COVER SHEET

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S.E.C Registration No.

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

(Company's Full name)

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

(Principal Office)

Atty. Sheila Pasicolan - Camerino
Contact Person

(02) 634-8387
Tel. No.

1	2

Month

3	1

Day

1	7	-	A	

FORM TYPE

0	6

Month

1	8

Date

(Annual Meeting)

For the year ended
31 December 2018

Secondary License, (if applicable type)

MSRD
Dept. requiring this doc

N/A
Amended Articles number

155
Total stockholders

Domestic **Foreign**

To be accomplished by SEC personnel concerned

File Number **LCU**

Document I.D. **Cashier**

STAMPS

SEC Number: CS 201524712
File Number:

WILCON DEPOT, INC.
doing business under the name and style of Wilcon Depot
and Wilcon Home Essentials
(Company's Full Name)

90 E. Rodriguez Jr. Ave., Ugong Norte, Quezon City
(Company's Address)

(02) 634 8387
(Telephone Number)

2018 December 31
(Fiscal Year Ending (month & day)

SEC FORM 17- A Annual Report
(Form Type)

____
Amendment Delegation (if applicable)

December 31, 2018
Period Ended Date

____
(Secondary License Type and File Number)

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

28 March 2019

SECURITIES and EXCHANGE COMMISSION
Pasay City, Philippines

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

Subject: Wilcon Depot, Inc. Amended SEC Form 17-A Annual Report for the year ended 31 December 2018

Dear Director Felizmenio:

For submission is the attached amended SEC Form 17- A (Annual Report) of Wilcon Depot, Inc. for the year ended 31 December 2018 and exhibits.

Thank you.

Very truly yours,

Atty. Sheila P. Pasicolan-Camerino
Asst. Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A, *AS AMENDED*

ANNUAL REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE AND SECTION 141

OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended .... December 31, 2018
2. SEC Identification Number CS201524712
3. BIR Tax Identification No. 009-192-878
4. Exact name of issuer as specified in its charter ....

WILCON DEPOT, INC. Doing Business under the Name and Style of Wilcon Depot and Wilcon Home Essentials

5. Quezon City, Philippines........................ Province, Country or other jurisdiction of incorporation or organization

6. [ ] (SEC Use Only) Industry Classification Code:

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

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

9. Not Applicable
....
Former name, former address, and former fiscal year, if changed since last report.

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

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

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

Yes [√] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

PHILIPPINE STOCK EXCHANGE – COMMON SHARES

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [√] No [ ]

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

Yes [√] No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

The aggregate market value of the 1,392,242,000 voting stocks held by non-affiliates (public shares) as of December 31, 2018, computed based on the closing share price of ₱12.60 on the last trading day December 28, 2018 is ₱17,542,249,200.00.

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

NOT APPLICABLE

Yes [ ]   No [ ]

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Audited Financial Statements as at and for the years ended December 31, 2018, 2017 and 2016 - Exhibit 1

(b) Statement of Management's Responsibility for Financial Statements as at and for the years ended December 31, 2018, 2017 and 2016, part of Exhibit 1.

(c) SEC Form 17-C – Exhibit 2

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PART I. BUSINESS AND GENERAL INFORMATION

Item 1. Business

Background

Wilcon Depot, Inc., doing business under the name and style of Wilcon Depot and Wilcon Home Essentials (the Company/WDI/Wilcon Depot) was incorporated on December 17, 2015 as a subsidiary of Wilcon Corporation, doing business under the name and style of Wilcon City Center (WC), formerly known as Wilcon Builder's Depot Inc. (WBDI), to operate its home improvement retail businesses. It officially started operations on April 1, 2016 when the retail operations including all of the retail assets and liabilities were transferred from WC, thereby increasing WC's ownership in the Company to 99.06%.

The Company's retailing business, which it acquired and inherited from WC, has been in existence for over 38 years. The business, founded by Mr. William T. Belo, opened its first store in 1977, 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. He opened three more branches with an average area of 2,400 sqm from 1989 to 1995. In 2002, the first store outside of Metro Manila was established in Davao City.

The first depot format store was opened in 2003, in Las Piñas. At 10,000 sqm, the Depot format was larger than their previous 5 stores, which had an average size of 4,223 sqm. 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, operations rapidly expanded with the opening of 27 more Depot format stores around the country.

The smaller format mall-based or community-based stores were formally organized in 2009 and operated under the brand name "Wilcon Home Essentials". This concept was adopted by a few of the old stores and subsequently applied to 3 more new stores from 2009 to 2013.

Corporate Restructuring

The following transactions occurred on April 1, 2016 in relation to the spin-off of the retail operations of WC into the Company:

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

The spin off resulted in a 99.06% ownership of WC in the Company.

On March 31, 2017, the Company went public through an initial public offering with the Philippine Stock Exchange. The Company floated thirty four percent (34.00%) or 1,393,906,200 of its capital stock, increasing its issued and outstanding capital stock to 4,099,724,116 and diluting WC's equity interest in the Company to 65.38%.

Bankruptcy, Receivership or Similar Proceedings

The Company and its parent, WC, 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.

Products / Business Lines

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.

Product Categories

The Company 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, water closet 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, and vacuum cleaner.
Building Materials	Products include building decors and supplies, ceiling and wall, floor and roofing.

Among the major product categories, tiles and flooring products and plumbing and sanitary wares historically have the highest contribution to sales.

The Company carries over 2,000 brands across the different product categories translating to 37,700 stock keeping units (SKUs) as at December 31, 2018. The Company further classifies these brands as: (i) in-house brands owned by the Company and exclusive international brands that are solely distributed by the Company, and (ii) other locally procured local and international brands that are not exclusively distributed by the Company.

Store Formats

The Company operates 51 stores nationwide, as of December 31, 2018, 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 December 31, 2018, the depot format accounted for 95.8% or ₱20,150 million of the Company's net sales. Each Depot format store carries 90,000 to 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 2,800 sqm to 16,100 sqm, with an average net selling space of 8,700 sqm. As of December 31, 2018, the Company has 43 depots located in all the major cities across the Philippines. Project sales or sales to major property developers, on the other hand, accounted for 1.3% or ₱272 million of total net sales of the Company.

- *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 1,000 sqm to 5,200 sqm with an average net selling space of 740 sqm to 2,800 sqm. As of December 31, 2018, the Company has 3 mall-based Home Essentials stores and 5 stand-alone branches for a total of 8 Home Essentials stores.

The Company has designed its stores to provide a comfortable atmosphere that will enhance the customers' shopping experience. The Company's stores offer facilities such as free parking, ample ventilation and air-conditioning, well-lit shopping areas, and a similar easy-to-navigate store layout in all its stores. For its depot-format stores the Company offers more shopping convenience like a coffee shop or a snack bar, lounges for customers and their contractors or architects and engineers, design hubs and a play area for kids. The Company continues to ensure the completeness of these features in all of its depots to keep customers satisfied.

Owing to the significantly higher store count and total selling area of depots versus home essentials, majority of the Company's revenues or 95.8% comprised of net sales generated from the depot-format stores, 1.3% for the project sales while the remaining 2.9% was contributed by the home essential format store.

Distribution Methods of Products

The Company as mentioned in the preceding paragraphs, operate two store formats, the Depot and the Home Essentials. The home essential stores are confined within Metro Manila while the depots are located in different parts of the Philippines.

Below is the breakdown of the number of the Company's stores per location and format:

Store format	Region	Number of stores
Depot	Metro Manila	10
	Luzon	23
	Visayas	5
	Mindanao	5
Total Depot		**43**
Home Essentials	Metro Manila	7
	Visayas	1
Total Home Essentials		**8**

The Company outsources 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.

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. 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.

Suppliers

The Company has over 400 local and multinational suppliers. Its major suppliers include Mariwasa Siam Ceramics, Inc., Hocheng Philippines Corp., and Lixil 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.

The Company is not dependent on any one or few suppliers given its extensive product offerings.

Consignors

Consignors operate within the selling area of Wilcon Depot and Wilcon Home Essentials stores and as of December 31, 2018, it generated 29.6% of the total sales. The Company charges a pre-determined mark-up on a consignor's cost on its products as its margins.

Customers

Target Customers

Wilcon Depot's customers comprise of 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 divides its customers into two categories:

- *Retail consumers* – Consisting of homeowners and small and independent contractors. Majority of the Company's revenues are generated from its retail consumers.
- *Institutional accounts* – Consisting of big property developers. The Company generates a small portion of its revenue from institutional accounts.

There is no single customer that accounts for more than twenty percent (20%) of the Company's revenues.

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 can be used by to purchase items at any Wilcon Depot store. From a membership of 89,118 in end-2011, it has now grown to 628,276 registered members as of December 31, 2018.

Transactions with and/or Dependence on Related Parties

The Company, being a spun-off operation of WC, relies on the parent company and other related parties for the acquisition of majority of the current and all of the identified future store sites. Of the 51 branches as of December 31, 2018, only eight sites are leased from third parties.

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

Intellectual Property

The Company owns all trademarks being used in connection with its home improvement and retail business.

Government Approvals / Regulations

The Company is covered by various laws and regulations as a retail operation. As part of its normal course of doing business, it secures various government permits and licenses for leasing and operating store buildings.

Effect of Existing and Probable Government Regulations

The Company is not aware of any and foresees no impending change in government regulations that may have a material and adverse effect on the operations of the Company.

Research and Development

The Company has no expenditure on research and development for the year.

Costs and Effects of Compliance with Environmental Laws

The Company is compliant and incurs expenses for the purposes of complying with environmental laws such as the Environmental Clearance Certificate for total store areas of over 10,000 sqm. For stores with areas of 10,000 sqm and below, a Certificate of Non-Coverage may be obtained. Fees for procuring these clearances and permits are standard in the industry.

Employees

As of December 31, 2018, the Company has 2,286 direct hired employees. The following table sets out the breakdown of the Company's employees by rank and status.

Rank	Number of Employees
Key management, Manager & Supervisor	795
Rank and File	1,491
Total	**2,286**

Employment Status	Number of Employees
Regular	1,994
Probationary	292
Total	**2,286**

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, a Leadership Enhancement and Development (LEAD) Program for middle management and also a Career Management Program (CMP) in order to ensure the continuous supply of competent key officers within the organization.

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 anticipates that it will have approximately 2,466 employees within the next 12 months to include new hires for the planned store openings in 2019.

Risks

1. The Company's expected revenue and net income growth is highly dependent on the expansion of its store network and it may be adversely affected by the following factors:

   - 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;
   - 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;
   - unforeseen engineering or environmental problems with leased premises; and,
   - avoiding the impact of inclement weather, natural disasters and other calamities.

   The Company has properly planned its expansion program and has worked cooperatively with the parent company to put in place contingency and corrective measures where issues especially in the construction of new stores occurred that would delay said expansion. There is no guarantee, however, that these corrective measures would totally eliminate the risk of delays in the implementation of the expansion plans.

2. 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 has studied the demographics and the competitive environment in the areas it has planned to enter to overcome challenges of entering new markets. There is no guarantee that the strategies the Company will employ will result in the immediate and sustainable profitability of the branches to be opened in these new areas.

3. 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. Although the Company has an effective recruitment and training program in place to always have a pool of available competent personnel that can be deployed anytime and has kept a healthy financial condition to have ready access to debt and equity financing, these are not guarantees that the accelerated expansion plan will not strain existing resources.

4. 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.

5. 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.

6. 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. 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.

7. The Company is a 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 related party transactions include leases and purchases. 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.

8. 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. 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 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.

9. 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 more than half of its total sales. 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.

Item 2. Properties

The Company does not own lands. It entered into lease agreements with WC, related parties and other third parties, to lease the land and/or buildings where its stores and warehouses are situated. 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.

Part of the Company's use of IPO proceeds is for store network expansion. As of December 31, 2018, the Company has used part of the IPO proceeds to construct its own buildings.

Item 3. Legal Proceedings

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

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.

Item 4. Submission of Matters to a Vote of Security Holders

The following items were submitted to a vote of security holders for the year:

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 19 June 2017.
2. Approval of Annual Report and Financial Statements.
3. Ratification of All Acts and Resolutions of the Board of Directors and Management during the preceding year
4. Election of Directors
5. Appointment of External Auditors

PART II. OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

Wilcon Depot, Inc.'s common shares has been trading in the Philippine Stock Exchange (PSE) starting March 31, 2017. The high and low market prices of the Company's shares for each quarter of 2018 and month of January and February of 2019, as reported by the PSE are shown below:

2019	High	Low
February	15.00	13.70
January	14.22	12.66

2018	High	Low
4th quarter	12.64	10.30
3rd quarter	12.26	9.94
2nd quarter	12.30	10.50
1st Quarter	11.80	8.16

The market capitalization of the Company's common shares at the end of 2018 based on the closing market price of ₱12.60 per share totaled to ₱51.657 billion.

