788,761	₱407,999,348
Trucking		373,675,605	242,075,354	196,122,224
Outsourced services		370,516,109	264,979,857	251,852,018
Utilities		307,115,168	301,231,931	267,061,362
Rent	20	133,115,494	95,540,855	73,173,952
Taxes and licenses		121,653,176	112,398,721	95,270,767
Credit card charges		120,582,228	116,835,200	101,231,973
Depreciation and amortization	10	96,952,974	93,758,822	81,695,438
Security services		96,115,036	66,657,504	61,848,744
Advertising and promotions		71,847,707	72,643,211	84,827,720
Supplies		37,607,428	45,572,894	42,686,100
Repairs and maintenance		25,058,106	24,697,328	20,531,797
Communication		19,211,805	18,392,841	18,007,794
Fuel and oil		14,264,618	13,961,124	37,268,613
Donations and contributions		12,989,516	3,112,198	7,953,105
Transportation and travel		12,348,547	22,867,161	19,926,443
Provision (reversal of allowance) for impairment losses on receivables	7	(10,628,668)	44,082,059	4,222,337
Professional fees		8,730,619	5,559,860	4,762,702
Insurance		4,665,001	4,506,843	4,525,094
Others		35,281,803	22,627,967	15,747,040
		₱2,403,992,310	₱2,017,290,491	₱1,796,714,571

18. Other Income (Charges)

This account consists of:

	Note	2015	2014	2013
Rent income	20	₱45,751,128	₱48,349,751	₱45,033,925
Foreign exchange gain		837,267	504,325	6,295,000
Interest income	6	291,777	371,574	134,890
Others		21,474,177	(8,556,993)	(4,723,946)
		₱68,354,349	₱40,668,657	₱46,739,869

Rent income includes rentals lease of gondola lightings, facade billboards, window displays and street banners.

Other income (charges) pertain to the amounts charged to and from the suppliers for the use of billboards and signage, office supplies and other reimbursable costs.

19. Income Taxes

The current income tax expense represents regular corporate income tax.

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

	2015	2014	2013
Income tax expense at statutory rate	₱363,947,154	₱140,210,348	₱222,003,983
Tax effects of:			
Interest income already subjected to final tax	(87,533)	(111,472)	(40,467)
Nondeductible expense	36,106	45,982	16,693
	₱363,895,727	₱140,144,858	₱221,980,209

Deferred tax assets and liability relate to the tax effect of the following temporary differences:

	2015	2014	2013
Deferred tax assets:			
Retirement liability	₱107,470,010	₱71,011,469	₱58,799,585
Allowance for impairment losses on:			
Refundable cash bonds	25,022,980	25,022,980	25,022,980
Trade and other receivables	12,795,935	₱15,984,535	₱3,295,414
Allowance for inventory write-down and losses	9,748,815	9,748,815	9,590,418
Unearned revenue from loyalty program	5,015,997	4,967,305	5,419,736
Accrued rent on straight-line basis	4,837,603	–	–
Other accruals	1,310,741	1,310,741	–
	166,202,081	128,045,845	102,128,133
Deferred tax liability -			
Unrealized foreign exchange gain	(4,703)	(41,165)	–
	₱166,197,378	₱128,004,680	₱102,128,133

The presentation of deferred tax assets are as follows:

	Note	2015	2014	2013
Through profit or loss		**₱120,108,543**	₱104,232,649	₱78,356,102
Through other comprehensive income	15	**46,088,835**	23,772,031	23,772,031
		₱166,197,378	₱128,004,680	₱102,128,133

20. Leases

The Trading Business as a Lessee

The Trading Business has various existing lease agreements with the third parties for the use of land and buildings for a period of one to 30 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

As at December 31, 2015, 2014 and 2013, security and rental deposits amounted to ₱41.9 million, ₱3.1 million and ₱3.1 million, respectively (see Note 11). These refundable deposits and advance rentals will be returned and applied at the end of the lease term.

Rent expense amounted to ₱133.1 million, ₱95.5 million and ₱73.2 million in 2015, 2014 and 2013, respectively (see Note 17).

Future minimum rental payments under operating lease are as follows:

	2015	2014	2013
Within one year	**₱33,805,515**	₱29,907,484	₱17,805,409
After one year but not more than five years	**73,311,399**	86,801,785	69,386,070
More than five years	**48,193,014**	18,317,423	31,073,598
	₱155,309,928	₱135,026,692	₱118,265,077

The Trading Business as a Lessor

The Trading Business 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 and include escalation provision.

Rent income amounted to ₱45.8 million, ₱48.3 million and ₱45.0 million in 2015, 2014 and 2013, respectively (see Note 18).

21. Related Party Transactions and Balances

The Trading Business, in the normal course of business, has various transactions with its related parties, as described below.

Related Party	Nature of Transactions	Year	Transactions during the Year	Trade Payables (see Note 14)	Nontrade Payable (see Note 14)
Entities under Common Control	**Purchases of goods**	**2015**	**₱1,007,816,169**	**₱1,225,214,060**	**₱–**
		2014	**197,027,391**	**451,648,548**	**–**
		2013	**133,481,976**	**254,621,157**	**–**

(Forward)

Related Party	Nature of Transactions	Year	Transactions during the Year	Trade Payables (see Note 14)	Nontrade Payable (see Note 14)
	Trucking services	**2015**	**₱189,649,570**	**₱–**	**₱1,129,871**
		2014	155,739,585	–	567,441
		2013	129,493,400	–	–
		2015		**₱1,225,214,060**	**₱1,129,871**
		2014		451,648,548	567,441
		2013		254,621,157	–

Transactions with related parties pertain to purchase of merchandise inventories and trucking services with entities under common control.

Outstanding balances of trade and nontrade payables are generally settled in varying periods depending on arrangement with related parties, normally within 30 to 90 days.

Compensation of Key Management Personnel

Compensation of key management personnel amounted to ₱9.6 million, ₱6.5 million and ₱5.8 million in 2015, 2014 and 2013, respectively.

22. Financial Risk Management Objectives and Policies

The Trading Business' principal financial instruments consist of cash in banks, trade and other receivables, container deposits, refundable cash bonds (presented as part of other current assets), security and rental and electricity deposits (presented as part of other noncurrent assets), trade and other payables (excluding statutory liabilities), short-term and long-term debt. The main purpose of these financial instruments is to fund the Trading Business' operations.

