

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:
[] Preliminary Information Statement
[✓] Definitive Information Statement
2. Name of Registrant as specified in its charter:
WILCON DEPOT, INC.
3. Province, country or other jurisdiction of incorporation or organization
QUEZON CITY, PHILIPPINES
4. SEC Identification Number
CS201524712
5. BIR Tax Identification Code
009-192-878
6. Address of principal office: 90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE,
QUEZON CITY
Postal Code: 1110
7. Registrant's telephone number, including area code: (02) 8634 8387
8. Date, time and place of the meeting of security holders
21 September 2020, 3:00 PM, principal office via Remote Communication
9. Approximate date on which the Information Statement is first to be sent or given to security holders:
28 August 2020
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | Title of Each Class | Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding |
|---------------------|--|
| COMMON SHARES | 4,099,724,116 |
12. Are any or all of registrant's securities listed in a Stock Exchange?
Yes ✓ No ____

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

The class of securities listed therein: COMMON SHARES

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
21 September 2020

Notice is hereby given that the Annual Meeting of the Stockholders of WILCON DEPOT, INC. (the "Company") will be held on 21 September 2020 at 3:00 pm via remote communication.

The agenda of the meeting are as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on 17 June 2019
4. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2019
5. Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year
6. Amendments to the By-laws
7. Election of Board of Directors
8. Appointment of External Auditor
9. Consideration of such other matters as may properly come before the meeting.
10. Adjournment

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

In order to ensure the safety and welfare of the stockholders, directors and officers of the Company during this pandemic, the Board on 29 July 2020 and pursuant to SEC rules approved the 2020 Annual Stockholders' Meeting of the Company to be conducted via online and voting to be in absentia.

Only stockholders of record as at the close of business on 27 August 2020 are entitled to notice, participate and vote at the meeting. The Stock and Transfer Books of the Corporation will be closed from 28 August 2020 to 21 September 2020.

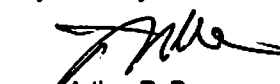
Stockholders who wish to participate in the meeting must register from 8 am of September 1 until 5 pm of September 11, 2020 through <https://investor.wilcon.com.ph/2020-asm/>. During the registration, stockholders will be required to provide personal data for verification and validation purposes. Stockholders agree and consent that the personal data collected, processed and retained by the Company shall be used for purposes of their participation in the Annual Stockholders' Meeting. The Privacy Notice of the Company is available on <https://investor.wilcon.com.ph/2020-asm/>.

Stockholders who have successfully registered will receive an email confirmation. Validation of the information submitted shall be made within three (3) business days from registration. Once validated, stockholders will receive an email directing them to the voting in absentia platform. Stockholders must cast their votes until 5 pm of 16 September 2020. Instructions on how to join the online meeting shall also be sent to the registered email of the stockholders. Detailed instructions and procedures for registration, voting and participation are uploaded on <https://investor.wilcon.com.ph/2020-asm/>.

Stockholders may also opt to submit their proxies. A sample of proxy form is attached herein. For a corporation, its proxy form must be accompanied by a corporate secretary's sworn certification setting the corporate officer's authority to represent the corporation in the meeting. Proxy forms need not be notarized. Deadline for the submission of proxies will be until 5 pm of 16 September 2020 and should be emailed to ASM2020@wilcon.com.ph or submitted to the Office of the Asst. Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City. Proxy forms will be validated on 17 September 2020 at 5 pm.

For any questions or concerns please email ASM2020@wilcon.com.ph. The proceedings of the meeting will be recorded.

By Authority of the Chairman


Arthur R. Ponsaran
Corporate Secretary

We are not soliciting your proxy. However, if you would be unable to attend the online meeting, you may accomplish the enclosed proxy form and email the same to ASM2020@wilcon.com.ph or submit to the Office of the Asst. Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City, Metro Manila, Philippines on or before 16 September 2020. Thank you.

BRIEF DISCUSSION OF THE AGENDA FOR STOCKHOLDERS' APPROVAL

Approval of the Minutes of the Annual Meeting of the Stockholders held on 17 June 2019.

The minutes of the meeting held on 17 June 2019 is available on <https://investor.wilcon.com.ph/minutes-of-asm/>.

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

Presentation and Approval of 2019 Annual Report and Audited Financial Statements

The audited financial statements as of 31 December 2019 (AFS) will be presented for approval by the stockholders. Prior thereto, the President-CEO, Ms. Lorraine Belo-Cincochan, will deliver a report to the stockholders on the performance of the company in 2019 and the outlook for 2020.

The AFS will be embodied in the Information Statement to be sent to the stockholders at least fifteen (15) business days prior to the meeting.

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

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

Ratification by the stockholders will be sought for all the acts and the resolutions of the Board of Directors and Management taken or adopted since the Annual Stockholders' Meeting on 17 June 2019 to date. The acts and resolutions of the Board and the Management include the approval of contracts, agreements, and transaction entered during the same period, projects and investments, treasury matters and acts and resolutions covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange and are uploaded on <https://investor.wilcon.com.ph/2020-asm/>.

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

Amendment to the By-Laws

Approval by the stockholders will be sought to amend the by-laws of the Company to allow the attendance, participation and voting in the meetings of the stockholders through remote communication or in absentia in accordance with the procedures prescribed by the Corporation and relevant laws and regulation, change the composition of the Board and create an Emergency Board; elect a Compliance Officer and; delegate to the Board the power to amend the by-laws for purposes of complying with best practices, subsequent requirements of law/and or regulatory bodies. Amendments to the By-laws are uploaded on <https://investor.wilcon.com.ph/2020-asm/>.

Remarks: A resolution on this agenda item must be approved by stockholders representing at least 2/3 of the outstanding capital stock of the Company.

Election of Board of Directors

In accordance with the by-laws, the Revised Corporate Governance Manual, and pertinent SEC rules, any stockholder, including minority stockholders, may submit to the Nomination Committee nominations to the Board by 7 September 2020. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent

directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

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

Appointment of External Auditor

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

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

Other Matters

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

Adjournment

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

PROXY

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, stockholder of WILCON DEPOT, INC. do hereby constitute and appoint _____ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders' Meeting of WILCON DEPOT, INC. on 21 September 2020, and thereat to vote upon all shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 5, and a "FOR" vote for proposals 1 through 4 as well as for proposal 6.

ITEM NO.	SUBJECT MATTER	ACTION		
		For	Against	Abstain
1	• Approval of Minutes of Previous Meeting			
2	• Approval of 2019 Annual Report and AFS			
3	• Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year			
4	• Amendment to the By-laws			
5	• Election of Directors	FOR ALL*	WITHHOLD FOR ALL*	EXCEPTION
	<p>*All nominees listed below</p> <ol style="list-style-type: none"> 1. Bertram B. Lim (Independent) 2. Ricardo S. Pascua (Independent) 3. Rolando S. Narciso (Independent) 4. Delfin L. Warren (Independent) 5. Lorraine Belo-Cincochan 6. Mark Andrew Y. Belo 7. Careen Y. Belo <p><i>Note:</i></p> <p><i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i></p>			
		For	Against	Abstain
6	• Appointment of Reyes Tacandong & Co. as external auditor			

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

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

IN WITNESS WHEREOF, the undersigned has executed this PROXY this ____ of _____ 2020 in _____.