Item 6. Management's Discussion and Analysis

For the year ended December 31, 2018 compared with period ended December 31, 2017

Wilcon Depot, Inc. (WDI or the Company) recorded net income of ₱1,835 million for the year ended December 31, 2018, up by 32.5% or ₱450 million from the ₱1,385 million reported for the full year 2017 with net margin likewise improving from 7.8% in 2017 to 8.7% in 2018. The improvement was driven by a robust comparable sales growth of 8.0% and margin-enhancing product mix strategy.

Net Sales

WDI's net sales for 2018 amounted to ₱21,041 million, 18.6% or ₱3,294 million higher than the ₱17,748 million generated in 2017. The growth was driven by a solid comparable sales performance of 8.0% for the year and a healthy contribution from new stores opened in 2018 and 2017. Eleven new branches, nine depot-format and two smaller-format "Home Essentials" stores were opened in 2018 but one depot was closed temporarily as the old store building will be rebuilt into a multi-story building by the property owner. The Company closed the year with 51 stores, 43 of which are depots and eight are Home Essentials.

The depots contributed the majority of total net sales comprising 95.8% or ₱20,150 million, growing by 20.6% or ₱3,443 million year-on-year with a same store sales growth of 9.5%. The new depots, meanwhile, accounted for 53.8% of the total growth, contributing ₱1,853 million for the year. Project sales or sales to major property developers, on the other hand, dropped by 44.5% year-on-year totaling ₱272 million for the year, accounting for 1.3% of total net sales.

The Home Essentials branches recorded total net sales of ₱619 million, accounting for 2.9% of total net sales. The format grew 12.6% with a same store sales growth of 9.7%. Two Home Essentials were opened during the year while there was none opened in 2017.

Fourth quarter 2018 net sales grew 20.4% to tally at ₱5,682 million with a same store sales growth of 7.4%. Net sales from depots contributed 96.2% or ₱5,469 million, growing by 22.9% year-on-year. Net sales from Home Essentials totaled ₱157 million accounting for 2.8% or ₱157 million, up 11.7% from the 2017 fourth quarter level. Project sales dropped by 56.9% year-on-year to total ₱57 million for the quarter.

Gross Profit

Gross profit for the year amounted to ₱6,603 million up 25.4% or ₱1,337 million year-on-year resulting in a growth in the blended gross profit margin (GPM) to 31.4% from the 29.7% 2017 GPM. The improvement is traceable mainly to the expanding contribution of the higher margin in-house and exclusive products to total net sales, which accounted for 46.9% for the year versus 44.6% in 2017 and partly to improved margins from non-exclusive products.

Operating Expenses

Operating expenses increased to ₱4,421 million for the year, increasing by 22.9% or ₱825 million from the prior year's ₱3,596 million. The hike is brought about mainly by the increased volume of business both from new and existing stores compounded by inflation effects on expense accounts notably on trucking and salaries.

Interest Expense

The Company repaid its bank loans resulting in an 89.2% or ₱19 million drop in interest expense to ₱2 million for the year.

Other Income (Charges)

Net other income for the year reached ₱359 million, up 94.0% or ₱174 million from the ₱185 million generated in 2017. The jump is attributable mainly to:

1) higher interest income earned from placements of the balance of the proceeds from the initial public offering and cash generated from operations, increasing by 68.0% or ₱79 million year-on-year to close at ₱194 million;

2) higher other revenues net of charges of ₱165 million from the prior year's ₱70 million, consisting of rent income for the lease of billboards, gondola lights, etc. by merchandise suppliers and their share of various operational and promotional/marketing costs and other non-merchandise sales related income.

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

EBIT as a result increased to ₱2,542 million for an EBIT margin of 12.1% while EBITDA amounted to ₱2,707 million for a margin of 12.9%, increasing from the prior year's ₱1,856 million with 10.5% margin and ₱1,960 million with 11.0% margin, respectively.

Income Tax

Income tax increased by 57.1% or ₱256 million to settle at ₱704 million in view of the higher taxable income this year and a one-off tax benefit in 2017 arising from the increase in capital stock resulting from the public listing of the Company's common shares.

Financial Condition

December 31, 2018 versus December 31, 2017

Assets

Total assets as of December 31, 2018 totaled ₱17,502 million, up by 9.2% or ₱1,478 million from the end-2017 balance of ₱16,024 million accounted for mainly by the income generated during the year partly offset by the repayment of bank loans and distribution of dividends during the year.

Current assets. Current assets declined by 3.2% or ₱380 million attributed mainly to the utilization of cash and maturing short-term investments to fund the construction of new stores. Merchandise inventories which account for 64.5% of total current assets, hiked by 5.2% or ₱363 million to close at ₱7,331 million by the end of the year to support the requirements of new store openings.

Noncurrent assets. Noncurrent assets climbed 43.4% or ₱1,858 million to total ₱6,134 million as at end-2018 from the end-2017 level of ₱4,276 million. The hike is traceable mainly to the jump in property and equipment which totaled ₱2,767 million as at end-2018, up 221.7% or ₱1,907 million from ₱860 million as at end-2017 in view of the construction of new stores. Property and equipment accounted for 45.1% of total non-current assets.

Liabilities

Total liabilities as at December 31, 2018 totaled ₱4,290 million, inching up by 4.5% or ₱184 million from the end-2017 balance of ₱4,106 million accounted for mainly by the increase in trade and other payables partly offset by the payment of bank loans.

Current liabilities. Current liabilities totaled ₱4,171 million as at the end-2018, increasing by 12.0% or ₱446 million from the balance of ₱3,725 million as at end-2017, primarily due to the rise in trade and other payables which includes payables to suppliers and contractors for the construction of store buildings.

Noncurrent liabilities. Noncurrent liabilities totaled ₱118 million, down by 68.9% or ₱263 million from the end-2017 level of ₱381 million due to repayment of bank loans.

Equity

Total equity reached ₱13,212 million as at December 31, 2018, up by 10.9% or ₱1,294 million from the ₱11,918 million balance as at December 31, 2017 accounted for by the net income earned during the year and partly offset by the payment of dividends.

Key Financial Performance Indicators

Key Performance Indicators	2018	2017
Net Sales	21,041,433,928	17,747,580,107
EBIT[1]	2,542,019,176	1,855,569,319
EBITDA[2]	2,706,871,157	1,959,894,624
EBIT Margin[3]	12.08%	10.46%
Current Ratio[4]	2.73	3.15
Debt to Equity Ratio[5]	0.32	0.34
Interest Coverage Ratio[6]	1,083.87	85.14

1. *Income before tax add interest expense*
2. *Income before tax add interest expense and depreciation and amortization*
3. *EBIT / Net Sales*
4. *Current Assets / Current Liabilities*
5. *Total Liabilities / Total Equity*
6. *EBIT / Interest Expense*

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

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

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

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

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

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

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

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

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

Seasonal Aspect that has material effect on the financial statements.

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

<u>Discussion on compliance with leading practice on Corporate Governance</u>

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

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

The Revised Manual on Corporate Governance was designed to define the framework of rules, systems and processes that governs the performance of the Board of Directors (the Board) and Management. It establishes the structure by which the Company executes and carries out its Corporate Governance. This serves as reference by all the members of the Board as well as its Management in the conduct of their duties and responsibilities.

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

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

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

Item 7. Financial Statements

The financial statements are incorporated in this report as Exhibit 1.

External Audit Fees

The aggregate fees billed by Reyes Tacandong & Co., ("RT&Co.") for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings for 2018 is ₱5,050,000.00.

Audit Committee's Approval Policies and Procedures

The nomination of the Company's external auditor was endorsed to the stockholders based on the recommendation of the Audit Committee as well as the approval of the Board of Directors.

Further, the quarterly reports and financial statements are reviewed and endorsed by the Audit Committee and approved by the Board of Directors prior to its release and submission to the SEC and PSE.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company has engaged the services of RT&Co. as its external auditors since its incorporation. There has not been any material disagreements on accounting and financial disclosures with RT&Co. for the years ended December 31, 2016, 2017 and 2018.

PART III. CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of Registrant

The following are the Directors and Officers of the Company for the year 2018:

Name	Age	Nationality	Position
William T. Belo	73	Filipino	Chairman Emeritus
Bertram B. Lim	81	Filipino	Chairman
Lorraine Belo-Cincochan	39	Filipino	Director, President and Chief Executive Officer
Mark Andrew Y. Belo	36	Filipino	Director, Treasurer and Chief Financial Officer
Careen Y. Belo	35	Filipino	Director and Chief Product Officer
Rolando S. Narciso	71	Filipino	Independent Director
Ricardo S. Pascua	69	Filipino	Independent Director
Delfin L. Warren	68	Filipino	Independent Director
Arthur R. Ponsaran	75	Filipino	Corporate Secretary
Sheila Pasicolan-Camerino	32	Filipino	Asst. Corporate Secretary
Rosemarie Bosch-Ong	60	Filipino	Senior Executive Vice President – Chief Operating Officer
Eden M. Godino	41	Filipino	Vice President - Product Development
Grace A. Tiong	44	Filipino	Vice President - Human Resources
Michael D. Tiong	44	Filipino	Vice President – Global Operations
Mary Jean G. Alger	48	Filipino	Vice President – Investor Relations
Lauro D.G Francisco	53	Filipino	Chief Audit Executive

William T. Belo is the Chairman Emeritus of the Company. He is the founder of the Wilcon business and brand. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 including the parent, WC. Currently, he is involved in other business undertakings and serves as Director of Markeenlo Realty Inc., Lomarkeen Realty Inc.; the President of Coral-Agri

Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of the Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. In 2018, he was recognized as an Outstanding Thomasian Engineer. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

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

Lorraine Belo-Cincochan is a Director, President and Chief Executive Officer of the Company and a Director of WC. She has held various positions in the business starting out as a trainee to the President of Wilcon Builders Supply, Inc. in 2000, 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 as Executive Vice President for Operations in 2005 and in 2006 was named Chief Finance Officer, holding the position until March, 2016. In 2018, she was recognized as one of the 2018 Forbes Asia Emergent Women Honoree. Ms. Belo-Cincochan graduated from the University of the Philippines-Diliman in 1999 with a Bachelor's degree in Creative Writing.

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

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

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

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

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

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

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

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

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

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

Michael D. Tiong is the Vice President for Global Sourcing. 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.

Mary Jean G. Alger is the Vice President for Investor Relations. Prior to officially joining Wilcon, she was part of the advisory team for the public listing of the Company. She started her career with Petron Corporation in 1991 as a Credit Analyst. Concurrent to her various positions in different companies and on a consultancy basis, she was involved in project structuring, financial packaging, advisory and issue management for public offerings and corporate rehabilitations, among others. She served various positions in publicly listed mining and energy development companies. She was the Asst. Vice President on Corporate Planning and Budget/Deputy to the CFO on Corporate Finance from January 2013 to August 2016 in Benguet Corporation and Asst. Vice President for Corporate Planning in Basic Energy Corporation from July 2007 to January 2013. After her stint with Benguet, she was appointed Vice President for Project Development and Planning in Marcventures Mining Development Corporation. Ms. Alger graduated from the University of the Philippines – Diliman with a Bachelor Degree in Business Economics and a Master in Business Administration Candidate (academic requirements completed in 2007) at De La Salle University – Taft.

Lauro D.G. Francisco, is the Chief Audit Executive. He has an extensive experience as an internal audit executive. He built his internal audit professional career with the Manila Electric Company (MERALCO), previously managing the audit of the company's subsidiaries and affiliates and simultaneously delegated as the Internal Audit Head/ Assistant Vice-President for Internal Audit of subsidiary Meralco Industrial Engineering Services Corporation (MIESCOR). He also had an internal audit management tenure with GT Capital Holdings Incorporated. He is a Certified Public Accountant, Certified Internal Auditor, and with Certification in Risk Management Assurance. Mr. Francisco graduated from the University of the East with a degree in Business Administration major in Accounting (Cum Laude). He obtained his Master in Business Administration degree from the Ateneo Graduate School of Business (Gold Medal Honors). He is actively affiliated with the Institute of Internal Auditors - Philippines and previously held various officership positions in the organization, foremost of which as Vice-Chairman of its Board of Trustees.

Significant Employees

The Company does not believe that its business is dependent on the services of any particular employee.

Family Relationships

As of December 31, 2018, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and Officers of the Company 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.

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

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 report: (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.

Item 10. Executive Compensation

Summary of Compensation Table

The following table sets out the summary of compensation of the top 5 officers including the Chairman Emeritus.

Name	**Position**
William T. Belo	Chairman Emeritus
Lorraine Belo-Cincochan	Director and Chief Executive Officer
Rosemarie Bosch-Ong	SEVP - Chief Operating Officer
Mark Andrew Y. Belo	Director and Chief Financial Officer
Careen Y. Belo	Director and Chief Product Officer

Below is the aggregate compensation of executive officers and directors of the Company for the year 2018 and projected for the year 2019:

Actual

Key Management Officers	**Year**	**Compensation**	**Bonuses**
Top 5 Officers	2018	24.30M	3.83M
Other officers as a group	2018	28.87M	10.64M

Projected for 2019

Key Management Officers	Year	Compensation	Bonuses
Top 5 Officers	2019	38.68M	6.3M
Other officers as a group	2019	41.05M	11.75M

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.