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

The main financial risks arising from the financial instruments are credit risk, liquidity risk, interest rate risk and foreign currency 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 Trading Business 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 Trading Business' exposure to doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

	2015	2014	2013
Cash in banks	**₱264,437,564**	₱187,537,107	₱133,697,119
Trade and other receivables	**407,992,843**	385,165,743	289,608,333
Refundable cash bonds	**83,409,934**	83,409,934	83,409,934
Container deposits	**15,586,750**	12,173,500	11,311,999
Security and rental deposits*	**33,608,749**	3,078,451	3,078,451
Electricity deposits	**16,934,038**	15,159,349	15,159,349
	₱821,969,878	₱686,524,084	₱536,265,185

**Exclusive of advance rentals amounting to ₱8.3 million as at December 31, 2015.*

The Trading Business does not have major concentration of credit risk.

The following table summarizes the financial assets based on aging:

	2015				
	Neither Past	Past Due but not Impaired			
	Due nor Impaired	Less than One Year	One Year and Over	Past Due and Impaired	Total
Cash in banks	₱264,437,564	₱–	₱–	₱–	₱264,437,564
Trade and other receivables	132,141,621	181,926,472	51,271,630	42,653,120	407,992,843
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	15,586,750	–	–	–	15,586,750
Security and rental deposit*	33,608,749	–	–	–	33,608,749
Electricity deposits	16,934,038	–	–	–	16,934,038
	₱462,708,722	₱181,926,472	₱51,271,630	₱126,063,054	₱821,969,878

**Exclusive of advance rentals amounting to ₱8.3 million as at December 31, 2015.*

	2014				
	Neither Past	Past Due but not Impaired			
	Due nor Impaired	Less than One Year	One Year and Over	Past Due and Impaired	Total
Cash in banks	₱187,537,107	₱–	₱–	₱–	₱187,537,107
Trade and other receivables	210,298,673	115,409,532	6,175,750	53,281,788	385,165,743
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	12,173,500	–	–	–	12,173,500
Security and rental deposits	3,078,451	–	–	–	3,078,451
Electricity deposits	15,159,349	–	–	–	15,159,349
	₱428,247,080	₱115,409,532	₱6,175,750	₱136,691,722	₱686,524,084

	2013				
	Neither Past	Past Due but not Impaired			
	Due nor Impaired	Less than One Year	One Year and Over	Past Due and Impaired	Total
Cash in banks	₱133,697,119	₱–	₱–	₱–	₱133,697,119
Trade and other receivables	278,623,618	–	–	10,984,715	289,608,333
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	11,311,999	–	–	–	11,311,999
Security and rental deposits	3,078,451	–	–	–	3,078,451
Electricity deposits	15,159,349	–	–	–	15,159,349
	₱441,870,536	₱–	₱–	₱94,394,649	₱536,265,185

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

The tables below show the credit quality of the financial assets that are neither past due nor impaired based on their historical experience with the counter parties.

	2015			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱264,437,564	₱–	₱–	₱264,437,564
Trade and other receivables	–	132,141,621	–	132,141,621
Container deposits	–	–	15,586,750	15,586,750
Security and rental deposits*	–	33,608,749	–	33,608,749
Electricity deposits	–	16,934,038	–	16,934,038
	₱264,437,564	₱182,684,408	₱15,586,750	₱462,708,722

**Exclusive of advance rentals amounting to ₱8.3 million.*

	2014			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱187,537,107	₱–	₱–	₱187,537,107
Trade and other receivables	–	210,298,673	–	210,298,673
Container deposits	–	–	12,173,500	12,173,500
Security and rental deposits	–	3,078,451	–	3,078,451
Electricity deposits	–	15,159,349	–	15,159,349
	₱187,537,107	₱228,536,473	₱12,173,500	₱428,247,080

	2013			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱133,697,119	₱–	₱–	₱133,697,119
Trade and other receivables	–	278,623,618	–	278,623,618
Container deposits	–	–	11,311,999	11,311,999
Security and rental deposits	–	3,078,451	–	3,078,451
Electricity deposits	–	15,159,349	–	15,159,349
	₱133,697,119	₱296,861,418	₱11,311,999	₱441,870,536

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

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

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

	2015				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱722,336,347	₱120,721,852	₱–	₱843,058,199
Trade and other payables*	–	3,404,501,553	–	–	3,404,501,553
Long-term debt	–	30,138,623	149,385,416	967,820,512	1,147,344,551
	₱–	₱4,156,976,523	₱270,107,268	₱967,820,512	₱5,394,904,303

**Exclusive of statutory liabilities amounting to ₱20.0 million.*

	2014				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱333,912,221	₱1,001,736,662	₱–	₱1,335,648,883
Trade and other payables*	–	2,838,688,600	–	–	2,838,688,600
Long-term debt	–	5,062,500	11,187,500	1,181,062,500	1,197,312,500
	₱–	₱3,177,663,321	₱1,012,924,162	₱1,181,062,500	₱5,371,649,983

**Exclusive of statutory liabilities amounting to ₱19.9 million.*

	2013				
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱519,964,107	₱1,559,892,320	₱–	₱2,079,856,427
Trade and other payables*	–	2,013,763,403	–	–	2,013,763,403
Long-term debt	–	22,600,000	56,217,647	21,479,168	100,296,815
	₱–	₱2,556,327,510	₱1,616,109,967	₱21,479,168	₱4,193,916,645

**Exclusive of statutory liabilities amounting to ₱34.6 million.*

As at December 31, 2015, 2014 and 2013, the Trading Business has available cash on hand and in banks amounting ₱272.6 million, ₱193.1 million and ₱138.1 million, respectively. The available cash of the Trading Business, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
December 31, 2015	**0.70%**	**(₱345,277)**
	(0.70%)	**345,277**
December 31, 2014	0.30%	(233,354)
	(0.30%)	233,345
December 31, 2013	10.53%	(7,921,367)
	(10.53%)	7,921,367

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Trading Business' exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Trading Business' financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Trading Business considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Trading Business' financial position and financial performance is minimal.