Name and Signature of Stockholder/Authorized Signatory

Witnessed by: _____

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

The Annual Stockholders' Meeting of Wilcon Depot, Inc. for the year 2020, has the following details:

Date: 21 September 2020

Time: 3:00 pm

Place: 90 E. Rodriguez Jr. Avenue
Ugong Norte, Quezon City

via Remote Communication

The approximate date on which this Information Statement and accompanying Proxy Forms shall be first sent or given to the stockholders is on 28 August 2020 in accordance with the by-laws of the Company and the Securities and Regulation Code.

The complete mailing address of the principal office of the Company is at:

90 E. Rodriguez Jr. Avenue
Ugong Norte, Quezon City

Should a stockholder wish to receive a printed copy of the Company's annual report (SEC Form 17-A) and Definitive Information Statement (SEC 20-IS), free of charge, please contact:

Atty. Sheila P. Pasicolan-Camerino
Asst. Corporate Secretary
90 E. Rodriguez Jr. Avenue, Ugong Norte
Quezon City
Tel. No. (02) 8634-8387
Email: sheila_pasicolan.legal@wilcon.com.ph

Information Statement is also uploaded and can be viewed at <https://investor.wilcon.com.ph/2020-asm/>.

Item 2. Dissenters' Right of Appraisal

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

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

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

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

Item 4. Voting Securities and Principal Holders Thereof

- (a) The Corporation has 4,099,724,116 outstanding shares as of 31 July 2020.
- (b) All stockholders of record as of 27 August 2020 are entitled to notice and to vote at Corporation's Annual Stockholders' Meeting on 21 September 2020.
- (c) Section 2.8, Article II of the By-Laws of the Corporation states that, for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or to receive payment of any dividend, or of making a determination of stockholders for any other purpose, the Board of Directors may provide that the stock and transfer books be closed for a stated period, but not to exceed, in any case, twenty five (25) days. If the stock and transfer books be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceding such meeting. In lieu of closing and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. Such date shall in no case be more than twenty-five days prior to the date on which the particular action requiring such determination of stockholders is to be taken, except in instances where applicable rules and regulations provide otherwise.

Election of Directors

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

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

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

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

Security Ownership of Certain Record and Beneficial Owners and Management

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as of 31 July 2020 as follows:

Title of Class	Name and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding
Common	Wilcon Corporation 90 E. Rodriguez Jr. Ave., Ugong Norte, Quezon City Stockholder of Record	William T. Belo Chairman Mark Andrew Y. Belo President-CEO Lorraine Belo- Cincochan Treasurer-CFO Careen Y. Belo Stockholder Rosy C. Belo Stockholder Alfredo P. Javellana II Stockholder Roberto T. Borromeo Stockholder Octacube, Inc. Stockholder Lentus Lenis, Inc. Stockholder Multus Lucrum, Inc. Stockholder Liam Ros Holdings, Inc. Stockholder Loquor Locutus, Inc., Stockholder	Filipino	2,680,317,916	65.378%
Common	PCD Nominee Corporation Stockholder of Record	PDTC Participants and their clients	Non - Filipino	791,185,503	19.299%
Common	PCD Nominee Corporation Stockholder of Record	PDTC Participants and their clients	Filipino	626,335,755	15.278%

Security ownership of directors and executive officers as of 31 July 2020 is as follows:

Directors

Title of Class	Beneficial Owner	Position	Citizenship	Amount & nature of beneficial ownership	Direct (D) or Indirect (I)	% to Total Outstanding
Common	Bertram B. Lim	Chairman/ Independent Director	Filipino	1	D	0.00%
Common	Lorraine Belo- Cincochan	Director	Filipino	5,100,000	D	0.12%

Common	Mark Andrew Y. Belo	Director	Filipino	5,100,000	D	0.12%
Common	Careen Y. Belo	Director	Filipino	5,100,000	D	0.12%
Common	Ricardo S. Pascua	Independent Director	Filipino	1	D	0.00%
Common	Rolando S. Narciso	Independent Director	Filipino	1	D	0.00%
Common	Delfin L. Warren	Independent Director	Filipino	1	D	0.00%

Executive Officers

Title Class	of Beneficial Owner	Position	Citizenship	Amount & nature of beneficial ownership	Direct (D) or Indirect (I)	% to Total Outstanding
Common	William T. Belo	Chairman Emeritus	Filipino	5,099,995	D	0.12%
Common	Arthur R. Ponsaran	Corporate Secretary	Filipino	10,000	(I)	0.00%
Common	Sheila P. Pasicolan - Camerino	Asst. Corporate Secretary	Filipino	19,900	D	0.00%
Common	Rosemarie B. Ong	SEVP-COO	Filipino	1,069,401	D	0.03%
Common	Eden M. Godino	VP-Product Development	Filipino	267,500	D	0.00%
Common	Grace A. Tiong	VP-Human Resources	Filipino	148,700	D	0.00%
Common	Michael D. Tiong	VP-Global Sourcing	Filipino	148,700	D	0.00%
N/A	Mary Jean G. Alger	VP – Investor Relations	Filipino	0	N/A	0
N/A	Lauro D.G Francisco	Chief Audit Executive	Filipino	0	N/A	0

Voting trust holders of 5% or more

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

Changes in control

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

Foreign ownership as of 31 July 2020

Total number of foreign ownership as of 31 July 2020 is 791,835,513 common shares or 19.3144%.

Item 5. Directors and Executive Officers

The following are the incumbent directors of the Company:

Name	Age	Nationality	Position	Date of First Election	No. of Years as Director
Bertram B. Lim	83	Filipino	Chairman of the Board/Independent Director	22 May 2017	3
Lorraine Belo-Cincochan	41	Filipino	Director, President and Chief Executive Officer	30 March 2016	4
Mark Andrew Y. Belo	38	Filipino	Director and Treasurer	30 March 2016	4
Careen Y. Belo	37	Filipino	Director, Chief Product Officer, CIO and CRO	30 March 2016	4
Rolando S. Narciso	74	Filipino	Independent Director	13 September 2016	4
Ricardo S. Pascua	72	Filipino	Independent Director	13 September 2016	4
Delfin L. Warren	70	Filipino	Independent Director	22 May 2017	3

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

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

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

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

Lorraine Belo-Cincochan is a Director, President and the Chief Executive Officer of Wilcon Depot, Inc. She has held various positions in the Wilcon business starting out as a trainee under her father who was then president of Wilcon. In 2000, she headed the company's IT department that resulted in the digital transformation of Wilcon's key processes. From 2003 to 2005, she was assigned to manage the daily operations of the first ever large format Wilcon Depot branch as a Manager-trainee where she gained real world experience in retail operations. She was then appointed as Executive Vice President for Operations in 2005 and in 2006 became the Company's Executive Financial Officer, holding the position until March, 2016. In 2018, she was recognized as one of the 2018 Forbes Asia Emergent Women Honorees. Ms. Belo-Cincochan graduated from the University of the Philippines, Diliman in 1999 with a Bachelor's degree in Creative Writing. She also took an intensive Mandarin language course in Beijing.

She takes an active role in the Philippine chapter of the Entrepreneur's Organization where she co-chairs the Mentorship Program. Her advocacy is in developing and growing leadership through

mentoring where entrepreneurs can rise up and make an impact in their companies and ultimately, their communities.