Other Arrangements

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

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

The Company has no special employment contracts with the named executive officers.

Warrants and Options

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.

Item 11. Security Ownership of Certain Record and 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, Ugong Norte, Quezon City Chairman Emeritus	William T. Belo	Filipino	5,099,995	0.12%
Common	Rosy Chua Belo 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Stockholder	Rosy Chua Belo	Filipino	5,100,000	0.12%
Common	Bertram B. Lim 60 Sen. Gil Puyat Ave., Makati City Director	Bertram B. Lim	Filipino	1	0.00%
Common	Lorraine Belo-Cincochan 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Director	Lorraine Belo-Cincochan	Filipino	5,100,000	0.12%

Common	Mark Andrew Y. Belo 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Director	Mark Andrew Y. Belo	Filipino	5,100,000	0.12%
Common	Careen Y. Belo 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Director	Careen Y. Belo	Filipino	5,100,000	0.12%
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	Delfin L. Warren 2 Sineguelas St., Valle Verde 1, Pasig City Independent Director	Delfin L. Warren	Filipino	1	0.00%
Common	Arthur R. Ponsaran 5 Aurelio St., BFRV, Las Piñas City Corporate Secretary	Arthur R. Ponsaran	Filipino	10,000	0.00%
Common	Sheila P. Pasicolan-Camerino 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City Asst. Corporate Secretary	Sheila P. Pasicolan-Camerino	Filipino	19,900	0.00%
Common	Rosemarie B. Ong 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City SEVP-COO	Rosemarie B. Ong	Filipino	1,069,401	0.03%
Common	Eden M. Godino 90 E. Rodriguez, Jr. Avenue, Libis, Quezon City VP- Product Development	Eden M. Godino	Filipino	267,500	0.00%
Common	Grace A. Tiong 90 E. Rodriguez, Jr. Avenue, Libis, Quezon City	Grace A. Tiong	Filipino	148,700	0.00%
Common	Michael D. Tiong 90 E. Rodriguez, Jr. Avenue, Libis,	Michael D. Tiong	Filipino	148,700	0.00%

	Quezon City				
Common	Wilcon Corporation	Wilcon Corporation	Filipino	2,680,317,916	65.38%

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 December 31, 2018:

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
Wilcon Corporation	Record Owner	Filipino	2,680,317,916	65.38%

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 December 31, 2018.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Total Outstanding Shares
Common	William T. Belo	₱5,099,995.00(Direct)	Filipino	0.12%
Common	Bertram B. Lim	₱1.00 (Direct)	Filipino	0.00%
Common	Lorraine Belo-Cincochan	₱5,100,000.00 (Direct)	Filipino	0.12%
Common	Mark Andrew Y. Belo	₱5,100,000.00(Direct)	Filipino	0.12%
Common	Careen Y. Belo	₱5,100,000.00(Direct)	Filipino	0.12%
Common	Rosy C. Belo	₱5,100,000.00(Direct)	Filipino	0.12%
Common	Rosemarie B. Ong	₱1,069,401.00 (Direct)	Filipino	0.03%
Common	Rolando S. Narciso	₱1.00 (Direct)	Filipino	0.00%
Common	Ricardo S. Pascua	₱1.00 (Direct)	Filipino	0.00%
Common	Delfin L.Warren	₱1.00 (Direct)	Filipino	0.00%
Common	Arthur R. Ponsaran	₱10,000.00 (Indirect)	Filipino	0.00%
Common	Sheila P. Pasicolan-Camerino	₱19,900.00 (Direct)	Filipino	0.00%
Common	Grace A. Tiong	₱148,700.00 (Direct)	Filipino	0.00%
Common	Michael D. Tiong	₱148,700.00 (Direct)	Filipino	0.00%
Common	Eden M. Godino	₱267,500.00 (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	₱27,164,200.00 (Direct and Indirect)	Filipino	0.63%

<u>Voting Trust Holders of 5% or more</u>

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 December 31, 2018.

Change in Control

There are no arrangements which may result in a change in control of the Company as of December 31, 2018.

Item 12. Certain Relationships and Related Transactions

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

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

PART IV. CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company understands that it is paramount to set the kind of corporate governance needed in the attainment of the Company's corporate goals and ensures compliance with the leading practices in corporate governance. Consequently, the Company has revised its Corporate Governance Manual which was approved by the Board on May 22, 2017. The Manual was designed to define the framework of rules, systems and processes that governs the performance of the Board and Management. It establishes the structure by which the Company executes and carries out its Corporate Governance. This serves as reference by all the members of the Board as well as its Management in the conduct of their duties and responsibilities.

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

Further, on June 18, 2018, the members of the Board as well as officers of the Company attended the corporate governance seminar, entitled *"Corporate Governance: Breaking Through Modern Controls"* conducted by the Center for Training and Development, Inc. This is in compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission.

The Company will submit its Integrated Annual Corporate Governance Report (I-ACGR) for the year ended December 31, 2018, on or before May 30, 2019, in compliance with SEC Memorandum Circular No.15, Series of 2017.

PART V. EXHIBITS AND SCHEDULES

Item 14. Exhibits and Reports on SEC Form 17-C

SEC FORM 17 – C

Date of Filing	Reports
May 10, 2018	Notice of Annual Meeting of the Stockholders of the Corporation on 18 June 2018
June 21, 2018	Results of Annual Stockholders' Meeting and Organizational Meeting of the Board on 18 June 2018

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of QUEZON CITY on ________, ____.

By:

Bertram B. Lim
Chairman

Lorraine Belo-Cincochan
President-CEO

Mark Andrew Y. Belo
Treasurer-CFO

Atty. Arthur R. Ponsaran
Corporate Secretary

Grace A. Tiong
Compliance Officer

SUBSCRIBED AND SWORN to before me this _____ day of MAR 15 2019 20__ affiant(s) exhibiting to me their Passport, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Wilcon Depot, Inc.			
Bertram B. Lim			
Lorraine Belo-Cincochan			
Mark Andrew Y. Belo			
Arthur R. Ponsaran			
Grace A. Tiong			

ATTY. RUBEN M. AZA ... JR.
NOTARY PUBLIC
UNTIL DECEMBER ...
... 01-04-...
... 001206 – Quezon City Chapter
Roll of Attorney's No. 46427
Admin Matter No. 053
MCLE-V-0024515

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EXHIBIT 1
COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 2 4 7 1 2

COMPANY NAME

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

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
155	June 18	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.

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

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2018, 2017 and 2016, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

Accounting for the Complete Recording and Valuation of Merchandise Inventories

Merchandise inventories, net of allowance for inventory write down and losses, amounted to ₱7,331.1 million as at December 31, 2018. The accounting for the complete recording and valuation of merchandise inventories are significant to our audit because merchandise inventories represent 42% of the total assets. Moreover, the Company also maintains around 37,700 stock keeping units (SKU) as at December 31, 2018. Due to the significant number of SKU, establishing the existence and completeness and determining the proper valuation of merchandise inventories requires an extensive monitoring and high degree of judgment and estimation, respectively.

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

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

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

The shares of stock of the Company were listed with the Philippine Stock Exchange, Inc. on March 31, 2017. The proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses incidental to the IPO amounting to ₱289.9 million. The accounting for the use of the proceeds is significant to our audit because the unapplied proceeds amounting to ₱3,573.1 million as at December 31, 2018 represent 20% of the total assets. Moreover, the Company is required to adhere to the use of the proceeds pursuant to the Offering Circular.

Our procedures included, among others, examining the underlying documents and obtaining confirmation from banks of outstanding balance of the unapplied proceeds and testing the nature and validating the underlying documents of the actual disbursements of the proceeds.

Necessary disclosures are included in Note 4, *Initial Public Offering and Transfer of Trading Business from the Parent Company* and Note 15, *Equity.*

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2018 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of Financial Statements

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

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

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

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

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

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

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

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS
MAR 18 2019
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ELMER B. TAMAY

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

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

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

Report on the Supplementary Information Required under Revenue Regulation No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 24 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 the WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements and in our opinion, the information 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 August 15, 2021
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 7334335
Issued January 3, 2019, Makati City

March 6, 2019
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 18 2019
RECEIVED
ELMER B. TANAY

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE

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

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the years ended December 31, 2018 and 2017, on which we have rendered our report dated March 6, 2019.

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, manager or principal stockholders of the Company.

REYES TACANDONG & CO.

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 7334335
Issued January 3, 2019, Makati City

March 6, 2019
Makati City, Metro Manila

Date MAR 18 20.J
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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. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements as at and for the year ended December 31, 2018 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.

Signature: ______________
Bertram B. Lim
Chairman

Signature: ______________
Lorraine Belo-Cincochan
President

Signature: ______________
Mark Andrew Y. Belo
Chief Financial Officer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ...
Date MAR 18 2019
RECEIVED

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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

MAR 15 2018

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

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Bertram B. Lim			
Lorraine Belo-Cincochan			
Mark Andrew Y. Belo			

ATTY. [illegible] M. [illegible]
NOTARY PUBLIC
PTR NO. [illegible]
IBP NO. [illegible]
TIN: [illegible]

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MAR 18 2013

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 FINANCIAL STATEMENTS

The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2018, 2017 and 2016, including the schedules attached therein, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Signature: ______________________
Bertram B. Lim
Chairman

Signature: ______________________
Lorraine Belo-Cincochan
President

Signature: ______________________
Mark Andrew Y. Belo
Chief Financial Officer

Signed this 14th day of March 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE
Date MAR 18 2019
RECEIVED

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

SUBSCRIBED AND SWORN to before me this MAR 15 2019 day of ________ 20__ affiant(s) exhibiting to me their Passport, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Bertram B. Lim			
Lorraine Belo-Cincochan			
Mark Andrew Y. Belo			

ATTY. ... NOTARY PUBLIC
PTR NO. ...
IBP No. ...
Adm. Matter No. ...
MCLE ...
TIN: 140-394-...

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

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	5	**₱2,842,073,524**	₱3,016,815,150
Short-term investments	6	**–**	600,580,715
Trade and other receivables	7	**551,222,663**	552,025,050
Merchandise inventories	8	**7,331,056,540**	6,968,144,107
Other current assets	9	**643,670,234**	610,372,327
Total Current Assets		**11,368,022,961**	11,747,937,349
Noncurrent Assets			
Property and equipment	10	**2,767,160,840**	860,060,702
Financial asset at fair value through other comprehensive income	6	**2,906,721,106**	2,996,946,620
Net deferred tax assets	18	**137,519,693**	115,781,341
Other noncurrent assets	11	**322,757,153**	303,726,631
Total Noncurrent Assets		**6,134,158,792**	4,276,515,294
		₱17,502,181,753	₱16,024,452,643
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	**₱4,001,096,864**	₱3,491,311,355
Income tax payable		**170,167,805**	78,888,675
Current portion of long-term debt	13	**–**	155,000,000
Total Current Liabilities		**4,171,264,669**	3,725,200,030
Noncurrent Liabilities			
Long-term debt - net of current portion	13	**20,000**	248,461,539
Net retirement liability	14	**118,427,835**	132,535,711
Total Noncurrent Liabilities		**118,447,835**	380,997,250
Total Liabilities		**4,289,712,504**	4,106,197,280
Equity			
Capital stock	15	**4,099,724,116**	4,099,724,116
Additional paid-in capital		**5,373,738,427**	5,373,738,427
Other comprehensive income		**82,902,070**	173,130,917
Retained earnings		**3,656,104,636**	2,271,661,903
Total Equity		**13,212,469,249**	11,918,255,363
		₱17,502,181,753	₱16,024,452,643

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2018**	2017	2016
NET SALES		**₱21,041,433,928**	₱17,747,580,107	₱12,298,415,794
COST OF SALES	8	**(14,438,334,301)**	(12,481,667,970)	(8,999,485,092)
GROSS INCOME		**6,603,099,627**	5,265,912,137	3,298,930,702
OPERATING EXPENSES	16	**(4,420,552,891)**	(3,595,688,634)	(2,286,996,656)
INTEREST EXPENSE	13	**(2,345,308)**	(21,793,510)	(30,239,828)
OTHER INCOME	17	**359,472,440**	185,345,816	33,663,092
INCOME BEFORE INCOME TAX		**2,539,673,868**	1,833,775,809	1,015,357,310
INCOME TAX EXPENSE (BENEFIT)	18			
Current		**725,998,406**	459,519,649	308,482,953
Deferred		**(21,736,924)**	(11,158,692)	(179,902,951)
		704,261,482	448,360,957	128,580,002
NET INCOME		**1,835,412,386**	1,385,414,852	886,777,308
OTHER COMPREHENSIVE INCOME (LOSS)				
Item to be reclassified to profit or loss -				
Unrealized loss on fair value changes of financial asset	6	**(90,225,514)**	(3,053,380)	–
Item not to be reclassified to profit or loss -				
Remeasurement gain (loss) on retirement liability, net of deferred income tax	14	**(3,333)**	185,824,622	(9,640,325)
		(90,228,847)	182,771,242	(9,640,325)
TOTAL COMPREHENSIVE INCOME		**₱1,745,183,539**	₱1,568,186,094	₱877,136,983
BASIC AND DILUTIVE EARNINGS PER SHARE	21	**₱0.45**	₱0.37	₱0.43