The change in currency rate is based on the Trading Business' best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

23. Fair Value of Financial Instruments

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

	December 31, 2015		December 31, 2014		December 31, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Cash in banks	₱272,644,394	₱272,644,394	₱193,104,251	₱193,104,251	₱138,051,901	₱138,051,901
Trade and other receivables	365,339,723	365,339,723	331,883,955	331,883,955	278,623,618	278,623,618
Container deposits	15,586,750	15,586,750	12,173,500	12,173,500	11,311,999	11,311,999
Security and rental deposits*	33,608,749	19,352,349	3,078,451	2,481,601	3,078,451	2,488,651
Electricity deposits	16,934,038	16,934,038	15,159,349	15,159,349	15,159,349	15,159,349
	₱704,113,654	₱689,857,254	₱555,399,506	₱554,802,656	₱446,225,318	₱445,635,518
Financial Liabilities						
Short-term debt	843,058,199	843,058,199	1,335,648,883	1,335,648,883	2,079,856,427	2,079,856,427
Trade and other payables**	3,404,501,553	3,404,501,553	2,838,688,600	2,838,688,600	2,013,763,403	2,013,763,403
Long-term debt	1,147,344,551	1,147,344,551	1,197,312,500	1,197,312,500	100,296,815	100,296,815
	₱5,394,904,303	₱5,394,904,303	₱5,371,649,983	₱5,371,649,983	₱4,193,916,645	₱4,193,916,645

**Exclusive of advance rentals amounting to ₱8.3 million as at December 31, 2015.*
***Exclusive of statutory liabilities amounting to ₱20.0 million, ₱19.9 million and ₱34.6 million in 2015, 2014 and 2013, respectively.*

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

Cash in banks, trade and other receivables, container deposits, security and rental deposits (excluding advance rentals), electricity deposits, short-term debt and trade and other payables (excluding statutory liabilities). The carrying amounts approximate their fair values primarily due to the relatively short-term maturity of these financial instruments.

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.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
WILCON BUILDER'S DEPOT, INC.
No. 90 E. Rodriguez Jr. Avenue
Brgy. Ugong Norte, Quezon City

We have audited the accompanying carved-out special purpose statements of the Trading Business of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER, which comprise the carved-out statement of net assets as at September 30, 2015, and the carved-out statement of comprehensive income and carved-out statement of cash flows for the nine-month period then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carved-out Special Purpose Statements

Management is responsible for the preparation and fair presentation of these carved-out special purpose statements in accordance with the Philippine Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of the carved-out special purpose statements that are free from material misstatement, whether due to fraud or error. The carved-out special purpose statements contain an aggregation of financial information relating to the Trading Business of the Company and have been carved-out and prepared from the books and records maintained by the Company as discussed in Note 2 to carved-out special purpose statements.

Auditor's Responsibility

Our responsibility is to express an opinion on these carved-out special purpose statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carved-out special purpose statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carved-out special purpose statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carved-out special purpose statements, whether due to fraud or error. In making the risks assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carved-out special purpose statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carved-out special purpose statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the carved-out special purpose statements present fairly, in all material respects, the carved-out financial position of the Trading Business of WILCON BUILDER'S DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER as at September 30, 2015, and its carved-out financial performance and its carved-out cash flows for the nine-month period then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 to carved-out special purpose statements. The carved-out special purpose statements present aggregated carved-out financial information of the Trading Business of the Company. In preparing the carved-out special purpose statements, all the assets, liabilities, income, cost and expenses directly relating to the Trading Business of the Company have been carved-out on the basis described in Note 2. The carved-out special purpose statements may not necessarily be indicative of the financial position, financial performance and cash flows that would have been achieved if the Trading Business of the Company had operated as an independent entity.

REYES TACANDONG & CO.

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Partner
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BOA Accreditation No. 4782; Valid until December 31, 2018
SEC Accreditation No. 0663-AR-2 Group A
Valid until April 14, 2017
PTR No. 5321843
Issued January 5, 2016, Makati City

December 9, 2016
Makati City, Metro Manila

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENT OF NET ASSETS
AS AT SEPTEMBER 30, 2015

	Note	
ASSETS		
Current Assets		
Cash	6	₱295,975,610
Trade and other receivables	7	365,554,983
Merchandise inventories	8	7,234,778,699
Other current assets	9	216,357,552
Total Current Assets		8,112,666,844
Noncurrent Assets		
Property and equipment	10	215,752,355
Deferred tax assets	19	157,569,723
Other noncurrent assets	11	58,339,603
Total Noncurrent Assets		431,661,681
Total Assets		8,544,328,525
LIABILITIES		
Current Liabilities		
Short-term debts	12	1,352,428,603
Current portion of long-term debts	13	319,524,039
Trade and other payables	14	3,335,604,184
Income tax payable		139,268,403
Total Current Liabilities		5,146,825,229
Noncurrent Liabilities		
Long-term debts - net of current portion	13	1,173,498,397
Retirement liability	15	327,851,248
Total Noncurrent Liabilities		1,501,349,645
Total Liabilities		6,648,174,874
NET ASSETS		₱1,896,153,651

See accompanying Notes to Carved-out Special Purpose Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT;
WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	
NET SALES		₱10,638,413,936
COST OF SALES	16	(7,976,821,381)
GROSS INCOME		2,661,592,555
OPERATING EXPENSES	17	(1,861,193,543)
INTEREST EXPENSE	13	(56,146,969)
OTHER INCOME - Net	18	51,272,485
INCOME BEFORE INCOME TAX		795,524,528
INCOME TAX EXPENSE (BENEFIT)	19	
Current		251,443,130
Deferred		(12,827,440)
		238,615,690
NET INCOME		556,908,838
OTHER COMPREHENSIVE LOSS		
Remeasurement loss on retirement liability, net of deferred income tax	15	(39,054,407)
TOTAL COMPREHENSIVE INCOME		₱517,854,431

See accompanying Notes to Carved-out Special Purpose Statements.

WILCON BUILDER'S DEPOT, INC.
Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER - TRADING BUSINESS

CARVED-OUT STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2015

	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax		₱795,524,528
Adjustments for:		
Depreciation and amortization	10	69,996,156
Interest expense	13	56,146,969
Retirement benefits	15	35,354,342
Reversal of allowance for impairment losses on receivables	7	(7,971,460)
Interest income	6	(236,415)
Operating income before working capital changes		948,814,120
Decrease (increase) in:		
Trade and other receivables		(25,699,568)
Merchandise inventories		(1,469,237,029)
Other current assets		(70,151,888)
Increase in trade and other payables		476,982,906
Net cash used for operations		(139,291,459)
Income taxes paid		(128,241,918)
Interest received		236,415
Net cash used in operating activities		(267,296,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	10	(116,719,507)
Increase in other noncurrent assets		(40,101,803)
Cash used in investing activities		(156,821,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availments of long-term debt		415,000,000
Increase in net assets		270,646,942
Payments of long-term debt		(119,290,063)
Interest paid		(56,146,969)
Net availments of short-term debt		16,779,720
Net cash provided by financing activities		526,989,630
NET INCREASE IN CASH		102,871,359
CASH AT BEGINNING OF PERIOD		193,104,251
CASH AT END OF PERIOD	6	295,975,610

See accompanying Notes to Carved-out Special Purpose Statements.