Mark Andrew Y. Belo is a Director and Treasurer of the Company and the President and Chief Executive Officer of Wilcon Corporation (WC) from March 2016 to the present. He served as the Chief Financial Officer of the Company from 2016 to March 2019. 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, Chief Product Officer, Chief Risk Officer and Chief Information Officer of the Company. She is concurrently a Director of WC, the Executive Vice President for Sales and Product Development of Coral-Agri Venture Farm Inc., Executive Officer of Crocodylus Porosus Phil Inc. and President of The Meatplace Inc. She held various positions in the business having been a Business Development Manager from 2004 to 2007 of WC, Marketing and Sales Assistant from 2007 to 2014 and Executive Financial Audit Manager from 2014 to March, 2016. Ms. Belo obtained her Bachelor of Science in Management from the University of Asia & the Pacific in 2005.

Nomination and Election of Independent Directors:

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

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

Independent Directors

Bertram B. Lim, is the Chairman of the Company and an Independent Director since May 2017. He is also the Chairman of the United Neon Advertising, Inc., the largest outdoor advertising company in the Philippines and the Chairman of the Center for Community Transformation, a Christian non-government organization, ministering to the poor, with half a million beneficiaries. He is the Board Treasurer of the Trinity University/St. Luke's Health Sciences Consortium and a Bestselling Author.

Ricardo S. Pascua is an Independent Director of the Company since September 2016. He was Vice Chairman of the Board and President and CEO of Metro Pacific Corporation from January 2000 until his retirement in December 2001, a position he held also from January 1993 to July 1995. In between, he was Vice Chairman and CEO of Fort Bonifacio Development Corporation. He was concurrently an Executive Director of First Pacific Company Ltd. from 1982 to 2001 and as such served in the boards of companies such as Smart Communications, Inc., United Commercial Bank in San Francisco, California, First Pacific Bank in Hong Kong and 1st eBank in Manila. Mr. Pascua started his career in Bancom Development Corporation as Asst. Vice President in 1972 and was assigned in Bancom International Ltd. in Hong Kong as 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 major in Economics (Cum Laude) from the Ateneo de Manila University in 1969.

Rolando S. Narciso is an Independent Director of the Company since September 2016. He was formerly a Director and Officer of New Kanlaon Construction, Inc. from 2004 to 2014. He was President and Chief Operating Officer of Steel Corporation of the Philippines from 1998 to 2004 and President and Chief Executive Officer of Royal Asia Multi-Properties, Inc. from 1996 to 1997. Before the National Steel Corporation was privatized, Mr. Narciso was its President and Chief Operating Officer from 1989 to 1995 and concurrently from 1989 was a Director of Refractories Corp. of the

Phils. And Semirara Coal Corp. up to 1994; and Integrated Air Corp. up to 1993. From 1974 to 1988, he held various positions in National Steel and other subsidiaries of the National Development Company. He also held various positions in the Esso Group of Companies from 1967 to 1974. He is a member of professional organizations such as the Financial Executives, Inc. and the Management Association of the Philippines. He obtained his Master in Business Management and Bachelor of Science in Business Administration degrees from the Ateneo de Manila University in 1967 and 1965, respectively.

Delfin “Jing” L. Warren, is an Independent Director of the Company since May 2017. He is the founder, main principal, and current Chairman of the 1ISA Group, a leading loyalty management company in the country. He was the former CEO of PT Darya-Varia Laboratoria, a major publicly listed pharmaceutical company in Indonesia under the First Pacific Group. He also held various senior positions in prestigious companies such as First Pacific Commodities Holdings, Ltd., The Hibernia Bank of San Francisco, PT Indo Ayala Leasing (Indonesia), and Bancom Philippine Holdings, Inc. He is a licensed Chemical Engineer and he obtained his Bachelor of Science in Chemical Engineering degree at De La Salle College, Manila in 1971. He was a consistent dean’s lister and a recipient of Jose Rizal Scholarship.

As of July 2020, the following are the executive officers of the Company:

Name	Age	Nationality	Position
William T. Belo	75	Filipino	Chairman Emeritus
Arthur R. Ponsaran	77	Filipino	Corporate Secretary
Sheila Pasicolan- Camerino	34	Filipino	Asst. Corporate Secretary/AVP-Corporate Lawyer
Rosemarie B. Ong	62	Filipino	SEVP-COO
Eden M. Godino	44	Filipino	Vice President - Product Development
Grace A. Tiong	47	Filipino	Vice President - Human Resources
Michael D. Tiong	47	Filipino	Vice President – Global Sourcing
Mary Jean G. Alger	50	Filipino	Vice President – Investor Relations
Lauro D.G Francisco	55	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 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, awarded as one of the People of the Year by People Asia and Patriarch of Home Building Retail by the Philippine Retailers Association. In 2019, he received the UST Engineering Alumni Association Inc. Presidential Award and The Manila Times Man of the Year of the Asia Leaders Award. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

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

Sheila P. Pasicolan-Camerino is the 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 the President of Philippine Retailers Association, a former Treasurer of the Philippine Association of National Advertisers (PANA) Foundation and a former Director of the Philippine Constructors Association. 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 Relationship

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

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

Involvement in Legal Proceedings

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

Certain Relationship and Related Party Transactions

The Company, in the ordinary course of business, engages in various transactions with related parties, particularly with its parent company, entities under common control and stockholders. These transactions are mainly leasing, purchase and sale of goods and reimbursement of certain expenses. The leased assets are land, buildings and software that are used in the normal course of business.

Transaction prices were mutually agreed upon and made at prevailing market rates. The Company has an approval process and governed by its Policy on Material Related Party Transactions when entering a material related party transaction to ensure that the transactions are arm's length.

The Company has unexpired rental agreements and continuous purchase and sale of goods as part of its normal course of business.

For a detailed discussion of the material related party transactions of the Company, please see note 21 - Related Party Transactions and Balances of the attached Audited Financial Statements of the Company.

Resignation of Directors

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

Item 6. Compensation of Directors and Executive Officers

Executive Compensation

Below is the total annual compensation of the top 5 officers and other officers of the company for the year 2018, 2019 and projected compensation for 2020.

Key Management Officers	Year	Compensation	Bonuses
Top 5 Officers William T. Belo Lorraine C. Belo-Cincochan Mark Andrew Y. Belo Careen Y. Belo Rosemarie Bosch-Ong	2018	24.30M	3.83M
Other officers as a group	2018	28.87M	10.64M

Key Management Officers	Year	Compensation	Bonuses
Top 5 Officers William T. Belo Lorraine C. Belo-Cincochan Mark Andrew Y. Belo Careen Y. Belo Rosemarie Bosch-Ong	2019	₱40.5M	₱44.5M
Other officers as a group	2019	₱60.3M	₱17.4M

Projected for 2020

Key Management Officers	Year	Compensation	Bonuses
Top 5 Officers William T. Belo Lorraine C. Belo-Cincochan Mark Andrew Y. Belo Careen Y. Belo Rosemarie Bosch-Ong	2020	₱45.4M	₱46.9M
Other officers as a group	2020	₱71.6M	₱5.4M

Compensation of Director

Standard Arrangements

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

Other arrangements

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

Employment Contracts and Termination of Employment and Change in Control Arrangements

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

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

Warrants and Options

There are no outstanding warrants or options held by the President – CEO, executive officers, directors and all officers and directors as a group.