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN EQUITY

	Note	2018	2017	2016
		Years Ended December 31		
CAPITAL STOCK	15			
Balance at beginning of year		**₱4,099,724,116**	₱2,705,817,916	₱50,000,000
Issuances		**–**	1,393,906,200	2,655,817,916
Balance at end of year		**4,099,724,116**	4,099,724,116	2,705,817,916
ADDITIONAL PAID-IN CAPITAL		**5,373,738,427**	5,373,738,427	–
OTHER COMPREHENSIVE INCOME (LOSS)				
Cumulative Remeasurement Gain (Loss) on Retirement Liability	14			
Balance at beginning of year		**176,184,297**	(9,640,325)	–
Remeasurement gain (loss), net of deferred income tax		**(3,333)**	185,824,622	(9,640,325)
Balance at end of year		**176,180,964**	176,184,297	(9,640,325)
Fair Value Changes on Financial Asset at Fair Value through Other Comprehensive Income	6			
Balance at beginning of year		**(3,053,380)**	–	–
Unrealized loss on fair value changes		**(90,225,514)**	(3,053,380)	–
Balance at end of year		**(93,278,894)**	(3,053,380)	–
		82,902,070	173,130,917	(9,640,325)
RETAINED EARNINGS				
Balance at beginning of year		**2,271,661,903**	886,247,051	(530,257)
Net income		**1,835,412,386**	1,385,414,852	886,777,308
Cash dividends	15	**(450,969,653)**	–	–
Balance at end of year		**3,656,104,636**	2,271,661,903	886,247,051
		₱13,212,469,249	₱11,918,255,363	₱3,582,424,642

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱2,539,673,868	₱1,833,775,809	₱1,015,357,310
Adjustments for:				
Interest income	5	(194,531,047)	(115,788,780)	(668,432)
Depreciation and amortization	10	164,851,981	104,325,305	62,714,607
Net provision (reversal of allowance) for:				
Impairment losses on receivables	7	26,254,535	(3,726,780)	(10,894,782)
Inventory write-down and losses	8	–	29,175,121	51,594,828
Retirement benefits	14	23,521,289	34,017,328	29,745,363
Interest expense	13	2,345,308	21,793,510	30,239,828
Direct write-off of receivables		50,149	–	–
Offer expenses	15	–	18,316,120	–
Operating income before working capital changes		2,562,166,083	1,921,887,633	1,178,088,722
Decrease (increase) in:				
Trade and other receivables		(30,882,622)	(91,433,713)	(34,571,955)
Merchandise inventories		(362,912,433)	(421,475,327)	586,640,880
Other current assets		(86,408,752)	159,564,677	(755,726,076)
Increase (decrease) in trade and other payables		510,014,364	(150,953,004)	157,027,599
Net cash generated from operations		2,591,976,640	1,417,590,266	1,131,459,170
Income tax paid		(581,608,431)	(534,725,739)	(154,388,188)
Contributions to retirement plan	14	(37,633,926)	(28,399,857)	–
Retirement benefits paid	14	(1,753,646)	(105,420)	–
Net cash provided by operating activities		1,970,980,637	854,359,250	977,070,982
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	(2,065,776,777)	(619,269,798)	(64,796,579)
Computer software	11	(31,904,348)	(30,465,688)	(10,985,329)
Financial asset at fair value through other comprehensive income		–	(3,000,000,000)	–
Short-term investments		–	(600,580,715)	–
Proceeds from maturity of short-term investments		600,580,715	–	–
Interest received		201,665,018	81,517,809	668,432
Decrease (increase) in other noncurrent assets		6,698,484	(65,494,501)	(151,026,332)
Net cash used in investing activities		(1,288,736,908)	(4,234,292,893)	(226,139,808)

(Forward)

	Note	2018	2017	2016
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	15	**(₱450,969,653)**	₱–	₱–
Long-term debt	13	**(403,441,539)**	(722,820,513)	(173,846,153)
Interest	13	**(2,574,163)**	(21,292,833)	(30,239,828)
Short-term debt	13	**–**	(445,000,000)	(158,504,383)
Proceeds from issuance of capital stock	15	**–**	6,749,328,507	–
Availments of long-term borrowings	13	**–**	198,461,539	–
Cash transferred from Parent Company	4	**–**	–	199,731,283
Net cash provided by (used in) financing activities		**(856,985,355)**	5,758,676,700	(162,859,081)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(174,741,626)**	2,378,743,057	588,072,093
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**3,016,815,150**	638,072,093	50,000,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**₱2,842,073,524**	₱3,016,815,150	₱638,072,093
NONCASH INFORMATION				
Retirement plan assets transferred from Parent Company	14	**₱–**	₱22,084,182	₱–
Net asssets transferred from Parent Company in exchange for shares of stock of the Company, net of cash transferred of ₱199,731,283	4	**–**	–	2,456,086,633

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date MAR 18 2019
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WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT and WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 4 and 15).

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

The financial statements of the Company as at and for the years ended December 31, 2018, 2017 and 2016 were approved and authorized for issue by the BOD on March 6, 2018, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

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

Measurement Bases

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

The financial statements of the Company have been prepared on the historical cost basis of accounting, except for financial asset at fair value through other comprehensive income (financial asset at FVOCI) that is measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date. The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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

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

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

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

- Note 6, *Investments*
- Note 23, *Fair Value of Financial Instruments*

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS effective January 1, 2018:

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

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

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

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

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

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

  Based on the analysis of the Company's business model and the contractual cash flow characteristics of its financial assets and liabilities as at January 1, 2018, the Company has concluded that all financial assets and liabilities should be classified under the new classification categories of PFRS 9.

The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of financial assets as at January 1, 2018.

			PFRS 9 Classification January 1, 2018	
			Financial Assets at	
Classification under PAS 39	Balance as at December 31, 2017	Note	FVOCI	Amortized Cost
Loans and Receivables				
Cash and cash equivalents	₱3,016,815,150	i	₱–	₱3,016,815,150
Short-term investments	600,580,715	i	–	600,580,715
Trade and other receivables*	395,199,335	i	–	395,199,335
Container deposits	8,037,715	i	–	8,037,715
Security deposits	112,191,181	i	–	112,191,181
Electricity deposits	36,938,404	i	–	36,938,404
Available-for-sale financial asset				
Retail treasury bond	2,996,946,620	ii	2,996,946,620	–
	₱7,166,709,120		₱2,996,946,620	₱4,169,762,500

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

i. Cash and cash equivalents and other financial assets that were previously classified as loans and receivables under PAS 39 will continue to be measured at amortized cost. These financial assets are held within a business model whose objective is to collect contractual cash flows representing solely payments of principal and interest.

ii. The retail treasury bond previously classified as available-for-sale (AFS) financial assets under PAS 39 are now classified as financial assets at FVOCI under PFRS 9. This financial asset is held within business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach, has no significant impact on the carrying amounts of the financial assets carried at amortized cost and FVOCI.

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

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

  Based on the Company's assessment, all of the agreements with customers generally undertake to provide single performance obligation at a fixed price which is mainly the delivery of goods. The Company recognizes revenue as the goods are transferred to the customer at the point of delivery. Accordingly, the adoption of PFRS 15 has no impact in the timing of revenue recognition.

New and Amended PFRS Issued but Not yet Effective
Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements, are summarized below.

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

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

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides requirements in addition to those set in PAS 12, *Income Taxes,* by specifying how to determine the accounting tax position when there is uncertainty over tax treatments. It requires an entity to (a) determine whether uncertain tax positions are assessed separately or as a group, and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings. Otherwise, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

- Amendments to PFRS 9, Financial Instruments - *Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met.

  It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

  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.

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 16.

For the Company's non-cancellable operating lease agreements, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize the right-of-use asset and a corresponding liability in response of all these leases – unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company completes the review.

Financial Instruments

Date of Recognition. The Company recognizes a financial assets or liabilities in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value of the consideration given (in the case of an asset) or received (in the case of a liability). The initial measurement of all financial instruments, except for financial instruments classified as fair value through profit or loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data observable from the market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when inputs become observable or when instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing a "Day 1" difference amount.

Financial Assets
In the case of regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at FVPL and (c) financial assets at FVOCI. The classification of financial asset largely depends on the Company's business model and its contractual cash flow characteristics.

The Company does not have financial assets measured at FVPL.

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

- the financial asset is held with a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at December 31, 2018, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers), container deposits (presented as part of "Other current assets"), security and electricity deposits and refundable cash bonds (presented as part of "Other noncurrent assets") are included under this category. These were previously classified as loans and receivables under PAS 39 as at December 31, 2017.

Cash and Cash Equivalents. Cash and cash equivalents, which include cash on hand, cash in banks, money market placements, are highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Asset at FVOCI. Financial asset at FVOCI which pertain to debt instrument, should be measured at fair value through other comprehensive income if both of the following conditions are met:

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

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instrument measured at FVOCI are recognized directly in profit or loss. Changes in the fair value of these instruments are recognized in other comprehensive income and accumulated in equity. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2018, this category includes retail treasury bond, which was previously classified as AFS financial asset under PAS 39 as at December 31, 2017.

Impairment. Under PFRS 9, the Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not measured at FVPL. Expected credit loss is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach in measuring ECL. Simplified approach requires that ECL should always be based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate.

For debt instruments at FVOCI and other financial instruments measured at amortized cost, the ECL is based on the 12-month expected credit loss, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Under PAS 39, the Company assesses, at the end of each reporting period, whether objective evidence of impairment exist for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. For the purpose of a collective evaluation of impairment, financial assets are grouped together on the basis of such credit risk characteristics such as customer type, payment history, past-due status and terms.

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

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

Reclassification. The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

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

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

Derecognition. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

Classification. The Company classifies its financial liabilities at initial recognition under the following categories: (a) financial liabilities at amortized cost or (b) financial liabilities at FVPL.

As at reporting date, the Company does not have financial liabilities measured at FVPL.

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

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

As at December 31, 2018, the long-term debt and trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue) are included in this category. These were previously classified as other financial liabilities under PAS 39 as at December 31, 2017.

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in profit or loss.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Offsetting of Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Merchandise Inventories</u>
Merchandise inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the weighted average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete 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.

When the NRV of inventories is lower than the cost. a write-down is recognized as expense at the period in which it occured. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

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

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

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

The net amount of VAT recoverable from the taxation authority is included as part of "Other current assets" account in the 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 date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

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

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 year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

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

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

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

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

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 (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the item is derecognized.

Other Noncurrent Assets

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

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

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

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

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

Impairment of Nonfinancial Assets

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

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

Nonfinancial assets include property and equipment and computer software.

Equity

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

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

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

Dividend Distribution. Dividend distribution to the Company's stockholders is recognized as a liability and deducted from equity in the year in which the dividends are declared as approved by the Company's BOD. Dividends that are approved after the reporting year are dealt with as an event after the reporting year.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company assesses the revenue arrangements to determine if it is acting as a principal or as an agent. The Company assessed that it acts as principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Net Sales. Revenue is recognized when the control of the goods is transferred to the buyer, which is normally upon delivery or pick up of goods, and measured at the fair value of the consideration received or receivable, net of returns, trade discounts and unearned revenue from loyalty program.

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

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

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

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

Cost and Expense Recognition

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

Employee Benefits

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

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

Retirement Benefits. Retirement benefit costs are actuarially determined using the projected unit credit method, which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

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

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

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

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

Income Taxes

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

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

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

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

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

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

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

Earnings per Share

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

The Company has no dilutive potential common shares.

Related Party Relationship and Transactions

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

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

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

Segment Reporting

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

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

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

Judgments

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

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

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

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

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

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

Rent expense amounted to ₱919.9 million, ₱780.7 million and ₱502.1 million in 2018, 2017 and 2016, respectively (see Note 19).

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

Rent income amounted to ₱20.1 million, ₱17.3 million and ₱5.8 million in 2018, 2017 and 2016, respectively (see Note 19).

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

Estimates and Assumptions

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

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

Unrealized loss on fair value changes on financial asset at FVOCI recognized in other comprehensive income amounted to ₱90.2 million and ₱3.1 million in 2018 and 2017, respectively (see Note 6). The carrying amount of financial asset at FVOCI amounted to ₱2,906.7 million and ₱2,996.9 million as at December 31, 2018 and 2017, respectively (see Note 6).