1. Corporate Information

Wilcon Builder's Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT; WILCON HOME ESSENTIALS; and WILCON CITY CENTER (the Company), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on December 15, 2004. The Company is engaged in buying and selling at wholesale and retail of all kinds of goods, commodities, wares and merchandise.

On March 31, 2016, the Board of Directors (BOD) and stockholders of the Company approved the transfer of the Trading Business of the Company (the Trading Business), including the related assets and liabilities, to Wilcon Depot, Inc. (WDI), a subsidiary, effective April 1, 2016, in exchange for the shares of stock of WDI. The transfer of net assets in exchange for shares of stock of WDI is approved by the SEC on November 15, 2016. The transfer of the Trading Business to WDI is pursuant to the planned listing with the Philippine Stock Exchange (PSE) and the public offering of the shares of WDI. As at December 9, 2016, WDI is in the process of filing the required documentation with the SEC and PSE.

WDI was incorporated in the Philippines and registered with the SEC on December 17, 2015. WDI is engaged in buying and selling of all kinds of goods, commodities, wares and merchandise at wholesale and retail. WDI started its commercial operations on April 1, 2016.

On April 29, 2016, the SEC approved the change in the corporate name of WDI to WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS.

On November 11, 2016, the SEC approved the change in the Company's corporate name to WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER and primary purpose to hold, own, invest in and acquire shares of stocks, bonds and other investments.

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

The accompanying carved-out special purpose statements of the Trading Business of the Company as at and for the nine-month period ended September 30, 2015 were approved and authorized for issue by the BOD on December 9, 2016.

2. Statement of Compliance and Basis of Preparation

Statement of Compliance

The carved-out special purpose statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretation Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council and adopted by the SEC, including the SEC provision.

The accompanying carved-out special purpose statements are prepared for filing with the SEC and PSE pursuant to the planned listing with the PSE and the public offering of the shares of WDI (see Note 1). Thus, the September 30, 2015 figures presented for the carved-out statement of net assets, carved-out statement of comprehensive income and carved-out statement of cash flows presented are as at and for the nine-month period ended September 30, 2015 and have no comparative information required by PFRS.

Basis of Preparation

The carved-out special purpose statements present aggregated carved-out financial information of the Trading Business. In preparing the carved-out special purpose statements, all the assets, liabilities, income, cost and expenses directly relating to the Trading Business have been carved-out as described below. The carved-out special purpose statements may not necessarily be indicative of the financial position, financial performance and cash flows that would have been achieved if the Trading Business had operated as an independent entity.

Carved-out Statement of Net Assets

The carved-out statement of net assets represents the historical financial position of the Trading Business. The net assets exclude the assets and liabilities related to and will be used for the real estate business of the Company as enumerated below:

- Cash in bank used for the rental activities
- Rent receivables from leases of properties to third parties
- Cash advances to employees pertaining to employees retained by the Company
- Prepaid real property tax
- Land, buildings and improvements, transportation equipment, construction in progress pertaining to store buildings under construction and computer software
- Long-term debt used for the acquisition of transportation equipment
- Due from and to related parties
- Retirement liability pertaining to employees retained by the Company
- Deposits for stock subscriptions

Carved-out Statement of Comprehensive Income

The carved-out statement of comprehensive income includes all income, cost and expenses directly related to the Trading Business. The income, cost and expenses are recognized on the basis of available information and assumption that management believes to be reasonable. Following the transfer of the Trading Business as discussed in Note 1, WDI will be charged with rental fees by the Company for the use of land and buildings for office, stores and warehouses, transportation equipment and computer software.

Revenue and expenses excluded the following that are related to the real estate business of the Company:

- Salaries and wages pertaining to employees retained by the Company
- Repairs and maintenance on buildings and improvements, transportation equipment and computer software
- Real property taxes and vehicle registration fees
- Depreciation and amortization of buildings and improvements, transportation equipment, and computer software
- Rental income from leases of properties of the Company to third parties
- Gain on sale of transportation equipment

Carved-out Statement of Cash Flows
The cash generated from operating, investing and financing activities were prepared based on the carved-out statement of net assets and carved-out statement of comprehensive income and representative of the historical cash flows of the Trading Business.

The carved-out special purpose statements of the Trading Business have been prepared on a historical cost basis and are presented in Philippine Peso, which is the functional and presentation currency of the Trading Business. All amounts are stated in absolute values, unless otherwise indicated.

3. Summary of Changes in Accounting Standards

Adoption of New and Revised PFRS
The Company adopted the following new and revised PFRS effective January 1, 2015, as summarized below.

- Amendments to PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions*, apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions from current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions from current service cost upon payment of these contributions to the plans.

- Amendment to PAS 24, *Related Party Disclosures - Key Management Personnel* – The amendment clarifies how payments to entities providing key management personnel services are to be disclosed.

- Amendments to PAS 40, *Investment Property*, clarify the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3.

- Amendment to PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables and Portfolio Exception* – The amendment clarifies that the portfolio exception in PFRS 13 - allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis - applies to all contracts (including nonfinancial) within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* or PFRS 9, *Financial Instruments*.

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

New and Revised PFRS Not Yet Adopted
Relevant new and revised PFRS, which are not yet effective for the nine-month period ended September 30, 2015 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2016:

- Amendments to PAS 1, *Presentation of Financial Statements: Disclosure Initiative* – The amendments clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- Amendments to PAS 16, *Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation,* and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Amortization* – The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.

- Amendment to PAS 19, *Employee Benefits - Discount Rate: Regional Market Issue* – The amendment clarifies that in determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise. Thus, the assessment of whether there is a deep market in high quality corporate bonds is based on corporate bonds in that currency (not corporate bonds in a particular country), and in the absence of a deep market in high quality corporate bonds in that currency, government bond in the relevant currency should be used.