Item 7. Independent Public Accountants

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

The same accounting firm will be nominated for reappointment for current fiscal year at the Annual Stockholders' Meeting. Representatives of RTCo. will be present at the Annual Stockholders' Meeting and they will have the opportunity to make statements if they desire to do so and are expected to be available to respond to appropriate questions.

Audit Fee

Name of auditor	Audit Fee
Reyes Tacandong & Co.	P5,050,000.00 (2018)
Reyes Tacandong & Co.	P2,000,000.00 (2019)

The aggregate fees billed by Reyes Tacandong & Co, for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings (quarterly reports) for 2018 was P5,050,000.00 and P2,000,000.00 for 2019.

The Company did not engage Reyes Tacandong & Co. in any non-audit services. Further, based on the Audit Committee Charter of the Company, the quarterly reports and financial statements are reviewed and endorsed by the Audit Committee and approved by the Board prior to its release and submission to the SEC and PSE.

Item 8. Compensation Plans

There is no other type of compensation plan as of this date and for the Annual Stockholders' Meeting on 21 September 2020 there will be no compensation plan that will be taken up.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

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

Item 10. Modification or Exchange of Securities

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

Item 11. Financial and Other Information

The Company incorporated by reference the following:

1. 17-A (Annual Report), attached as Annex "A"
2. 2019 Audited Financial Statements, attached as Annex "B"
3. Certification of Independent Directors, attached as Annex "C"
4. 2019 Sustainability Report, attached as Annex "D"

5. Unaudited Interim Financial Statements as of 30 June 2020, attached as Annex "E"

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

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

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

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

D. OTHER MATTERS

Item 15. Action with Respect to Reports

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

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on 17 June 2019
2. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2019.
3. Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year.
4. Amendment to the By-laws
5. Election of Board of Directors
6. Appointment of External Auditor

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, By-laws or Other Documents

Amendments to the By-laws shall be presented to the stockholders for its approval and ratification. Amendments are uploaded on <https://investor.wilcon.com.ph/2020-asm/>.

Amendments are in compliance with the Revised Corporation Code, related issuances and to allow the attendance, participation and voting in the meetings of the stockholders through remote communication or in absentia in accordance with the procedures prescribed by the Corporation and relevant laws and regulations. Amendments to the By-laws of the Corporation are not expected to have any negative or adverse effect on the business, operations and/or capital structure of the Corporation.

Item 18. Other Proposed Action

Other than those matters mentioned above, there are no other proposed actions to be taken up during the Annual Stockholders' Meeting.

Item 19. Voting Procedures

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

Directors shall be elected by plurality of vote at the Annual Meeting of the Stockholders for the year at which quorum is present. At each election for directors, every stock holder shall have the right to vote,

in absentia or by proxy, the number of shares owned by him for as many person as there are directors to be elected, or to cumulate his votes by giving one candidate as many votes as the number is shares shall equal, or by distributing such votes as the same principle among any number of candidates.

PART II.

INFORMATION REQUIRED IN A PROXY FORM

(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)

Item 1. Instructions

Proxy Forms must be properly signed, dated and returned by the stockholder on or before 16 September 2020. It is not required to be notarized. Proxy forms shall be emailed to ASM2020@wilcon.com.ph or delivered to the Office of the Asst. Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City and must be accompanied by a corresponding *secretary's certificate confirming the authority of the person executing the proxy and for proxies of beneficial owners* or of those shares lodged with the Philippine Depository & Trust Corp, a certification from their respective brokers must be submitted. Proxy forms shall be validated on 17 September 2020 at 5 pm. Validated proxies will be voted at the meeting in accordance with the instructions of the stockholders.

Item 2. Revocability of Proxy

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

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on 25 August 2020.


WILCON DEPOT, INC.

By:


ARTHUR R. PONSARAN
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in ~~QUEZON CITY~~ QUEZON CITY this 25 day of AUG 2020 at QUEZON CITY Affiant exhibited to me his QUEZON CITY issued by QUEZON CITY valid until QUEZON CITY

Doc. No. 227 :
Page No. 67 :
Book No. 2011 :
Series of 2020.


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Not Com. No. AP-124-1-12-19 until 12-31-2020
IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
PTR O.R. No. 9332194 C 1-3-2020 / Roll No. 33832 / TIN# 129-871-009
MCLE No. VI-0029583 valid from 12/16/19 Valid until 04/14/22 Quezon City
Address : 31-F Harvard St. Q.C.

MANAGEMENT REPORT

Business and General Information

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 48,406 stock keeping units (SKUs) as at December 31, 2019. 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 57 stores nationwide, as of December 31, 2019, 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, 2019, the depot format accounted for 95.9% or ₱23,469 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 gross floor area of 9,250 sqm. As of December 31, 2019, the Company has 50 depots located in all the major cities across the Philippines. Project sales or sales to major

property developers, on the other hand, accounted for 1.4% or ₱349 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 740 sqm to 2,800 sqm with an average gross floor area of 1,445 sqm. As of December 31, 2019, the Company has 3 mall-based Home Essentials stores and 4 stand-alone branches for a total of 7 Home Essentials stores. Net sales generated by Home Essentials accounted for 2.7% or ₱658M of total net sales.

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 95.9% comprised of net sales generated from the depot-format stores, 1.4% for the project sales while the remaining 2.7% was contributed by the home essential format store.

Distribution Methods of Products

The Company as mentioned in the preceding paragraphs, operates two store formats, the Depot and the Home Essentials. The home essential stores are confined within Metro Manila and one in the Visayas 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	11
	Luzon	26
	Visayas	6
	Mindanao	7
Total Depot		50
Home Essentials	Metro Manila	6
	Visayas	1
Total Home Essentials		7

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.

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 and executive officers of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

Operational and Financial Information

Wilcon Depot, Inc.'s common shares have 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, 2019 and first to second quarter of 2020 as reported by the PSE are shown below:

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

2019	High	Low
4th quarter	19.00	16.00
3rd quarter	17.28	15.02
2nd quarter	17.50	15.18
1st Quarter	16.08	12.66

2020	High	Low
2nd quarter	16.74	12.48
1st Quarter	19.00	10.50

The market capitalization of the Company's common shares at the end of 2019 based on the closing market price of ₱18.00 per share totaled to ₱73.795 billion.

Stockholders

The total number of issued and outstanding common shares of the Company as of 31 July 2020 are 4,099,724,116 and total number of stockholders as of 31 July 2020 is 153 (composed of PCD Nominees and accounts with the Stock Transfer Agent).