Fair values of financial assets and liabilities are presented in Note 23 to financial statements.

Assessing Expected Credit Losses on Trade and Other Receivables. The Company has adopted the simplified approach in measuring ECL based on lifetime expected credit losses on its trade and other receivables. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Net provision for impairment losses on receivables recognized in 2018 amounted to ₱26.3 million (see Note 7).

The carrying amount of trade and other receivables (excluding advances to suppliers) amounted to ₱245.8 million as at December 31, 2018 (see Note 7). Allowance for impairment losses on receivables amounted to ₱63.4 million as at December 31, 2018 (see Note 7).

Assessing Impairment of Trade and Other Receivables. Under PAS 39, allowance for impairment losses on trade and other receivables as at December 31, 2017 is made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts based on available facts and circumstances affecting its collectability.

Net reversal of allowance for impairment losses on receivables amounted to ₱3.7 million and ₱10.9 million in 2017 and 2016, respectively (see Note 7).

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

Assessing Estimated Impairment Losses on Other Financial Asset at Amortized Cost. In assessing expected credit losses for other financial asset at amortized cost, the Company uses historical credit loss experience adjusted for forward-looking factors, as appropriate. The Company, except for refundable cash bonds, has no history of actual losses.

No provision for impairment losses on other financial assets at amortized cost were recognized in 2018, 2017 and 2016 (see Note 11).

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

	Note	2018	2017
Security deposits	11	**₱103,587,631**	₱112,191,181
Electricity deposits	11	**47,818,940**	36,938,404
Container deposits	9	**8,010,715**	8,037,715
		₱159,417,286	₱157,167,300

Other financial assets at amortized cost also include refundable cash bonds, amounting to ₱83.4 million, which the Company assessed to be unrecoverable. Accordingly, refundable cash bonds were fully provided with allowance for impairment losses as at December 31, 2018 and 2017.

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

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The adequacy of allowance for inventory write-down and losses is reviewed periodically to reflect the accurate valuation in the financial statements.

The carrying value of merchandise inventories amounted to ₱7,331.1 million and ₱6,968.1 million as at December 31, 2018 and 2017, respectively (see Note 8). Allowance for inventory write-down and losses amounted to ₱130.8 million as at December 31, 2018 and 2017 (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 as at December 31, 2018 and 2017. The carrying value of depreciable property and equipment and computer software follows:

	Note	2018	2017
Property and equipment*	10	₱2,383,379,880	₱626,480,766
Computer software	11	63,531,693	37,802,687
		₱2,446,911,573	₱664,283,453

**Excluding construction in progress amounting to ₱383.8 million and ₱233.6 million as at December 31, 2018 and 2017 respectively.*

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

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

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

There were no indications that the carrying value of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2018, 2017 and 2016.

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

	Note	2018	2017
Property and equipment	10	₱2,767,160,840	₱860,060,702
Computer software	11	63,531,693	37,802,687
		₱2,830,692,533	₱897,863,389

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 14 to financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future periods.

Net retirement liability amounted to ₱118.4 million and ₱132.5 million as at December 31, 2018 and 2017, respectively (see Note 14).

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 (gross) amounted to ₱165.3 million and ₱139.1 million as at December 31, 2018 and 2017, respectively (see Note 18).

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

Initial Public Offering

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 1 and 15).

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

The unapplied proceeds from the IPO amounted to ₱3,573.1 million and ₱5,611.5 million as at December 31, 2018 and 2017, respectively, and are maintained in various current and savings accounts, cash equivalents, short-term investments and financial asset at FVOCI.

Details are as follows:

	Note	2018	2017
Cash and cash equivalents	5	**₱573,063,018**	₱2,010,956,207
Financial asset at FVOCI	6	**3,000,000,000**	3,000,000,000
Short-term investments	6	**–**	600,580,715
		₱3,573,063,018	₱5,611,536,922

The unapplied proceeds will be used for the store network expansion project of the Company, which are expected to be completed by 2020.

Transfer of the Trading Business

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

5. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱8,794,295**	₱7,454,592
Cash in banks	**777,279,229**	879,360,558
Cash equivalents	**2,056,000,000**	2,130,000,000
	₱2,842,073,524	₱3,016,815,150

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents represent money market placements with interest ranging from 2.0% to 7.50% and have a maturity of 15 to 90 days.

Details of interest income are as follows:

	Note	2018	2017	2016
Financial asset at FVOCI	6	**₱99,450,000**	₱77,566,667	₱–
Cash and cash equivalents		**93,347,153**	34,341,398	668,432
Short-term investments	6	**1,733,894**	3,880,715	–
	17	**₱194,531,047**	₱115,788,780	₱668,432

6. Investments

Short-term investments
Short-term investments amounting to ₱600.6 million as at December 31, 2017 represent money market placements with maturity of four months and bear interest of 2.74% and 2.75%. Interest income earned from short-term investments amounted to ₱1.7 million and ₱3.9 million in 2018 and 2017, respectively (see Note 5).

Financial asset at FVOCI
Financial asset at FVOCI represents investment in retail treasury bond, which bears an annual interest of 4.25% and will mature on April 11, 2020. As at December 31, 2018 and 2017, financial asset at FVOCI amounted to ₱2,906.7 million and ₱2,996.9 million, respectively.

Interest income from financial asset at FVOCI amounted to ₱99.5 million and ₱77.6 million in 2018 and 2017, respectively (see Note 5).

Unrealized loss on fair value changes of financial asset at FVOCI amounted to ₱90.2 million and ₱3.1 million in 2018 and 2017, respectively. The fair value measurement for financial asset at FVOCI has been categorized as level 2.

7. Trade and Other Receivables

Details of this account are as follows:

	Note	2018	2017
Trade:			
Third parties		₱234,981,128	₱288,596,531
Related parties	20	786,933	83,123,103
Advances to suppliers		305,385,150	156,825,715
Accrued interest		27,137,000	34,270,971
Advances to officers and employees		8,508,102	4,907,452
Rent receivables	19	3,713,225	2,942,160
Others	20	34,160,521	18,741,244
		614,672,059	589,407,176
Allowance for impairment losses		(63,449,396)	(37,382,126)
		₱551,222,663	₱552,025,050

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

Advances to suppliers pertain to advance payments on purchases of trade and nontrade goods, materials and services for the construction of stores.

Accrued interest pertains to interest receivable on the Company's cash and cash equivalents, short-term investments and financial asset at FVOCI.

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

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

Others mainly pertain to marketing support granted by suppliers.

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

	2018	2017
Balance at beginning of year	₱37,382,126	₱45,834,378
Provision	30,505,826	7,502,533
Reversal	(4,251,291)	(11,229,313)
Write-off	(187,265)	(4,725,472)
Balance at end of year	₱63,449,396	₱37,382,126

8. Merchandise Inventories

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

	2018	2017
At cost	₱7,019,261,107	₱6,511,505,665
At NRV	311,795,433	456,638,442
	₱7,331,056,540	₱6,968,144,107

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

The cost of merchandise inventories stated at NRV amounted to ₱442.6 million and ₱587.5 million as at December 31, 2018 and 2017, respectively.

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

	2018	2017
Balance at beginning of year	**₱130,826,546**	₱101,651,425
Provision	**-**	29,175,121
Balance at end of year	**₱130,826,546**	₱130,826,546

Inventories charged to cost of sales amounted to ₱14,438.3 million, ₱12,481.7 million and ₱8,999.5 million in 2018, 2017 and 2016 respectively, including provision for inventory write-down and losses.

9. Other Current Assets

Details of this account are as follows:

	2018	2017
Input VAT	**₱240,316,969**	₱402,056,029
Current deferred input VAT	**175,886,317**	186,590,797
Prepaid expenses	**115,623,344**	10,962,386
Materials and supplies	**103,832,889**	2,725,400
Container deposits	**8,010,715**	8,037,715
	₱643,670,234	₱610,372,327

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

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

Materials and supplies pertain to unused construction materials, office supplies and uniforms.

Container deposits pertain to monetary deposits for containers used for imported goods.

10. **Property and Equipment**

Details and movements of this account are as follows:

	2018					
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱290,356,213	₱460,333,451	₱22,309,192	₱16,873,492	₱233,579,936	₱1,023,452,284
Additions	–	243,686,725	58,823,462	19,205,202	1,744,061,388	2,065,776,777
Reclassification	1,553,583,616	–	40,276,748	–	(1,593,860,364)	–
Disposal	(843,017)	–	–	–	–	(843,017)
Balance at end of year	1,843,096,812	704,020,176	121,409,402	36,078,694	383,780,960	3,088,386,044
Accumulated Depreciation and Amortization						
Balance at beginning of year	10,031,862	140,436,653	10,641,838	2,281,229	–	163,391,582
Depreciation and amortization	38,773,329	14,336,888	100,242,581	5,323,841	–	158,676,639
Disposal	(843,017)	–	–	–	–	(843,017)
Balance at end of year	47,962,174	154,773,541	110,884,419	7,605,070	–	321,225,204
Carrying Value	₱1,795,134,638	₱549,246,635	₱10,524,983	₱28,473,624	₱383,780,960	₱2,767,160,840

	2017					
	Building and improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
Cost						
Balance at beginning of year	₱125,482,396	₱255,022,262	₱18,100,864	₱5,576,964	₱–	₱404,182,486
Additions	–	205,311,189	4,208,328	11,296,528	398,453,753	619,269,798
Reclassification	164,873,817	–	–	–	(164,873,817)	–
Balance at end of year	290,356,213	460,333,451	22,309,192	16,873,492	233,579,936	1,023,452,284
Accumulated Depreciation and Amortization						
Balance at beginning of year	3,757,744	52,463,387	5,673,004	390,452	–	62,284,587
Depreciation and amortization	6,274,118	87,973,266	4,968,834	1,890,777	–	101,106,995
Balance at end of year	10,031,862	140,436,653	10,641,838	2,281,229	–	163,391,582
Carrying Value	₱280,324,351	₱319,896,798	₱11,667,354	₱14,592,263	₱233,579,936	₱860,060,702

Depreciation and amortization are summarized below:

	Note	2018	2017	2016
Property and equipment		**₱158,676,639**	₱101,106,995	₱62,284,587
Computer software	11	**6,175,342**	3,218,310	430,020
	16	**₱164,851,981**	₱104,325,305	₱62,714,607

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

11. Other Noncurrent Assets

Details of this account are as follows:

	Note	2018	2017
Security deposits	19	**₱103,587,631**	₱112,191,181
Computer software		**63,531,693**	37,802,687
Advance rent	19	**54,886,102**	77,749,502
Noncurrent deferred input VAT		**52,932,787**	39,044,857
Electricity deposits		**47,818,940**	36,938,404
		₱322,757,153	₱303,726,631

Movements of computer software follow:

	Note	2018	2017
Cost			
Balance at beginning of year		**₱41,451,017**	₱10,985,329
Additions		**31,904,348**	30,465,688
Balance at end of year		**73,355,365**	41,451,017
Accumulated Amortization			
Balance at beginning of year		**3,648,330**	430,020
Amortization	10	**6,175,342**	3,218,310
Balance at end of year		**9,823,672**	3,648,330
Carrying Amount		**₱63,531,693**	₱37,802,687

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

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2018 and 2017, the refund of cash bonds is still pending with the BOC. Consequently, this has been fully provided with allowance.

12. Trade and Other Payables

Details of this account are as follows:

	Note	2018	2017
Trade:			
Third parties		₱2,629,936,351	₱2,482,513,704
Related parties	20	141,177,998	72,388,734
Nontrade:			
Third parties		526,656,476	179,041,748
Related parties	20	694,404	64,791,264
Accrued expenses:			
Rent	19	104,857,248	49,418,543
Salaries and wages		90,432,195	3,787,165
Outside services		39,498,906	213,029,431
Utilities		9,561,143	15,546,631
Trucking services		1,342,880	43,147,511
Others		24,378,865	21,242,639
Advances from customers		280,983,544	227,261,002
Due to Parent Company	20	–	22,084,182
Others		151,576,854	97,058,801
		₱4,001,096,864	₱3,491,311,355

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

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

Accrued expenses are payable in the succeeding month.

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

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

13. Long-term Debt

Details of long-term debt are as follows:

			Outstanding Balance	
	Terms	Principal	2018	2017
Loan 1	Lump sum payment in August 2021	₱210,000,000	₱10,000	₱25,000,000
Loan 2	Lump sum payment in August 2021	170,000,000	10,000	25,000,000
Loan 3	Lump sum payment in June 2022	198,461,539	–	198,461,539

(Forward)

	Terms	Principal	Outstanding Balance 2018	2017
Loan 4	Quarterly installment payment until March 2020	₱320,000,000	₱–	₱100,000,000
Loan 5	Monthly installment payment until March 2018	100,000,000	–	55,000,000
		₱998,461,539	20,000	403,461,539
Current portion			–	(155,000,000)
Noncurrent portion			₱20,000	₱248,461,539

The loans bear interest ranging from 2.25% to 5.75% in 2018 and 2017.