- Amendments to PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* – The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their financial statements.

- Amendment to PFRS 7, *Financial Instruments: Disclosures* - Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements – The amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- Amendment to PAS 34, *Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report'* – The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective for annual period beginning on or after January 1, 2017:

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

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

Effective for annual period beginning on or after January 1, 2018 –

- PFRS 9, *Financial Instruments* – This standard will replace PAS 39 (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 they 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 for there to be objective evidence of impairment before a credit loss is recognized.

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

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

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' balance sheets under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

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

The Company anticipates that the application of PFRS 9 and PFRS 16 might have a significant effect on amounts reported in respect of the Company's financial assets and liabilities and leases. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

4. Summary of Significant Accounting and Financial Reporting Policies

The significant accounting and financial reporting policies that have been used in the preparation of the carved-out special purpose statements are summarized below.

Financial Instruments

Date of Recognition. Financial instruments are recognized in the carved-out statement of net assets when the Trading Business becomes a party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognized on the trade date (i.e., the date that the Trading Business 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 year 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 financial instrument, except for financial instruments at 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 Trading Business 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 Trading Business determines the appropriate method of recognizing a day 1 difference.

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 as expense or income.

The Trading Business classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables. The Trading Business classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

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

The Trading Business does not have financial instruments classified as financial assets or liabilities at FVPL, HTM investments and AFS financial assets as at September 30, 2015.

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of interest income in profit or loss using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of interest income in profit or loss. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired, as well as through the amortization process.

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

Cash in banks, trade and other receivables; container deposits (presented as part of other current assets); and security and electricity deposits and refundable cash bonds (presented as part of other noncurrent assets) are included in this category.

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. The financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

The short-term and long-term debt and trade and other payables (excluding statutory liabilities) are included in this category.

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 when:

- the right to receive cash flows from the asset has expired;
- the Trading Business 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 Trading Business 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 of the asset.

When the Trading Business has transferred its right 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 Trading Business' continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Trading Business could be required to pay.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or 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 carved-out statement of net assets 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.

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

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

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

Fair Value Measurement

The Trading Business uses market observable data as far as possible when measuring the fair value of an asset or a liability. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- Level 1 - quoted (unadjusted) market prices in active market for identical assets or liabilities.

- Level 2 - valuation techniques fo r 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.

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Trading Business recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 23, *Fair Value of Financial Instruments.*

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 year when the related revenue is recognized.

Other Current Assets

Other current assets mainly consist of net amount of value-added tax (VAT) recoverable from taxation authority, container deposits and prepaid expenses.

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 carved-out statement of net assets.

Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold, wherein the supplier's invoices are received subsequently. Deferred input VAT that are expected to be claimed against output VAT within 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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 within 12 months after the financial reporting year are classified as current assets. Otherwise, these are classified as noncurrent assets.

Other Noncurrent Assets

Other noncurrent assets comprise of security, rental and electricity deposits and refundable cash bonds. These 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.

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

Asset Type	Number of Years
Leasehold improvements	5 or term of lease, whichever is shorter
Furniture and 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.

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.

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. 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 years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

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

The award credits from the loyalty program are identifiable component of sale transactions in which these are granted. The fair value of the consideration received or receivable in respect to the sale is allocated between the award credits and the other components of the sale. The Trading Business 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 in "Trade and other payables" account.

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 Trading Business through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expenses 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 accounting 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 Trading Business recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and interest expense in profit or loss. Interest is calculated by applying the discount rate to the retirement liability.

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 Trading Business recognizes restructuring-related costs.

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

The retirement liability is the aggregate of the present value of the defined benefit obligation which is 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 carve-out 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 benefit 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.

Foreign Currency-denominated Transactions

Transactions denominated in foreign currencies are recorded using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are restated using the closing rate of exchange at reporting date. All differences are taken to profit or loss. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Foreign exchange gains and losses are recognized on a net basis.

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 can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time if 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 year 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.

Related Party Relationship and Transactions
Related party transactions consist of transfers of resources, services or obligations between the Trading Business 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 Trading Business; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Trading Business that gives them significant influence over the Trading Business 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.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions
Provisions are recognized when the Trading Business 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 carved-out special purpose statements but are disclosed in the notes to carved-out special purpose statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the carved-out special purpose statements but are disclosed in the notes to carved-out special purpose statements when an inflow of economic benefits is probable.

Events after the Reporting Date
Subsequent events that provide additional information about the Trading Business' financial position at the end of the reporting period (adjusting events) are reflected in the carved-out special purpose statements when material. Subsequent events that are non-adjusting events are disclosed in the notes to carved-out special purpose statements when material.

5. Significant Judgment, Accounting Estimates and Assumptions

The preparation of the carved-out special purpose statements requires the Trading Business to exercise judgment, make estimates and use assumptions that affect the amounts reported in the carved-out special purpose 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 carved-out special purpose statements. Actual results could differ from these estimates, and as such estimates will be adjusted accordingly when the effects become determinable.

Judgment

In the process of applying the accounting policies, management has made the following judgment, apart from those involving estimations, which have the most significant effect on the amounts recognized in the carved-out special purpose statements.

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

Rent expense amounted to ₱120.4 million for the nine-month period ended September 30, 2015 (see Note 20).

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

Rent income amounted to ₱30.1 million for the nine-month period ended September 30, 2015 (see Note 20).

Estimates and Assumptions

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

Determining Fair Values of Financial Instruments. The Trading Business carries certain financial assets and liabilities at fair value. Fair value is determined using valuation techniques that make maximum use of marketable observable inputs and which the Trading Business determines can best provide a fair value acceptable to market participants.

Fair values of financial assets and liabilities as presented in Note 23.

Estimating Impairment Losses on Trade and Other Receivables and Refundable Cash Bonds. Impairment losses on trade and other receivables and refundable cash bonds are provided for specific and groups of accounts, where objective evidence of impairment exists. The Trading Business 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 Trading Business' 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 Trading Business 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 value of trade and other receivables amounted to ₱365.6 million as at September 30, 2015 (see Note 7). Allowance for impairment losses on receivables amounted to ₱45.3 million as at September 30, 2015 (see Note 7).

Refundable cash bonds amounting to ₱83.4 million have been assessed as unrecoverable as at September 30, 2015 (see Note 11).