List of Top 20 Stockholders as of 31 July 2020 from Stock Transfer Agent

	Stockholder's Name	Holdings	Percentage
1.	Wilcon Corporation	2,680,317,916	65.378%
2.	PCD Nominee Corporation (Non-Filipino)	791,185,503	19.299%
3.	PCD Nominee Corporation (Filipino)	626,335,755	15.278%
4.	Nikhiel R. Genomal or Anju C. Genomal	1,000,000	0.024%

5.	Timothy James Vorbach	650,000	0.016%
6.	Ellis C. Maguan &/or Mingming C. Maguan	150,00	0.004%
7.	Ming Ming C. Maguan or Ellis C. Maguan	20,000	0.00%
8.	Joel M. Banaco	15,000	0.00%
9.	Ramcor5 Properties	10,000	0.00%
10.	Mary Joy Mendoza Galamay	6,000	0.00%
11.	Alma Bella Pii Alberastine	5,000	0.00%
12.	Christine F. Herrera	5,000	0.00%
13.	Veronica Aguilar Pedrasa	5,000	0.00%
14.	Doreen Fatima Sanosa Penilla	4,000	0.00%
15.	Divine Jesset Ramos Santos	4,000	0.00%
16.	Myra P. Villanueva	4,000	0.00%
17.	Adora Brigette N. Canlas	2,800	0.00%
18.	Ofelia R. Blanco	2,000	0.00%
19.	Gabrielle Claudia F. Herrera	1,000	0.00%
20.	Nadezhda Iskra F. Herrera	1,000	0.00%

Dividends

The Company has the following dividend history:

Date Approved	Record Date	Payment Date	Amount
May 9, 2018	May 24, 2018	June 8, 2018	PhP0.08 regular PhP0.03 special PhP0.11 total
March 6, 2019	March 22, 2019	April 16, 2019	PhP0.11 regular PhP0.05 special PhP0.16 total
February 24, 2020	March 20, 2020	April 16, 2020	PhP0.12 regular PhP0.06 special PhP0.18 total

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

Securities Sold

There were no recent sales of unregistered or exempt securities, including issuance of securities constituting an exempt transaction.

Discussion on Compliance with Leading Practice on Corporate Governance

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

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

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

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

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

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

On 20 January 2020 the Company submitted its Compliance Officer Certification stating that the Company has substantially complied with the provision of its Manual on Corporate Governance for the year 2019. The Company has also passed and adopted a policy on material related party transactions effective 7 August 2019 in compliance with SEC Memorandum Circular No. 10 series of 2019 and accordingly amended its Related Party Transactions Committee Charter.

The Company has also submitted its Integrated Annual Corporate Governance Report (I-ACGR) for the year ended 31 December 2019 on 30 July 2020, in compliance with SEC Memorandum Circular No.15, Series of 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations for the Six Months Ended June 30, 2020 and June 30, 2019

On March 16, 2020, the Philippine government put the whole island of Luzon on enhanced community quarantine (ECQ) after the first community quarantine (CQ) measure, implemented two days prior, failed to keep the general public home. While under the CQ order the hardware/home improvement retail sector was among the essential industries allowed to operate, under the ECQ, the sector was excluded. As a result, Wilcon Depot, Inc. (WDI or the Company) had to close all of its Luzon stores starting March 17, 2020.

The Company currently has 46 out of 60 branches in Luzon, contributing 84.0% of the Company's total net sales for 2020, prior to the ECQ announcement.

In view mainly of the temporary closure of the majority of the stores of the Company from March 17 to May 15, 2020 resulting in a decrease in net sales, net income declined by 64.6% or ₱642 million to ₱352 million for the first half of 2020, from the ₱995 million reported during the same period in 2019.

Net Sales

The Company's net sales for the six-month period ended June 30, 2020 amounted to ₱9,040 million, 23.2% or ₱2,738 million lower than the ₱11,778 million generated during the same period in 2019. Comparable sales performance dropped to negative 28.3% as a result of the temporary closure of stores in Luzon and some stores in Visayas and Mindanao from March 17 to May 15, 2020 during the quarantine period. Wilcon stores in Luzon accounted for 84.0% of revenues in 2020 pre-ECQ. Out of the Company's 60 branches, 46 are located in Luzon and of the 53 stores aged one year or older as of June 30, 2020, 40 branches are in Luzon.

Sales from the depots contributed the majority of total net sales comprising 96.6% or ₱8,736 million for the period, lower by 22.5% or ₱2,541 million from the ₱11,277 million net sales for the six-month period of 2019. The depot's same store sales dropped to negative 27.8% since 34 out of the 46 depots aged one year or older are in Luzon.

The smaller format "Home Essentials", recorded net sales of ₱215 million accounting for 2.4% of net sales, likewise reported a downswing of 34.7% or ₱114 million by the end of the first half from the prior year's ₱329 million. Six out of seven Home Essentials branches are in Luzon and all are over one year old.

The remaining 1.0% was accounted for by project sales, amounting to ₱89 million, decreasing by 48.3% or ₱83 million from the 2019 first half level.

During the period, the Company opened three new depots in Daraga, Albay, San Jose and Calumpit in Bulacan bringing the total number of stores to 60 (53 depots and 7 home essentials) by the end of first half 2020.

Gross Profit

Gross profit for the period reached ₱3,122 million, resulting in a gross profit margin of 34.5% for the period ended June 30, 2020. For the same period in 2019, gross profit totaled ₱3,813 million for a gross profit margin of 32.4%. The hike was brought about by the increasing margin and expanding contribution of in-house and exclusive products to total net sales. Sales of exclusive and in-house products accounted for 51.2% of total net sales for the period versus 49.0% in the first half of 2019. The gross profit margin of non-exclusive products also increased as the Company was able to avail of both volume and cash discounts.

Operating Expenses

Operating expenses increased to ₱2,602 million for the period, up 3.1% or ₱79 million from the prior period's ₱2,523 million. The increase is attributable mainly to expansion-related expenses, depreciation and amortization of new stores and the adoption of Philippine Financial Reporting Standard (PFRS) 16, Leases of new lease contracts subsequent to June 30, 2019 offset by the

decrease in utilities, trucking and outsourced services during the quarantine period. Depreciation and amortization recorded the highest increase at 105.5% or ₱440 million as a result of the continuous addition of the company-owned store buildings and the re-classification of part of rent expense to depreciation. Non-PFRS 16 related rent expense dropped by 85.9% or ₱222 million to ₱37 million.

Interest Expense

Interest expense increased to ₱206 million for the period from the prior year's first half level of ₱123 million, representing non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

Other Income (Charges)

Other income (charges) for the six months ended June 30, 2020 totaled ₱174 million, down by 22.3% or ₱50 million from the ₱223 million recorded in first half 2019 mainly due to the decrease in interest income offset by increases in rent and net other income. Other income consists of: 1) Rent and net other income from trade and other suppliers amounting to ₱135 million, down by 3.6% or ₱5 million from 2019 representing net charges for the lease of bill boards, gondola lights, end caps, etc. and their share of various operational and promotional/marketing expenses and other non-merchandise sales related income; 2) Interest income of ₱39 million which decreased from the prior period balance of ₱84 million as the IPO proceeds continue to be deployed for expansion purposes.

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

EBITDA for the first half of 2020 reached ₱1,510 million, or 16.7% of net sales. EBITDA for the half of 2019 is reported at ₱1,846 million, or 15.7% of net sales.

EBIT for the first half of 2020 is ₱654 million or 7.2% of net sales, while for the first half of 2019 amounted to ₱1,430 million, or 12.1% of net sales, respectively.

Income Tax Expense

The Company's income tax expense decreased by 66.1% or ₱262 million to end at ₱134 million, versus the ₱396 million incurred during the same period last year in view of lower taxable income.

Financial Position as at June 30, 2020 and December 31, 2019

Assets

WDI's total assets declined by ₱872 million or 3.3% from ₱26,237 million balance as at December 31, 2019 to close at ₱25,365 million as at June 30, 2020. The decrease was due mainly to the payment of dividends, lease, trade and other payables and income tax partially offset by additional inventories and capital expenditures related to store network expansion.