Interest expense is summarized below:

	2018	2017	2016
Long-term debt	₱2,345,308	₱15,168,951	₱20,169,546
Short-term debt	–	6,624,559	10,070,282
	₱2,345,308	₱21,793,510	₱30,239,828

As at December 31, 2018 and 2017, certain loans are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million and ₱1,149.3 million, respectively (see Note 20).

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

	2018	2017
Less than one year	₱–	₱155,000,000
Between one to two years	–	50,000,000
Between two to five years	20,000	198,461,539
	₱20,000	₱403,461,539

The Company paid in advance long-term debt amounting to ₱248.4 million in 2018.

Changes in the liabilities arising from financing activities for 2018 are as follows:

	2018 Long-term Debt	2018 Interest Payable
Balance at beginning of year	₱403,461,539	₱228,890
Payments	(403,441,539)	(2,574,163)
Interest expense	–	2,345,308
Balance at end of year	₱20,000	₱35

	2017		
	Short-term Debt	Long-term Debt	Interest Payable
Balance at beginning of year	₱445,000,000	₱927,820,513	₱–
Payments	(445,000,000)	(722,820,513)	(21,292,833)
Proceeds	–	198,461,539	–
Interest expense	–	–	21,793,510
Balance at end of year	₱–	₱403,461,539	₱500,677

There are no noncash transactions arising from these liabilities.

14. Retirement Benefits

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

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

Actuarial valuations are made periodically to update the retirement benefit liability and the amount of contributions. The latest actuarial valuation report was dated as at December 31, 2018.

Details of retirement benefits are as follows:

	2018	2017	2016
Current service cost	**₱16,989,341**	₱15,913,503	₱29,745,363
Interest expense	**10,435,646**	19,277,579	–
Interest income	**(3,903,698)**	(1,173,754)	–
	₱23,521,289	₱34,017,328	₱29,745,363

The cumulative remeasurement gain (loss) recognized in other comprehensive income follows:

	2018		
	Cumulative Remeasurement Gain (Loss)	**Deferred Tax (see Note 18)**	**Net**
Balance at beginning of year	**₱251,691,852**	**(₱75,507,555)**	**₱176,184,297**
Remeasurement gain	**(4,761)**	**1,428**	**(3,333)**
Balance at end of year	**₱251,687,091**	**(₱75,506,127)**	**₱176,180,964**

	2017		
	Cumulative Remeasurement Gain (Loss)	Deferred Tax (see Note 18)	Net
Balance at beginning of year	(₱13,771,893)	₱4,131,568	(₱9,640,325)
Remeasurement gain	265,463,745	(79,639,123)	185,824,622
Balance at end of year	₱251,691,852	(₱75,507,555)	₱176,184,297

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

	2018	2017
Present value of the obligation	**₱200,113,371**	₱183,081,500
Fair value of plan assets	**81,685,536**	50,545,789
	₱118,427,835	₱132,535,711

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

	2018	2017
Balance at beginning of year	**₱183,081,500**	₱414,571,587
Current service cost	**16,989,341**	15,913,503
Interest expense	**10,435,646**	19,277,579
Remeasurement gain	**(8,639,470)**	(266,575,749)
Benefits paid	**(1,753,646)**	(105,420)
Balance at end of year	**₱200,113,371**	₱183,081,500

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

	2018	2017
Balance at beginning of year	**₱50,545,789**	₱–
Contributions	**37,633,926**	28,399,857
Remeasurement loss	**(8,644,231)**	(1,112,004)
Interest income	**3,903,698**	1,173,754
Benefits paid	**(1,753,646)**	–
Transfer from Parent Company	–	22,084,182
Balance at end of year	**₱81,685,536**	₱50,545,789

Details of plan assets are as follows:

Unit investment trust funds	72.07%
Mutual funds	19.59%
Others	8.34%
Balance at end of year	100.00%

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

	2018	2017
Discount rate	**7.53%**	5.70%
Annual salary increase rate	**4.00%**	4.00%

Sensitivity analysis on retirement liability is as follows:

	Basis Points	Amount
Discount rate	+100	(₱22,478,933)
	-100	27,490,621
Salary rate	+100	28,225,083
	-100	(23,369,424)
Turnover rate	–	40,468,019

As at December 31, 2018, the expected future benefits payments are as follows:

Year	Amount
2019	₱46,178,066
2020	2,284,785
2021	5,661,804
2022	10,288,937
2023	3,712,804
2024 to 2028	56,200,465
	₱124,326,861

15. Equity

Details of capital stock are as follow:

	2018		2017		2016	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized - at ₱1 a share						
Balance at beginning of year	5,000,000,000	₱5,000,000,000	5,000,000,000	₱5,000,000,000	200,000,000	₱200,000,000
Increase	-	-	-	-	4,800,000,000	4,800,000,000
Balance at end of year	5,000,000,000	₱5,000,000,000	5,000,000,000	₱5,000,000,000	5,000,000,000	₱5,000,000,000
Issued and outstanding:						
Balance at beginning of year	4,099,724,116	₱4,099,724,116	2,705,817,916	₱2,705,817,916	50,000,000	₱50,000,000
Issuances	-	-	1,393,906,200	1,393,906,200	2,655,817,916	2,655,817,916
Balance at end of year	4,099,724,116	₱4,099,724,116	4,099,724,116	₱4,099,724,116	2,705,817,916	₱2,705,817,916

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share (see Note 1). Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million. The Company incurred transaction costs incidental to the IPO amounting to ₱271.6 million, which was charged against additional paid-in capital and other offer expenses charged to profit or loss amounting to ₱18.3 million. Net additional paid-in capital amounted to ₱5,373.7 million.

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

On March 6, 2019, the Company's BOD approved the declaration of a regular cash dividend of ₱0.11 per share and a special cash dividend of ₱0.05 per share, or a total of ₱0.16 per share equivalent to ₱ 656.0 million to stockholders on record date of March 22, 2019 and payment date of April 16, 2019.

16. Operating Expenses

Details of this account are as follows:

	Note	2018	2017	2016
Rent	19	**₱919,910,158**	₱780,737,052	₱502,084,363
Salaries, wages and employee benefits		**830,904,777**	643,369,575	506,252,125
Outsourced services		**769,736,714**	711,320,626	395,207,263
Trucking services		**473,945,501**	351,607,772	192,066,482
Utilities		**436,646,588**	331,922,472	258,233,463
Taxes and licenses		**181,280,353**	162,320,458	115,227,877
Credit card charges		**173,251,280**	149,839,772	99,176,655
Depreciation and amortization	10	**164,851,981**	104,325,305	62,714,607
Supplies		**117,998,573**	86,810,376	35,583,411
Advertising and promotions		**104,360,976**	100,806,258	42,734,794
Repairs and maintenance		**86,825,007**	56,257,962	33,054,848
Postage, telephone and telegraph		**30,639,159**	27,983,000	17,971,279
Professional fees		**18,220,905**	17,841,741	5,573,013
Transportation and travel		**17,636,609**	17,309,280	6,642,676
Donations and contributions		**11,318,431**	22,600,054	5,604,997
Others		**83,025,879**	30,636,931	8,868,803
		₱4,420,552,891	₱3,595,688,634	₱2,286,996,656

Other expenses include director's fee, fuel & oil, net provision (reversal of allowance) for impairment losses on receivables and other operating costs.

17. Other Income

Details of this account are as follow:

	Note	2018	2017	2016
Interest	5	**₱194,531,047**	₱115,788,780	₱668,432
Rent	19	**20,147,518**	17,311,963	5,768,648
Others		**144,793,875**	52,245,073	27,226,012
		₱359,472,440	₱185,345,816	₱33,663,092

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

Other income includes amounts charged to and from the suppliers for the use of billboards and signages, office supplies, marketing support for new stores from the suppliers and other reimbursable costs.

18. Income Tax

The current income tax expense in 2018 and 2017 represents regular corporate income tax. The Company will be subject to minimum corporate income tax in the taxable year 2019, which is the fourth taxable year immediately following the year of the Company's registration with the BIR on December 17, 2015.

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

	2018	2017	2016
Income tax expense at statutory rate	**₱761,902,160**	₱550,132,743	₱304,607,193
Income tax effects of:			
Interest income already subjected to final tax	**(58,359,314)**	(34,736,634)	(200,530)
Nondeductible interest expense	**703,592**	6,538,053	82,718
Other nondeductible expense	**15,044**	–	–
Effect of net assets transferred	**–**	–	(174,032,434)
Offer expenses	**–**	(80,198,460)	(1,876,945)
Derecognition of deferred tax assets resulting from retirement plan assets transferred	**–**	6,625,255	–
	₱704,261,482	₱448,360,957	₱128,580,002

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

	2018	2017
Deferred tax assets:		
Allowance for inventory write-down and losses	**₱39,247,964**	₱39,247,964
Retirement liability	**35,528,351**	39,760,713
Accrued rent on straight-line basis	**28,788,008**	12,043,496
Allowance for impairment of refundable cash bonds	**25,022,980**	25,022,980
Allowance for impairment losses on receivables	**19,090,999**	11,214,638
Unearned revenue from loyalty program	**17,633,245**	11,817,498
	165,311,547	139,107,289
Deferred tax liabilities:		
Advance rent	**(23,324,851)**	(23,324,851)
Prepaid taxes	**(4,460,864)**	–
Unrealized foreign exchange gain	**(6,139)**	(1,097)
	(27,791,854)	(23,325,948)
	₱137,519,693	₱115,781,341

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

	Note	2018	2017
Through profit or loss		**₱213,025,820**	₱191,288,896
Through other comprehensive income	14	**(75,506,127)**	(75,507,555)
		₱137,519,693	₱115,781,341

19. Commitments and Contingencies

Lease Agreements

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

Security deposits amounted to ₱103.6 million and ₱112.2 million as at December 31, 2018 and 2017, respectively (see Note 11). Advance rent amounted to ₱54.9 million and ₱77.7 million as at December 31, 2018 and 2017, respectively (see Note 11). Accrued rent as at December 31, 2018 and 2017 amounted to ₱104.9 million and ₱49.4 million, respectively (see Note 12).

Rent expense amounted to ₱919.9 million, ₱780.7 million and ₱502.1 million in 2018, 2017 and 2016, respectively (see Note 16).

Future minimum rent payments under operating lease are as follows:

	2018	2017
Within one year	**₱532,328,641**	₱774,251,249
After one year but not more than five years	**849,830,332**	759,035,536
More than five years	**1,028,895,858**	731,410,419
	₱2,411,054,831	₱2,264,697,204

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

Rent income amounted to ₱20.1 million, ₱17.3 million and ₱5.8 million in 2018, 2017 and 2016, respectively, (see Note 17). Rent receivables amounted to ₱3.7 million and ₱2.9 million as at December 31, 2018 and 2017, respectively (see Note 7).

Agreement with Importing Suppliers
Purchases from certain importing suppliers are subject to rebates based on certain percentage of sales from goods purchased. Rebates from importing suppliers amounted to ₱106.2 million and ₱940.0 million in 2018 and 2017, respectively.

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

Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2018 and 2017.

20. Related Party Transactions and Balances

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

Related Party	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	**2018**	**₱1,481,307**	**₱522,392,993**	**₱112,001,511**	**₱10,657,818**
	2017	9,262,833	458,272,214	108,366,402	72,847,581
Entities under Common Control	**2018**	**27,614,291**	**1,062,592,864**	**85,009,911**	**225,799,020**
	2017	27,553,319	977,712,798	108,298,232	96,290,971
Stockholders	**2018**	**1,628,245**	**16,111,462**	**1,800,315**	**–**
	2017	1,776,012	14,347,525	633,515	–
	2018	**₱30,723,843**	**₱1,601,097,319**	**₱198,811,737**	**₱236,456,838**
	2017	38,592,164	1,460,332,537	217,298,149	169,138,552

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱17.5 million and ₱93.3 million as at December 31, 2018 and 2017, respectively (see Note 7) and security deposits and advance rent (included as part of "Other current assets" or "Other noncurrent assets") aggregating ₱181.3 million and ₱124.0 million as at December 31, 2018 and 2017, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2018, 2017 and 2016.

Amounts owed to related parties consist of trade and other payables aggregating ₱236.5 million and ₱169.1 million as at December 31, 2018 and 2017, respectively (see Note 12).

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

a. The Parent Company transferred retirement plan assets amounting to ₱22.1 million in 2017.

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

   Purchases of goods and services from related parties aggregated ₱ 749.7 million and ₱757.2 million in 2018 and 2017, respectively.