Determining Net Realizable Value of Merchandise Inventories. The Trading Business 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 ₱7,234.8 million as at September 30, 2015 (see Note 8). Allowance for inventory write down and losses amounted to ₱32.5 million as at September 30, 2015 (see Note 8).

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

There is no change in the estimated useful lives of property and equipment during the nine-month period ended September 30, 2015.

The carrying value of property and equipment amounted to ₱215.8 million as at September 30, 2015 (see Note 10).

Assessing Impairment of Nonfinancial Assets. The Trading Business 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 Trading Business 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 are 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 belongs.

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized for the nine-month period ended September 30, 2015.

The carrying values of property and equipment assessed for possible impairment amounted to ₱215.8 million as at September 30, 2015 (see Note 10).

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

Retirement liability amounted to ₱327.9 million as at September 30, 2015 (see Note 15).

Assessing Realizability of Deferred Tax Assets. The Trading Business 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 assets to be recovered.

Deferred tax assets amounted to ₱157.6 million as at September 30, 2015 (see Note 19).

6. Cash

Details of this account are as follow:

Cash on hand	₱4,961,631
Cash in banks	291,013,979
	₱295,975,610

Cash in banks earn interest at prevailing bank deposit rates. Interest income amounted to ₱236,415 for the nine-month period ended September 30, 2015 (see Note 18).

7. Trade and Other Receivables

Details of this account are as follow:

	Note	
Trade:		
Third parties		₱275,028,282
Related parties	21	43,707,360
Rental	20	15,499,434
Advances to suppliers		75,727,799
Others		902,436
		410,865,311
Allowance for impairment losses		(45,310,328)
		₱365,554,983

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

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

Advances to suppliers pertain to refundable advance payments on purchases of goods for trading.

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

	Note	
Balance at beginning of period		₱53,281,788
Reversal	17	(24,624,929)
Provision	17	16,653,469
Balance at end of period		₱45,310,328

8. Merchandise Inventories

Details of this account are as follow:

	Note	
At cost		₱7,136,168,687
At net realizable value		98,610,012
	16	₱7,234,778,699

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

The cost of merchandise inventories stated at net realizable value amounted to ₱131.1 million as at September 30, 2015.

Allowance for inventory write down and losses as at September 30, 2015 amounted to ₱32.5 million.

9. Other Current Assets

Details of this account are as follow:

Deferred input VAT	₱170,904,102
Input VAT	30,789,314
Container deposits	14,342,500
Advanced import duties	321,636
	₱216,357,552

Deferred input VAT pertains to unamortized portion of input VAT on furniture and equipment and input VAT on consigned goods already sold, wherein the suppliers' invoices are received subsequently. This will be applied against output VAT on sold goods.

Container deposits pertain to the refundable charges for the use of cargo containers for importations of goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

Advanced import duties refer to tax collected in advance by the Bureau of Customs (BOC) on imported purchases of the Trading Business. This will be reclassified to merchandise inventories once the items are received.

10. Property and Equipment

Details and movements of this account are as follow:

	Note	Leasehold Improvements	Furniture and Equipment	Construction in Progress	Total
Cost					
Balance at beginning of period		₱210,963,320	₱282,535,844	₱–	₱493,499,164
Additions		7,350,492	–	109,369,015	116,719,507
Balance at end of period		218,313,812	282,535,844	109,369,015	610,218,671
Accumulated Depreciation and Amortization					
Balance at beginning of period		164,055,710	160,414,450	–	324,470,160
Depreciation and amortization	17	28,844,589	41,151,567	–	69,996,156
Balance at end of period		192,900,299	201,566,017	–	394,466,316
Net Book Value		₱25,413,513	₱80,969,827	₱109,369,015	₱215,752,355

Construction in progress pertains to the construction of solar power panels being installed at the roof deck of store's building.

The cost of fully depreciated assets amounting to ₱57.2 million as at September 30, 2015 is still being used in the Trading Business.

As at September 30, 2015, certain loans are collateralized by property and equipment and investment properties owned by the Company with a total carrying value of ₱647.1 million (see Note 13).

11. Other Noncurrent Assets

Details of this account are as follows:

	Note	
Security and rental deposits	20	₱41,699,086
Electricity deposits		16,640,517
Refundable cash bonds, net of allowance for impairment losses of ₱83.4 million		–
		₱58,339,603

Security and rental deposits pertain to refundable deposits to various lessors. The refundable deposits will be returned at the end of the lease term.

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies.

Refundable cash bonds refer to payments made to the BOC for the release of imported goods purchased by the Trading Business 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 Trading Business 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, 2015, the refund of cash bonds is still pending from the BOC.

12. Short-term Debts

Details of this account are as follow:

Loans	₱1,110,256,174
Trust receipts	242,172,429
	₱1,352,428,603

Short-term loans and trust receipts bear interest, which is being repriced monthly, ranging from 2% to 3.13% for the nine-month period September 30, 2015.

Inventories purchased under trust receipts amounted to ₱233.0 million for the nine-month period September 30, 2015.

Interest expense amounted to ₱19.5 million for the nine-month period September 30, 2015 (see Note 13).

13. Long-term Debts

Details of this account are as follows

	Terms	Principal	Outstanding Balance
Loan 1	Quarterly payment starting March 2015 until December 2019	₱500,000,000	₱425,000,000
Loan 2	Lumpsum payment on March 31, 2020	320,000,000	320,000,000
Loan 3	Quarterly payment starting March 2015 until December 2021	300,000,000	300,000,000
Loan 4	Monthly payment starting March 2011 until December 2018	210,000,000	191,153,846
Loan 5	Monthly payment starting March 2015 until September 2021	170,000,000	154,743,590
Loan 6	2018 based on a five-year amortization and balloon payment on March 2018	100,000,000	100,000,000
Loan 7	Quarterly installment payment until June 2016	17,000,000	2,125,000
		₱1,617,000,000	1,493,022,436
Current portion			(319,524,039)
Noncurrent portion			₱1,173,498,397

Long-term loans were obtained from various local banks for working capital requirements of the Trading Business. The loans bear interests, which are being repriced monthly, ranging from 2.50% to 2.88% for the nine-month period September 30, 2015.

Interest expense for the nine-month period ended September 30, 2015 is summarized below:

	Note	
Long-term debt		₱36,597,660
Short-term debt	12	19,549,309
		₱56,146,969

As at September 30, 2015, certain loans are collateralized by property and equipment and investment properties owned by the Company with a total carrying value of ₱647.1 million (see Note 10).