Current Assets

Aggregate cash and short-term investments increased by ₱753 million or 36.2% from ₱2,079 million at the close of 2019 to ₱2,831 million as at June 30, 2020, traceable primarily due to maturity of the retail treasury bonds holdings of the Company, partially offset by payment of dividends, lease, trade and other payables and income tax.

Trade and other receivables totaled ₱465 million as at June 30, 2020, 5.8% or ₱25 million higher than the ₱440 million balance as at December 31, 2019. The increase was mainly due to increase in advances made to suppliers partially offset by decrease in trade receivables.

Merchandise inventories totaling ₱9,707 million make up the bulk of current assets, accounting for 70.9% of total current assets as at June 30, 2020. This represents a 2.0% or ₱190 million jump over the ending 2019 balance of ₱9,518 million to support the requirements of the new store openings and increased contribution of in-house and exclusive products.

Noncurrent assets

The Company's noncurrent assets reached ₱11,668 million, 4.0% or ₱453 million higher than the ₱11,215 million balance as at December 31, 2019 in view mainly of the continued construction of new company-owned store buildings and recognition of right of use assets on those new stores under PFRS 16.

Liabilities

Current liabilities amounted to ₱6,552 million as at close of the period, lower by 9.5% or ₱685 million from the ₱7,236 million balance as at December 31, 2019. The decrease was due mainly to the settlement of trade and other payables and income tax.

Non-current liabilities totaled ₱4,542 million, up by ₱203 million from the December 31, 2019 balance of ₱4,339 million. The increase was mainly due to lease liabilities in relation to PFRS 16 for new stores.

Total liabilities amounted to ₱11,094 million as at June 30, 2020, ₱481 million or 4.2% lower than the balance of ₱11,576 million at the end of 2019.

Equity

Total equity amounted to ₱14,271 million, comprised of capital stock of ₱4,100 million, additional paid-in capital of ₱5,374 million, retained earnings of ₱4,739 million, and other comprehensive income (loss) of ₱58 million as at June 30, 2020. Total equity as at December 31, 2019, meanwhile totaled ₱14,662 million. The 2.7% decrease in the equity balance is primarily due to the declaration of dividends of ₱738 million partly offset by the net income earned for the period of ₱352 million.

Key Financial Performance Indicators

Key Performance Indicators	2020	2019
Sales	9,039,952,851	11,778,210,886
EBIT ¹	653,923,809	1,429,588,792
EBITDA ²	1,510,394,730	1,846,264,519
EBIT Margin ³	7.23%	12.14%
Current Ratio ⁴	2.09	1.92
Debt to Equity Ratio ⁵	0.78	0.64
Interest Coverage Ratio ⁶	3.17	11.64

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*

MATERIAL CHANGES (+/-5%) IN THE FINANCIAL STATEMENTS

Statement of Financial Position as at June 30, 2020 and December 31, 2019

1. Aggregate cash and short-term investments increased by ₱753 million or 36.2% from ₱2,079 million at the close of 2019 to ₱2,831 million as at June 30, 2020, traceable primarily due to maturity of the retail treasury bonds holdings of the Company, partially offset by payment of dividends, lease, trade and other payables and income tax.

2. Trade and other receivables totaled ₱465 million as at June 30, 2020, 5.8% or ₱25 million higher than the ₱440 million balance as at December 31, 2019. The increase was mainly due to increase in advances made to suppliers partially offset by decrease in trade receivables.
3. Other current assets decreased by ₱39 million or 5.4% from ₱733 million at the close of 2019 to ₱694 million as at June 30, 2020 due mainly to decrease in current deferred input VAT on property and equipment and consigned goods already sold.
4. Property and equipment increased by ₱490 million or 9.8% from ₱4,981 million at the close of 2019 to ₱5,471 million as at June 30, 2020 due mainly to capital expenditures related to store network expansion.
5. Net deferred tax assets increased by ₱42 million or 12.7% from ₱334 million at the close of 2019 to ₱376 million as at June 30, 2020 due mainly to the tax effect of temporary differences on net lease rental payments.
6. Other noncurrent assets decreased by ₱145 million or 22.6% from ₱639 million at the close of 2019 to ₱494 million as at June 30, 2020 due mainly to decrease in advances to contractors.
7. Current liabilities amounted to ₱6,552 million as at close of the period, lower by 9.5% or ₱685 million from the ₱7,236 million balance as at December 31, 2019. The decrease was due mainly to the settlement of trade and other payables and income tax.
8. Net retirement liability decreased by ₱21 million or 7.5% from ₱276 million at the close of 2019 to ₱255 million as at June 30, 2020 due mainly to contributions to the plan assets in 2020.
9. Other comprehensive income decreased by ₱5 million or 8.0% from ₱63 million at the close of 2019 to ₱58 million as at June 30, 2020 due to reversal of unrealized gain upon maturity of investment in retail treasury bond and remeasurement loss on retirement liability.
10. Retained earnings decreased by ₱386 million or 7.5% from ₱5,125 million at the close of 2019 to ₱4,739 million as at June 30, 2020 due to dividends declared partially offset by income earned in 2020.

Income Statement Items

1. Net sales for the six-month period ended June 30, 2020 amounted to ₱9,040 million, 23.2% or ₱2,738 million lower than the ₱11,778 million generated during the same period in 2019 mainly due to comparable sales performance dropped to negative 28.3% as a result of the temporary closure of stores in Luzon and some stores in Visayas and Mindanao from March 17 to May 15, 2020 during the quarantine period.
2. Gross profit for the period reached ₱3,122 million, growing by 22.1% from the gross profit of ₱3,813 million in the first half of 2019, brought about by the increasing margin and expanding contribution of in-house and exclusive products to total net sales.
3. Interest expense increased to ₱206 million for the period from the prior year's first half level of ₱123 million or by 67.5%, as this represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.
4. Other income (charges) for the six months ended June 30, 2020 totaled ₱174 million, down by 22.3% or ₱50 million from the ₱223 million recorded in first half 2019 mainly due to the decrease in interest income offset by increases in rent and net other income.
5. The Company's income tax expense decreased by 66.1% or ₱262 million to end at ₱134 million, versus the ₱396 million incurred during the same period last year in view of lower taxable income.

6. In view mainly of the temporary closure of the majority of the stores of the Company from March 17 to May 15, 2020 resulting in a decrease in net sales, net income declined by 64.6% or ₱642 million to ₱352 million for the first half of 2020, from the ₱995 million reported during the same period in 2019.

Results of Operations for the Years Ended December 31, 2019 and December 31, 2018

Wilcon Depot, Inc. (WDI or the Company) generated net income of ₱2,125 million for the year ended December 31, 2019, higher by 15.8% or ₱289 million from the ₱1,835 million reported in 2018 with net income margins of 8.7% both for 2019 and 2018. The improvement was driven by the 16.3% increase in net sales and the improved gross profit margin as a result mainly of margin-enhancing product mix strategy. The increase was partly offset by rising operating and non-cash financing expenses brought about by the adoption of the new accounting standard for recognizing operating leases and other expenses necessary to support the store network expansion strategy of the Company.