   Sale of goods and services to related parties aggregated ₱30.7 million and ₱38.6 million in 2018 and 2017, respectively.

c. Cash advances for working capital requirement and reimbursable certain expenses mainly pertain to power and electricity, water, postage, telephone and telegraph. Reimbursement of certain expenses from related parties amounted to ₱59.5 million and ₱65.3 million in 2018 and 2017, respectively.

d. Lease agreements with the Parent Company and related parties for the use of land, buildings, transportation equipment and computer software for a period of one to 15 years (see Note 19). Rent expenses from related parties amounted to ₱791.9 million and ₱637.8 million in 2018 and 2017, respectively.

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

	2018	2017	2016
Short-term employee benefits	₱67,640,177	₱47,849,537	₱28,963,361
Retirement benefits	2,234,912	3,077,046	2,079,114
	₱69,875,089	₱50,926,583	₱31,042,475

21. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	2018	2017	2016
Net income	₱1,835,412,386	₱1,385,414,852	₱886,777,308
Divided by the weighted average numberof outstanding shares	4,099,724,116	3,751,247,566	2,041,863,437
	₱0.45	₱0.37	₱0.43

22. Financial Risk Management Objectives and Policies

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

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

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

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

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

	2018	2017
Cash in banks and cash equivalents	₱2,833,279,229	₱3,009,360,558
Short-term investments	–	600,580,715
Trade and other receivables*	309,286,909	432,581,461
Container deposits	8,010,715	8,037,715
Financial asset at FVOCI	2,906,721,106	2,996,946,620
Security deposits	103,587,631	112,191,181
Electricity deposits	47,818,940	36,938,404
Refundable cash bonds	83,409,934	83,409,934
	₱6,292,114,464	₱7,280,046,588

**Excluding advances to suppliers amounting to ₱305.4 million and ₱156.8 million as at December 31, 2018 and 2017, respectively.*

The Company does not have major concentration of credit risk.

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

	2018				
	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 and cash equivalents	₱2,833,279,229	₱–	₱–	₱–	₱2,833,279,229
Trade and other receivables*	131,426,248	47,860,173	66,551,092	63,449,396	309,286,909
Container deposits	8,010,715	–	–	–	8,010,715
Financial asset at FVOCI	2,906,721,106	–	–	–	2,906,721,106
Security deposits	103,587,631	–	–	–	103,587,631
Electricity deposits	47,818,940	–	–	–	47,818,940
Refundable cash bonds	–	–	–	83,409,934	83,409,934
	₱6,030,843,869	₱47,860,173	₱66,551,092	₱146,859,330	₱6,292,114,464

**Excluding advances to suppliers amounting to ₱305.4 million.*

	2017				
	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 and cash equivalents	₱3,009,360,558	₱–	₱–	₱–	₱3,009,360,558
Short-term investments	600,580,715	–	–	–	600,580,715
Trade and other receivables*	184,264,614	103,964,270	106,970,451	37,382,126	432,581,461
Container deposits	8,037,715	–	–	–	8,037,715
AFS financial asset	2,996,946,620	–	–	–	2,996,946,620
Security deposits	112,191,181	–	–	–	112,191,181
Electricity deposits	36,938,404	–	–	–	36,938,404
Refundable cash bonds	–	–	–	83,409,934	83,409,934
	₱6,948,319,807	₱103,964,270	₱106,970,451	₱120,792,060	₱7,280,046,588

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

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

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

	2018			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks and cash equivalents	₱2,833,279,229	₱–	₱–	₱2,833,279,229
Trade and other receivables*	–	131,426,248	–	131,426,248
Container deposits	–	–	8,010,715	8,010,715
Financial asset at FVOCI	2,906,721,106	–	–	2,906,721,106
Security deposits	–	103,587,631	–	103,587,631
Electricity deposits	–	47,818,940	–	47,818,940
	₱5,740,000,335	₱282,832,819	₱8,010,715	₱6,030,843,869

** Excluding advances to suppliers amounting to ₱305.4 million.*

	2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	₱3,009,360,558	₱–	₱–	₱3,009,360,558
Short-term investments	600,580,715	–	–	600,580,715
Trade and other receivables*	–	184,264,614	–	184,264,614
Container deposits	–	–	8,037,715	8,037,715
AFS financial asset	2,996,946,620	–	–	2,996,946,620
Security deposits	–	112,191,181	–	112,191,181
Electricity deposits	–	36,938,404	–	36,938,404
	₱6,606,887,893	₱333,394,199	₱8,037,715	₱6,948,319,807

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

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

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

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

	2018				
	On Demand	**Within Three Months**	**More than Three Months to One Year**	**More than One Year but less than Five Years**	**Total**
Trade and other payables*	₱–	₱3,851,161,810	₱45,603,626	₱–	₱3,896,765,436
Long-term debt	–	–	–	20,000	20,000
	₱–	₱3,851,161,810	₱45,603,626	₱20,000	₱3,896,785,436

**Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating ₱104.3 million.*

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

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

As at December 31, 2018 and 2017, Company's cash and cash equivalents aggregate ₱2,842.1 million and ₱3,016.8 million, respectively. The Company's cash and cash equivalents resulting from the net cash flows from operating and financing activities are sufficient to cover payments due on its financial liabilities and the cost of all firm orders due in the next financial year.

Interest Rate Risk. Interest rate risk pertains to the fluctuations in interest of cash in banks and cash equivalent, short-term investments and financial assets at FVOCI. The interest rates on these assets are disclosed in Notes 5 and 6. The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

The primary measure of the Company's interest rate risk is the duration of its financial assets. It quantifies the effect of changes in interest rates in the value of fixed income securities. The longer the duration, the more sensitive it should be to changes in interest rates.

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

	2018		2017	
	+/-%	**Effect on Profit or Loss**	+/-%	Effect on Profit or Loss
Cash equivalents	**0.30%**	**₱376,127**	0.79%	₱506,509
Financial asset at FVOCI	**0.03%**	**43,633**	0.19%	237,696
Short-term investments	**–**	**–**	0.79%	130,433

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

<u>Capital Management</u>
The Company monitors its debt-to-equity ratio.

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

The debt-to-equity ratio is as follows:

	2018	2017
Total debt	**₱4,289,712,504**	₱4,106,197,280
Total equity	**13,212,469,249**	11,918,255,363
Debt-to-equity	**0.32:1**	0.34:1

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

23. Fair Value of Financial Instruments

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

	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱2,842,073,524	₱2,842,073,524	₱3,016,815,150	₱3,016,815,150
Short-term investments	-	-	600,580,715	600,580,715
Trade and other receivables*	245,837,513	245,837,513	395,199,335	395,199,335
Container deposits	8,010,715	8,010,715	8,037,715	8,037,715
Financial asset at FVOCI/ AFS financial asset	2,906,721,106	2,906,721,106	2,996,946,620	2,996,946,620
Security deposits	103,587,631	88,338,771	112,191,181	99,545,254
Electricity deposits	47,818,940	47,818,940	36,938,404	36,938,404
	₱6,154,049,429	₱6,139,800,569	₱7,166,709,120	₱7,154,063,193
Financial Liabilities				
Trade and other payables**	₱3,896,765,436	₱3,896,765,436	₱3,402,163,074	₱3,402,163,074
Long-term debt	20,000	20,000	403,461,539	403,461,539
	₱3,896,785,436	₱3,896,785,436	₱3,805,624,613	₱3,805,624,613

**Excluding advances to suppliers amounting to ₱305.4 million and ₱156.8 million as at December 31, 2018 and 2017, respectively.*
***Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating ₱104.3 million and ₱89.1 million as at December 31, 2018 and, 2017, respectively.*

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

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

Financial Asset at FVOCI/AFS Financial Asset. The fair value of financial asset at FVOCI which represents investment in retail treasury bonds is estimated by reference to directly observable inputs at the end of the reporting period and is categorized as Level 2.

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

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

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

In 2018 and 2017, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

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

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at and for the years ended December 31, 2018 and 2017, on which we have rendered our report dated March 6, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has 151 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 August 15, 2021
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 7334335
Issued January 3, 2019, Makati City

March 6, 2019
Makati City, Metro Manila

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-2 (Group A)
September 27, 2016, valid until September 27, 2019

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8741 Paseo de Roxas
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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards in Auditing, the financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) as at December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016, and have issued our report thereon dated March 6, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission are the responsibility of the Company's management.

These supplementary schedules include the following:

- Schedule of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2018
- Schedules Required under Annex 68-E of Securities Regulation Code (SRC) Rule 68 as at and for the year ended December 31, 2018
- Corporate Structure as at December 31, 2018
- Schedule of Application of Proceeds from Initial Public Offering as at December 31, 2018
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2018 and 2017.
- Schedule of Adoption of Effective Accounting Standards and Interpretations as at December 31, 2018

The supplementary schedules are presented for purposes of complying with SRC Rule 68, and are not part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Haydee M. Reyes

HAYDEE M. REYES
Partner
CPA Certificate No. 83522
Tax Identification No. 102-095-265-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0663-AR-3 Group A
Valid until August 30, 2020
BIR Accreditation No. 08-005144-006-2017
Valid until January 13, 2020
PTR No. 7334335
Issued January 3, 2019, Makati City

March 6, 2019
Makati City, Metro Manila

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Retained earnings at beginning of year as shown in the financial statements	₱2,271,661,903
Net income during the year closed to retained earnings	1,835,412,386
Dividends declared during the year	(450,969,653)
Deferred tax assets related to temporary differences that flow through profit or loss	(213,025,820)
Retained earnings as at end of year available for dividend declaration	₱3,443,078,816

Reconciliation

Retained earnings at end of year as shown in the financial statements	₱3,656,104,636
Deferred tax assets related to temporary differences that flow through profit or loss	(213,025,820)
Retained earnings as at end of year available for dividend declaration	₱3,443,078,816

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

SCHEDULES REQUIRED UNDER ANNEX 68-E OF SECURITIES REGULATION CODE RULE 68
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2018

Table of Contents

N/A - Not applicable

SCHEDULE A

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

FINANCIAL ASSETS
DECEMBER 31, 2018
Amounts in Thousands

Description	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash in Banks			
Banco de Oro (BDO)	–	₱333,150	₱545
Philippine National Bank (PNB)	–	139,139	67
Metropolitan Bank and Trust Companies (MBTC)	–	137,655	411
China Banking Corporation (CBC)	–	90,316	65
Bank of the Philippine Island (BPI)	–	43,456	187
Rizal Commercial Banking Corporation (RCBC)	–	24,608	129
Asia United Bank (AUB)	–	8,905	23
Eastwest Banking Corporation (EBC)	–	50	–
		777,279	1,427
Cash Equivalents			
CBC	–	1,683,000	42,925
BPI	–	373,000	12,213
China Bank Savings, Inc. (CBS)	–	–	16,186
Metrobank Card Corporation (MCC)	–	–	12,864
RCBC	–	–	6,237
First Metro Investment Corporation (FMIC)	–	–	1,495
		2,056,000	91,920
Short-term Investments			
MCC	–	–	1,734
Trade and Other Receivables			
Trade	–	172,319	–
Rent	–	3,713	–
Others	–	69,806	–
	–	245,838	–
Financial asset at FVOCI			
Investment in Bonds	–	2,906,721	99,450
Others*	–	159,417	–
		₱6,145,255	₱194,531

**Others pertain to container, security and electricity deposits.*

SCHEDULE B

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

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2018
Amounts in Thousands

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written Off	Current	Non-current	Balance at End of Year
Advances to officers and employees	₱4,907	₱17,374	(₱13,773)	₱–	₱8,508	₱–	₱8,508

SCHEDULE D

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

INTANGIBLE ASSETS - OTHER NONCURRENT ASSETS

DECEMBER 31, 2018
Amounts in Thousands

Description	Balance at Beginning of Year	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes Additions (Deductions)	Balance at End of Year
Computer software	₱37,803	₱31,904	(₱6,175)	₱–	₱–	₱63,532

SCHEDULE E

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

LONG-TERM DEBT
DECEMBER 31, 2018
Amounts in Thousands

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of Long-term debt" in related Statement of Financial Position	Amount shown under Caption of "Long-term debt - net of current portion" in related Statement of Financial Position
Secured promissory notes:			
Banco de Oro Unibank, Inc.	₱210,000	₱–	₱10
Banco de Oro Unibank, Inc.	170,000	–	10
	₱380,000	₱–	₱20

SCHEDULE H

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

CAPITAL STOCK
DECEMBER 31, 2018

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

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

CORPORATE STRUCTURE
DECEMBER 31, 2018

LIAM ROS HOLDINGS INC.