The maturities of the long-term debt as at September 30, 2015 are as follows:

Less than one year	₱319,524,039
Between one to two years	319,524,039
Between two to five years	800,384,616
More than five years	53,589,742
	₱1,493,022,436

14. Trade and Other Payables

Details of this account are as follow:

	Note	
Trade:		
Related parties	21	₱1,353,394,277
Third parties		1,337,707,901
Nontrade:		
Third parties		321,246,189
Related parties	21	8,244,588
Advances from customers		174,999,411
Accrued expenses:		
Outsourced services		37,285,766
Utilities		40,013,327
Salaries and wages		6,923,568
Unearned revenue		17,904,378
Rent	20	
Third parties		15,205,324
Related parties	21	1,994,759
Others		20,684,696
		₱3,335,604,184

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

Nontrade payables refer to unpaid trucking services, postage and telecommunications, advertising and promotions and transportation and travel, which are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Advances from customers pertain to payments made by the customers pending the delivery of goods purchased and refundable deposits from customers. Refundable deposits amounted to ₱112.2 million as at September 30, 2015.

Accrued expenses are payable in the succeeding month.

Unearned revenue refers to unredeemed award credits from the loyalty program of the Company, which is redeemable within two years from the date of availment.

Others pertain to unredeemed gift certificates, withholding taxes and statutory obligations.

15. Retirement Benefits

The Trading Business has unfunded, noncontributory defined benefit retirement plan covering all its eligible employees. The latest actuarial valuation report was dated as at December 31, 2015.

The following tables summarize the components of retirement benefits recognized in the carved-out statement of comprehensive income and the retirement liability recognized in the carved-out statement of net assets.

Retirement benefits for the nine-month period September 30, 2015 are as follow:

Current service cost	₱25,909,816
Interest cost	9,444,526
	₱35,354,342

Movements in the retirement liability are as follow:

Balance at beginning of period	₱236,704,896
Remeasurement loss	55,792,010
Current service cost	25,909,816
Interest cost	9,444,526
Balance at end of period	₱327,851,248

The cumulative remeasurement losses recognized in the statement of other comprehensive income as at September 30, 2015 are as follows:

	Cumulative Remeasurement Losses	Deferred Tax (see Note 19)	Net
Balance at beginning of period	₱79,240,104	(₱23,772,031)	₱55,468,073
Remeasurement loss	55,792,010	(16,737,603)	39,054,407
Balance at end of period	₱135,032,114	(₱40,509,634)	₱94,522,480

The principal actuarial assumptions used to determine the retirement liability as at September 30, 2015 are as follow:

Discount rate	4.89%
Salary increase rate	8.00%

Sensitivity analysis on retirement liability as at September 30, 2015 follows:

	Basis Points	
Discount rate	+100	(₱65,580,783)
	-100	83,698,883
Salary rate	+100	76,391,175
	-100	(61,886,759)
Turnover rate	0%	124,634,732

As at September 30, 2015, the expected future retirement benefits payments follow:

Year	
2016	₱16,384,713
2017	605,782
2018	8,555,077
2019	795,748
2020	949,474
2021 to 2025	37,614,221
	₱64,905,015

16. Cost of Sales

Details of this account for the nine-month period ended September 30, 2015 are as follow:

	Note	
Merchandise inventories, beginning of period		₱5,798,037,721
Net Purchases		9,413,562,359
Total goods available for sale		15,211,600,080
Merchandise inventories, end of period	8	7,234,778,699
		₱7,976,821,381

17. Operating Expenses

Details of this account for the nine-month period ended September 30, 2015 are as follow:

	Note	
Salaries, wages and employee benefits		₱381,062,580
Trucking services		309,724,863
Outsourced services		262,048,681
Utilities		244,252,999
Rent	20	120,431,904
Credit card charges		99,477,376
Taxes and licenses		85,924,384
Depreciation and amortization	10	69,996,156
Security services		62,816,493
Supplies		60,262,567
Advertising and promotions		53,305,543
Repairs and maintenance		38,237,773
Communication		15,069,201
Transportation and travel		11,282,056
Fuel and oil		10,499,689
Donations and contributions		9,133,745
Professional fees		7,923,483
Reversal of allowance for impairment losses on receivables	7	(7,971,460)
Insurance		3,405,415
Others		24,310,095
		₱1,861,193,543

18. Other Income

Details of this account for the nine-month period ended September 30, 2015 are as follow:

	Note	
Rent	20	₱30,103,289
Foreign exchange gain		426,078
Interest	6	236,415
Others		20,506,703
		₱51,272,485

Rent income includes rentals lease of gondola lightings, facade billboards, window displays and street banners.

Others pertain to the amounts charged to and from the suppliers for the use of billboards and signage, office supplies and other reimbursable costs.

19. Income Taxes

The current income tax expense for the nine-month period ended September 30, 2015 represents regular corporate income tax.

The reconciliation between income tax expense computed at statutory tax rate and income tax expense presented in the carved-out statement of comprehensive income for the nine-month period ended September 30, 2015 is as follows:

Income tax expense at statutory rate	₱238,657,358
Tax effects of:	
Interest income already subjected to final tax	(70,925)
Nondeductible expense	29,257
	₱238,615,690

Deferred tax assets as at September 30, 2015 relate to the tax effect of the following temporary differences:

Retirement liability	₱98,355,375
Allowance for impairment losses on:	
Refundable cash bonds	25,022,980
Trade and other receivables	13,593,098
Allowance for inventory write-down and losses	9,748,815
Unearned revenue from loyalty program	5,371,314
Accrued rent on straight-line basis	4,167,400
Other accruals	1,310,741
	157,569,723

The presentation of deferred tax assets are as follows:

	Note	
Through profit or loss		₱117,060,089
Through other comprehensive income	15	40,509,634
		₱157,569,723

20. Leases

The Trading Business as a Lessee

The Trading Business has various existing lease agreements with third parties for the use of land and buildings for a period of one to 30 years. These leases are renewable upon mutual agreement. The monthly rental is subject to escalation.

As at September 30, 2015, security and rental deposits amounted to ₱41.7 million (see Note 11). These refundable deposits and advance rentals will be returned at the end of the lease term, respectively.

Rent payable amounted to ₱17.2 million as at September 30, 2015 (see Note 14).

Rent expense amounted to ₱120.4 million for the nine-month period ended September 30, 2015 (see Note 17).