Net Sales

The Company recorded net sales of ₱24,476 million for the year ended December 31, 2019, 16.3% or ₱3,435 million higher than the ₱21,041 million reported in 2018. The growth was driven by the ₱2,331 million contribution from new stores accounting for 67.9% of the total increase and the comparable sales growth of 5.2% for the period.

Its flagship format, the depot, accounted for 95.9% or ₱23,469 million of the total. The format grew by 16.5% or ₱3,318 million from the ₱20,150 million net sales in 2018, driven by the continuous roll out and ramp up of new stores and same store sales growth of 5.0%.

Net sales generated by the smaller format, "home essentials", stores comprised the 2.7% or ₱658 million of total net sales in 2019 and improved by 6.2% or ₱39 million from the ₱619 million in 2018 with a 4.0% same store sales growth. The remaining 1.4% was accounted for by the project sales amounting to ₱349 million, increasing by 28.6% or ₱78 million in 2019.

In 2019, the Company opened six new depots bringing the total number of stores to 57 (50 depots and seven home essentials) by the end of 2019. The Company opened three branches in Luzon, one in the Visayas and two in Mindanao.

Gross Profit

Gross profit closed at ₱8,176 million, resulting in a gross profit margin of 33.4% for the year ended December 31, 2019. For the year ended December 31, 2018, gross profit is reported at ₱6,603 million for a gross profit margin of 31.4%. The hike was brought about by the expanding contribution of the higher margin in-house and exclusive products to total net sales. Sales of exclusive and in-house products accounted for 49.5% of total net sales in 2019 versus 46.9% in 2018. Continued sales growth of non-exclusive products also earned for the company volume discounts in addition to cash discount opportunities successfully pursued by the company, both of which partly contributed to the improved blended gross profit margin.

Operating Expenses

Operating expenses increased to ₱5,396 million in 2019, up 22.1% or ₱975 million from ₱4,421 million in 2018. The increase is traced mainly to expansion-related expenses, salary rate adjustments and the adoption of Philippine Financial Reporting Standard (PFRS) 16, *Leases*. Depreciation and amortization recorded the highest increase as a result of the continuous addition of the company-owned store buildings and the re-classification of part of rent expense to depreciation. Consequently, rent expense dropped by 63.9% or ₱588 million.

The company adopted the new accounting standard for leases, PFRS 16 starting January 1, 2019, which involved the recognition of the company's qualified operating leases as lease assets with the corresponding lease liability in the balance sheet. As a result, qualified lease-related expenses

previously classified as rent expense are reflected in the income statement as depreciation/amortization of the lease asset and interest expense on the lease liability.

Interest Expense

Interest expense for the years ended December 31, 2019 and 2018 amounted to ₱300 million and ₱2 million, respectively. The ₱298 million increase represents interest charged on lease liability recognized for the period in relation to the adoption of PFRS 16 by the Company, starting January 1, 2019.

Other income (Charges)

Other income (charges) for the year ended December 31, 2019 totaled ₱463 million, up 28.7% or ₱103 million from the ₱359 million recorded in 2018. Other income consists of: 1) Rent and net other income from trade and other suppliers amounting to ₱311 million, up 88.7% or ₱146 million from 2018 representing net charges for the lease of bill boards, gondola lights, end caps, etc. and their share of various operational and promotional/marketing expenses and other non-merchandise sales related income; 2) Interest income of ₱151 million which decreased from the balance of ₱195 million in 2018 as the IPO proceeds continue to be deployed for expansion purposes.

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

EBITDA for the year ended December 31, 2019 reached ₱4,225 million, or 17.3% of net sales. EBITDA for the year ended December 31, 2018 is reported at ₱2,512 million, or 11.9% of net sales.

EBIT for the year 2019 is ₱3,091 million or 12.6% of net sales, while for the year 2018 amounted to ₱2,347 million, or 11.2% of net sales, respectively.

The significant hike in EBITDA, particularly is due mainly to the change in accounting standards. It should be noted that ₱721 million of the depreciation and amortization expense and the total interest expense of ₱300 million as at December 31, 2019 are re-classified rent related expense due to the adoption of PFRS 16 for the treatment of operating leases by the Company.

Income Tax Expense

The Company's income tax expense increase by 16.1% or ₱114 million to end at ₱818 million, versus ₱704 million incurred during 2018 in view of higher taxable income.

Financial Position as at December 31, 2019 and December 31, 2018

Assets

WDI's total assets grew by 49.9% or ₱8,735 million from ₱17,502 million balance as at December 31, 2018 to close at ₱26,237 million as at December 31, 2019. The increase was due mainly to the recognition of right of use assets (PFRS 16), additional inventories and capital expenditures related to store network expansion.

Current Assets

Aggregate cash and cash equivalents including short-term investments decreased by ₱764 million or 26.9% from ₱2,842 million at the close of 2018 to ₱2,079 million by end of 2019, traceable primarily due to payment of inventories and construction liabilities.

Trade and other receivables totaled ₱440 million as at December 31, 2019, 43.5% or ₱133 million higher than the ₱307 million balance as at December 31, 2018. The increase was mainly due to increase in credit sales.

Merchandise inventories totaling ₱9,518 million make up the bulk of current assets, accounting for 63.4% of total current assets as at December 31, 2019. This represents a 29.8% or ₱2,186 million

jump over the ending 2018 balance of ₱7,331 million to support the requirements of the new store openings and increased contribution of in-house and exclusive products.

Noncurrent assets

The Company's noncurrent assets reached ₱11,215 million, 75.8% or ₱4,836 million higher than the ₱6,379 million balance as at December 31, 2018 in view mainly of the adoption of PFRS 16, which requires lessees to recognize right of use assets and lease liabilities and the continued construction of new company-owned store buildings partly offset by the re-classification of financial assets at FVOCI to current assets.

Liabilities

Current liabilities amounted to ₱7,236 million as at year end 2019, up 73.5% or ₱3,065 million from the ₱4,171 million balance as at December 31, 2018. The increase was due mainly to the recognition of the current portion of lease liabilities and increased trade and other payables.

Non-current liabilities totaled ₱4,339 million, significantly higher by ₱4,221 million from the December 31, 2018 balance of ₱118 million. The increase was mainly due to the adoption of PFRS 16 which requires lessees to recognize right of use assets and lease liabilities and increase in retirement liability driven mainly by remeasurement loss partially offset by contributions to the plan assets in 2019.

Total liabilities amounted to ₱11,576 million as at December 31, 2019, ₱7,286 million or 169.8% higher than the balance of ₱4,290 million at the end of 2018.

Equity

Total equity amounted to ₱14,662 million, comprised of capital stock of ₱4,100 million, additional paid-in capital of ₱5,374 million, retained earnings of ₱5,125 million, and other comprehensive income (loss) of ₱63 million as at December 31, 2019. Total equity as at December 31, 2018, meanwhile totaled ₱13,212 million. The 11.0% rise in the equity balance is primarily due to net income earned for the period of ₱2,125 million partly offset by the payment of dividends.