59%

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

65%

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

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

SUPPLEMENTARY SCHEDULE OF APPLICATION OF PROCEEDS FROM INITIAL PUBLIC OFFERING

AS AT DECEMBER 31, 2018

	Estimated	Actual	Balance
Gross Proceeds	**₱7,039,226,310**	**₱7,039,226,310**	**₱–**
Offer Expenses	(289,132,001)	(289,897,803)	(765,802)
Net Proceeds	**₱6,750,094,309**	**₱6,749,328,507**	**(₱765,802)**

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

Details of the estimated and actual application of the proceeds:

	Estimated	Actual	Over (Under)
Gross Proceeds	**₱7,039,226,310**	**₱7,039,226,310**	**₱–**
Use of the Proceeds			
Debt repayment	428,100,000	428,100,000	–
General corporate purposes	200,000,000	200,000,000	–
Store network expansion	6,121,994,309	2,548,165,489	3,573,828,820
	6,750,094,309	**3,176,265,489**	**3,573,828,820**
Offer Expenses	**289,132,001**	**289,897,803**	**(765,802)**
Unapplied Proceeds	**₱–**	**₱3,573,063,018**	**₱3,573,063,018**

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

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	2018	2017
Liquidity Ratio		
Current ratio	**2.73:1**	3.15:1
Quick ratio	**0.81:1**	1.12:1
Solvency Ratio		
Debt to equity ratio	**0.32:1**	0.34:1
Profitability Ratio		
Return on assets	**10.49%**	8.65%
Return on equity	**13.89%**	11.62%
Book value per share	**₱3.22**	₱2.91
Gross margin	**31.38%**	29.67%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	**12.86%**	11.04%
Net income margin	**8.72%**	7.81%

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

SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
DECEMBER 31, 2018

Title	Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements			
Conceptual Framework Phase A: Objectives and qualitative characteristics	✓		
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgements			✓

Philippine Financial Reporting Standards (PFRS)

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemption for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments			✓
	Amendments to PFRS 8:Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contract with Customers	✓		

Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
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			✓
	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			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	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	✓		
	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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	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 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			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
	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			✓

EXHIBIT 2
COVER SHEET

C	S	2	0	1	5	2	4	7	1	2	

S.E.C Registration No.

WILCON DEPOT INC. DOING BUSINESS UNDER THE AND STYLE OF WILCON DEPOT AND WILCON HOME ESSENTIALS

(Company's Full name)

NO. 90 E. RODRIGUEZ JR. AVE., UGONG NORTE, QUEZON CITY

Atty. Sheila Pasicolan - Camerino
Contact Person

634-8387
Tel. No.

1 7 - C
FORM TYPE

Secondary License, (if applicable type)

Dept. requiring this doc

N/A
Amended Articles number

Total stockholders

Domestic Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Notice of Annual Stockholders' Meeting
   Date of Report - May 10, 2018

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

4. WILCON DEPOT, INC.
   Exact name of issuer as specified in its charter

5. QUEZON CITY, PHILIPPINES
   Province, country or other jurisdiction of incorporation

   (SEC Use Only)
   Industry Classification Code:

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

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

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

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

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

11. Indicate the item numbers reported herein:

Item. 9. Other Events

Notice of Annual Stockholders' Meeting

SIGNATURES

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

Item. 9. Other Events

Notice of Annual Stockholders' Meeting

SIGNATURES

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

C03260-2018

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Date of Report (Date of earliest event reported)
   May 9, 2018
2. SEC Identification Number
   CS201524712
3. BIR Tax Identification No.
   009-192-878
4. Exact name of issuer as specified in its charter
   WILCON DEPOT, INC.
5. Province, country or other jurisdiction of incorporation
   QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   90 E. RODRIGUEZ JR. AVE, UGONG NORTE, QUEZON CITY
   Postal Code
   1110
8. Issuer's telephone number, including area code
   (02)634 8387
9. Former name or former address, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Indicate the item numbers reported herein
   -

WILCON

Wilcon Depot, Inc.
WLCON

PSE Disclosure Form 7-1 - Notice of Annual or Special Stockholders' Meeting
References: SRC Rule 17 (SEC Form 17-C) and Sections 7 and 4.4 of the Revised Disclosure Rules

Subject of the Disclosure

SETTING OF THE ANNUAL MEETING OF THE STOCKHOLDERS

Background/Description of the Disclosure

At the meeting of the Board of Directors held today, April 11, 2018, the Board fixed the date of the Annual Meeting of the Stockholders on 18 June 2018, the third Monday of June, pursuant to the Corporation's By-Laws.

Type of Meeting

☑ Annual

☐ Special

Date of Approval by Board of Directors	Apr 11, 2018
Date of Stockholders' Meeting	Jun 18, 2018
Time	TBA
Venue	Ruby Ballroom, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue corner Asian Development Bank Avenue, Ortigas Center, Quezon City, Metro Manila
Record Date	May 24, 2018
Agenda	I. Call to Order II. Certification of Notice and Determination of Quorum III. Approval of the Minutes of the Annual Meeting of the Stockholders held on 19 June 2017 IV. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2017 V. Ratification of All Acts of the Board of Directors during the Preceeding Year VI. Election of Board of Directors VII. Election of External Auditor VIII. Consideration of such other matters as may properly come during the meeting IX. Adjournment

Inclusive Dates of Closing of Stock Transfer Books

Start Date	May 25, 2018
End Date	Jun 18, 2018

Other Relevant Information

Added Venue:

On May 9, 2018, the Board approved the venue of the Corporation's annual stockholders' meeting at Ruby Ballroom, 4th Floor, Crowne Plaza Manila Galleria, Ortigas Avenue corner Asian Development Bank Avenue, Ortigas Center, Quezon City, Metro Manila.

Amended agenda due to typographical error.

V. Ratification of All Acts of the Board of Directors and Management during the Preceeding Year
VII. Appointment of External Auditor

Filed on behalf by:

Name	LORRAINE CINCOCHAN
Designation	PRESIDENT & CEO

106212018005427

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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

Document Information

Document ID	106212018005427
Document Type	17-C (FORM 11-C:CURRENT DISCL/RPT)
Document Code	17-C
Period Covered	June 21, 2018
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

C	S	2	0	1	5	2	4	7	1	2

S.E.C Registration No.

WILCON DEPOT INC. DOING BUSINESS UNDER THE NAME AND STYLE OF WILCON DEPOT AND WILCON HOME ESSENTIALS

(Company's Full name)

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

(Principal Office)

Atty. Sheila Pasicolan - Camerino

Contact Person

634-8387

Tel. No.

17-C

FORM TYPE

Secondary License, (if applicable type)

Dept. requiring this doc

N/A

Amended Articles number

Total stockholders

Domestic | Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Results of Annual Stockholders' Meeting and Organizational Meeting on June 18, 2018
   Date of Report - June 21, 2018

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

4. WILCON DEPOT, INC.
   Exact name of issuer as specified in its charter

5. QUEZON CITY, PHILIPPINES
   Province, country or other jurisdiction of incorporation

   (SEC Use Only)
   Industry Classification Code:

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

   1110
   Postal Code

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

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

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

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

11. Indicate the item numbers reported herein:

Item. 9. Other Events

Please see attached Results of Annual Stockholders' Meeting and Organizational Meeting on June 18, 2018

SIGNATURES

Registrant	Atty.Sheila P. Pasicolan - Camerino
Title	Asst. Corporate Secretary
Signature	
Date	June 21, 2018

C04152-2018

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Date of Report (Date of earliest event reported)
   Jun 18, 2018
2. SEC Identification Number
   CS201524712
3. BIR Tax Identification No.
   009-192-878
4. Exact name of issuer as specified in its charter
   WILCON DEPOT, INC.
5. Province, country or other jurisdiction of incorporation
   QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   90 E. RODRIGUEZ JR. AVE., UGONG NORTE, QUEZON CITY
   Postal Code
   1110
8. Issuer's telephone number, including area code
   (02) 634-8387
9. Former name or former address, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Indicate the item numbers reported herein
   -

Wilcon Depot, Inc.
WLCON

PSE Disclosure Form 4-24 - Results of Annual or Special Stockholders' Meeting
References: SRC Rule 17 (SEC Form 17-C) and
Section 4.4 of the Revised Disclosure Rules

Subject of the Disclosure

Results of Annual Stockholders' Meeting

Background/Description of the Disclosure

Results of Annual Stockholders' Meeting of Wilcon Depot, Inc. held on June 18, 2018

List of elected directors for the ensuing year with their corresponding shareholdings in the Issuer

Name of Person	Shareholdings in the Listed Company Direct	Indirect	Nature of Indirect Ownership
BERTRAM B. LIM	1	0	-
LORRAINE BELO-CINCOCHAN	5,100,000	0	-
MARK ANDREW Y. BELO	5,100,000	0	-
CAREEN Y. BELO	5,100,000	0	-
RICARDO S. PASCUA	1	0	-
ROLANDO S. NARCISO	1	0	-
DELFIN L. WARREN	1	0	-

External auditor REYES TACANDONG & CO.

List of other material resolutions, transactions and corporate actions approved by the stockholders

The following were approved by the stockholders:
1. Minutes of the Annual Stockholders' Meeting held on June 19, 2017
2. Annual Report and Audited Financial Statements as of December 31,2017
3. All Acts of the Board and the Management during the preceding year (2017)

Other Relevant Information

-

Filed on behalf by:

Name LORRAINE CINCOCHAN

Designation PRESIDENT & CEO

C04153-2018

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

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

1. Date of Report (Date of earliest event reported)
   Jun 18, 2018
2. SEC Identification Number
   CS201524712
3. BIR Tax Identification No.
   009-192-878
4. Exact name of issuer as specified in its charter
   WILCON DEPOT, INC.
5. Province, country or other jurisdiction of incorporation
   QUEZON CITY, PHILIPPINES
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   90 E. RODRIGUEZ JR. AVE., UGONG NORTE, QUEZON CITY
   Postal Code
   1110
8. Issuer's telephone number, including area code
   (02) 634-8387
9. Former name or former address, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

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

11. Indicate the item numbers reported herein
   -

Wilcon Depot, Inc.
WLCON

PSE Disclosure Form 4-25 - Results of Organizational Meeting
References: SRC Rule 17 (SEC Form 17-C) and
Section 4.4 of the Revised Disclosure Rules

Subject of the Disclosure

Results of the Organizational Meeting of the Board of Directors

Background/Description of the Disclosure

Results of the Organizational Meeting of the Board of Directors of Wilcon Depot, Inc. held on June 18, 2018.

List of elected officers for the ensuing year with their corresponding shareholdings in the Issuer

Name of Person	Position/Designation	Shareholdings in the Listed Company Direct	Shareholdings in the Listed Company Indirect	Nature of Indirect Ownership
WILLIAM T. BELO	CHAIRMAN EMERITUS	5,099,995	0	-
BERTRAM B. LIM	CHAIRMAN	1	0	-
LORRAINE BELO-CINCOCHAN	PRESIDENT-CEO	5,100,000	0	-
MARK ANDREW Y. BELO	TREASURER-CFO/CHIEF INFORMATION OFFICER/CHIEF RISK OFFICER	5,100,000	0	-
CAREEN Y. BELO	CHIEF PRODUCT OFFICER	5,100,000	0	-
ARTHUR R. PONSARAN	CORPORATE SECRETARY	0	10,000	through broker
SHEILA P. PASICOLAN-CAMERINO	ASST. CORPORATE SECRETARY	19,900	0	-
ROSEMARIE B. ONG	SEVP-CHIEF OPERATING OFFICER	1,069,401	0	-
GRACE A. TIONG	CHIEF COMPLIANCE OFFICER	148,700	0	-
MARY JEAN ALGER	INVESTOR RELATIONS OFFICER	0	0	-
LAURO D.G FRANCISCO	CHIEF AUDIT EXECUTIVE	0	0	-

List of Committees and Membership

Name of Committees	Members	Position/Designation in Committee
EXECUTIVE COMMITEE	BERTRAM B. LIM	CHAIRMAN
	LORRAINE BELO-CINCOCHAN	VICE-CHAIRMAN
	MARK ANDREW Y. BELO	MEMBER
	CAREEN Y. BELO	MEMBER

-	DELFIN L. WARREN	MEMBER
AUDIT COMMITTEE/RELATED PARTY TRANSACTIONS COMMITTEE/BOARD RISK OVERSIGHT COMMITEE	RICARDO S. PASCUA	CHAIRMAN
-	ROLANDO S. NARCISO	MEMBER
-	DELFIN L. WARREN	MEMBER
CORPORATE GOVERNANCE COMMITEE/NOMINATION COMMITTEE/REMUNERATION AND COMPENSATION COMMITEE	ROLANDO S. NARCISO	CHAIRMAN
-	RICARDO S. PASCUA	MEMBER
-	DELFIN L. WARREN	MEMBER
ADVISORY BOARD	WILLIAM T. BELO	MEMBER
-	ROSEMARIE B. ONG	MEMBER

List of other material resolutions, transactions and corporate actions approved by the Board of Directors

-

Other Relevant Information

-

Filed on behalf by:

Name	LORRAINE CINCOCHAN
Designation	PRESIDENT & CEO