Future minimum rental payments as at September 30, 2015 under operating leases are as follow:

Within one year	₱91,034,117
After one year but not more than five years	284,220,575
More than five years	624,725,358
	₱999,980,050

The Trading Business as a Lessor

The Trading Business 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 and include escalation provision.

Rental receivables amounted to ₱15.5 million as at September 30, 2015 (see Note 7).

Rent income amounted to ₱30.1 million for the nine-month period ended September 30, 2015 (see Note 18).

21. Related Party Transactions and Balances

In 2015, the Trading Business, in the normal course of business, has various transactions with its related parties, as described below.

Related Party	Nature of Transactions	Transactions during the Period	Trade Receivables (see Note 7)	Trade Payables (see Note 14)	Rent Payable (see Note 14)	Nontrade Payables (see Note 14)
Entities under Common Control	Purchases of goods	₱197,027,391	₱–	₱1,353,394,277	₱–	₱–
	Trucking services	155,739,585	–	–	–	8,244,588
	Sale of goods	24,678,414	43,707,360	–	–	–
	Lease	16,968,730	–	–	1,994,759	–
			₱43,707,360	₱1,353,394,277	₱1,994,759	₱8,244,588

Outstanding balances of trade and nontrade payables are generally settled in varying periods depending on arrangement with related parties, normally within 30 to 90 days.

Compensation of Key Management Personnel

Compensation of key management personnel amounted to ₱9.6 million for the nine-month period ended September 30, 2015.

22. Financial Risk Management Objectives and Policies

The Trading Business' principal financial instruments consist of cash in banks, trade and other receivables and payables and short-term and long-term debt. The main purpose of these financial instruments is to fund the Trading Business' operations.

The Trading Business is exposed to a variety of financial risks which result from both its operating and investing activities. The Trading Business's risk management is coordinated with the BOD, and focuses on actively securing the Trading Business'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, interest rate risk and foreign currency 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 Trading Business 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 Trading Business' exposure to doubtful accounts is not significant.

With respect to credit risk arising from the cash in banks and trade and other receivables, exposure to credit risk arises from the default of the counter party, with a maximum exposure equal to the gross amount of these instruments as follows:

Cash in banks	₱291,013,979
Trade and other receivables	410,865,311
Refundable cash bonds	83,409,934
Security and rental deposits	41,699,086
Container deposits	14,342,500
Electricity deposits	16,640,517
	₱857,971,327

The Trading Business does not have major concentration of credit risk.

The table below summarizes the financial assets based on aging:

	Neither Past Due nor Impaired	Past Due but not Impaired		Past Due and Impaired	Total
		Less than One Year	One Year and Over		
Cash in banks	₱291,013,979	₱–	₱–	₱–	₱291,013,979
Trade and other receivables	172,569,801	166,478,283	26,506,899	45,310,328	410,865,311
Refundable cash bonds	–	–	–	83,409,934	83,409,934
Container deposits	14,342,500	–	–	–	14,342,500
Security and rental deposits	41,699,086	–	–	–	41,699,086
Electricity deposits	16,640,517	–	–	–	16,640,517
	₱536,265,883	₱166,478,283	₱26,506,899	₱128,720,262	₱857,971,327

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

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

	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	₱291,013,979	₱–	₱–	₱291,013,979
Trade and other receivables	–	172,569,801	–	172,569,801
Container deposits	–	–	14,342,500	14,342,500
Security and rental deposits	–	41,699,086	–	41,699,086
Electricity deposits	–	16,640,517	–	16,640,517
	₱291,013,979	₱230,909,404	₱14,342,500	₱536,265,883

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

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

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

	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but less than Five Years	Total
Short-term debt	₱–	₱684,850,237	₱667,578,366	₱–	₱1,352,428,603
Trade and other payables*	–	3,297,015,110	–	–	3,297,015,110
Long-term debt	–	80,677,885	238,846,154	1,173,498,397	1,493,022,436
	₱–	₱4,062,543,232	₱906,424,520	₱1,173,498,397	₱6,142,466,149

**Exclusive of statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱38.6 million.*

As at September 30, 2015, the Trading Business has available cash on hand and in banks amounting ₱296.0 million. The available cash of the Trading Business, together with net cash flows from operations and financing, are expected to be sufficient to cover the payments due for its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

	Increase (Decrease) in Rate	Increase (Decrease) in Amount
September 30, 2015	0.69%	(₱495,403)
	(0.69%)	495,403

Foreign Currency Risk. Foreign currency risk arises from the possibility that future cash flows of financial instruments will fluctuate because of changes in foreign currency exchange rates.

The Trading Business' exposure to foreign currency risk relates primarily to certain cash and purchases which are denominated in US Dollar. As a result, the Trading Business' financial position and financial performance can be affected by movements of the Philippine Peso against this foreign currency.

To future currency fluctuations, the Trading Business considers the trend in the movement of the foregoing currency in obtaining foreign currency-denominated transactions. Effect of the foreign currency-denominated transactions to the Trading Business' financial position and financial performance is minimal.

The change in currency rate is based on the Trading Business' best estimate of expected change considering historical trends and experiences. A positive change in currency rate reflects a weaker Philippine Peso against US Dollar while a negative change in currency rate reflects a stronger Philippine Peso against US Dollar.

23. **Fair Value of Financial Instruments**

The table below presents a comparison by category of carrying amounts and fair values of the financial instruments as at September 30, 2015:

	Carrying Amount	Fair Value
Financial Assets		
Cash	₱295,975,610	₱295,975,610
Trade and other receivables	365,554,983	365,554,983
Container deposits	14,342,500	14,342,500
Security and rental deposits	41,699,086	33,442,686
Electricity deposits	16,934,038	16,934,038
	₱734,506,217	₱726,249,817
Financial Liabilities		
Short-term debt	1,352,428,603	1,352,428,603
Trade and other payables*	3,297,015,110	3,297,015,110
Long-term debt	1,493,022,436	1,493,022,436
	₱6,142,466,149	₱6,142,466,149

**Exclusive of statutory liabilities, unredeemed gift certificates and unearned revenue aggregating to ₱38.6 million.*

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

Cash, trade and other receivables, container deposits, security, rental and electricity deposits, short-term debt and trade and other payables. The carrying amounts approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container, security, rental and electricity deposits are under Level 2 of the fair value measurements hierarchy for financial instruments.

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.

For the nine-month period ended September 30, 2015, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.