Key Financial Performance Indicators

Key Performance Indicators	2019	2018
Sales	24,476,094,604	21,041,433,928
EBIT ¹	3,091,466,921	2,347,488,128
EBITDA ²	4,224,642,081	2,512,340,109
EBIT Margin ³	12.63%	11.16%
Current Ratio ⁴	2.08	2.67
Debt to Equity Ratio ⁵	0.79	0.32
Interest Coverage Ratio ⁶	10.29	1,000.93

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*

MATERIAL CHANGES (+/-5%) IN THE FINANCIAL STATEMENTS

Statement of Financial Position as at December 31, 2019 and December 31, 2018

1. WDI's total assets grew by 49.9% or ₱8,735 million from ₱17,502 million balance as at December 31, 2018 to close at ₱26,237 million as at December 31, 2019. The increase was due mainly to the recognition of right of use assets (PFRS 16), additional inventories and capital expenditures related to store network expansion.
2. Aggregate cash and cash equivalents including short-term investments decreased by ₱764 million or 26.9% from ₱2,842 million at the close of 2018 to ₱2,079 million by end of 2019, traceable primarily due to payment of inventories and construction liabilities.
3. Trade and other receivables totaled ₱440 million as at December 31, 2019, 43.5% or ₱133 million higher than the ₱307 million balance as at December 31, 2018. The increase was mainly due to increase in credit sales.
4. Merchandise inventories totaling ₱9,518 million make up the bulk of current assets, accounting for 63.4% of total current assets as at December 31, 2019. This represents a 29.8% or ₱2,186 million jump over the ending 2018 balance of ₱7,331 million to support the requirements of the new store openings and increased contribution of in-house and exclusive products.
5. Other current assets increased by ₱89 million or 13.9% from ₱644 million as at December 31, 2018 to ₱733 million as at December 31, 2019 due to increase in current deferred input VAT on property and equipment and consigned goods already sold and increase in consumable materials partially offset by decrease in input VAT.
6. The Company's noncurrent assets reached ₱11,215 million, 75.8% or ₱4,836 million higher than the ₱6,379 million balance as at December 31, 2018 in view mainly of the adoption of PFRS 16, which requires lessees to recognize right of use assets and lease liabilities and the continued construction of new company-owned store buildings partly offset by the reclassification of financial assets at FVOCI to current assets.
7. Net deferred tax assets also increased by ₱196 million or 142.7% from ₱138 million as at December 31, 2018 to ₱334 million as at December 31, 2019 due mainly to the tax effect of temporary differences on net lease rental payments and retirement liability.
8. Furthermore, other noncurrent assets increased by ₱72 million or 12.6% from ₱567 million as at December 31, 2018 to ₱639 million as at December 31, 2019 due mainly to increase in advances to contractors and security deposits partially offset by the prepaid rent reclassified to right-of-use assets.
9. Current liabilities amounted to ₱7,236 million as at year end 2019, up 73.5% or ₱3,065 million from the ₱4,171 million balance as at December 31, 2018. The increase was due mainly to the recognition of the current portion of lease liabilities and increased trade and other payables.
10. Non-current liabilities totaled ₱4,339 million, significantly higher by 3,563.3% or ₱4,221 million from the December 31, 2018 balance of ₱118 million. The increase was mainly due to the adoption of PFRS 16 which requires lessees to recognize right of use assets and lease liabilities and increase in retirement liability driven mainly by remeasurement loss partially offset by contributions to the plan assets in 2019.
11. Total equity amounted to ₱14,662 million as at December 31, 2019 growing by 11.0% from the December 31, 2018 balance of ₱13,212 million, primarily due to net income earned for the period of ₱2,125 million partly offset by the payment of dividends.

Income Statement Items

1. Net income of ₱2,125 million earned in 2019, higher by 15.8% or ₱289 million from the ₱1,835 million reported in 2018. The improvement was driven by the 16.3% increase in net sales and the improved gross profit margin as a result mainly of margin-enhancing product mix strategy.
2. The Company recorded net sales of ₱24,476 million for the year ended December 31, 2019, 16.3% or ₱3,435 million higher than the ₱21,041 million reported in 2018 in view mainly of the contribution of new stores and partly by the 5.2% growth in comparable sales.
3. Gross profit closed at ₱8,176 million, up 23.8% from the ₱6,603 million recorded in 2018 due to the expanding contribution of the higher margin in-house and exclusive products to total net sales.
4. Operating expenses increased to ₱5,396 million in 2019, up 22.1% or ₱975 million from ₱4,421 million in 2018, traced mainly to expansion-related expenses and the adoption of Philippine Financial Reporting Standard (PFRS) 16, *Leases*. Depreciation and amortization recorded the highest increase as a result of the continuous addition of the company-owned store buildings and the re-classification of part of rent expense to depreciation. Consequently, rent expense dropped by 63.9% or ₱588 million.
5. Interest expense for the years ended December 31, 2019 and 2018 amounted to ₱300 million and ₱2 million, respectively. The ₱298 million increase represents interest charged on lease liability recognized for the period in relation to the adoption of PFRS 16 by the Company, starting January 1, 2019.
6. Other income (charges) for the year ended December 31, 2019 totaled ₱463 million, up 28.7% or ₱103 million from the ₱359 million recorded in 2018 traced to the increases in rent and net other income from trade and other suppliers amounting to ₱311 million, up 88.7% partly offset by the drop in Interest income of ₱151 million which decreased from the balance of ₱195 million in 2018 as the IPO proceeds continue to be deployed for expansion purposes.
7. The Company's income tax expense increase by 16.1% or ₱114 million to end at ₱818 million, versus ₱704 million incurred during 2018 in view of higher taxable income.

Results of Operations for the Years Ended December 31, 2018 and December 31, 2017

Wilcon Depot, Inc. (WDI or the Company) generated 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% in 2018 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 in 2018. Project sales or sales to majority property developers, on the other hand, dropped by 44.5% year-on-year totaling ₱272 million in 2018, 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 in 2018 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 in 2018 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% in 2018 versus 44.6% in 2017 and partly to improved margins from non-exclusive products.

Operating Expenses

Operating expenses increased to ₱4,421 million in 2018, increasing by 22.9% or ₱825 million from ₱3,596 million in 2017. 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 in 2018.

Other Income (Charges)

Net other income in 2018 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 in 2018 from ₱70 million in 2017, 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 ₱2,347 million in 2018 for an EBIT margin of 11.2% while EBITDA amounted to ₱2,512 million for a margin of 11.9%, increasing from EBIT of ₱1,856 million in 2017 with 10.5% margin and EBITDA of ₱1,960 million with 11.0% margin, respectively.

Income Tax Expense

Income tax expense increased by 57.1% or ₱256 million to settle at ₱704 million in view of the higher taxable income in 2018 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 Position as at December 31, 2018 and December 31, 2017

Assets

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

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 December 31, 2018 from the December 31, 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 December 31, 2018, up 221.7% or ₱1,907 million from ₱860 million as at December 31, 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 December 31, 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 totaled ₱4,171 million as at December 31, 2018, increasing by 12.0% or ₱446 million from the balance of ₱3,725 million as at December 31, 2017, primarily due to the rise in trade and other payables which includes payables to suppliers and contractors for the construction of store buildings,

increase in tax payable in view of higher taxable income in 2018 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 partly offset by reduction to nil of current portion of long-term debt due to repayment of bank loans.

Non-current liabilities totaled ₱118 million as at December 31, 2018, down by 68.9% or ₱263 million from the December 31, 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 2018 and partly offset by the payment of dividends.

Key Financial Performance Indicators

Key Performance Indicators	2018	2017
Sales	21,041,433,928	17,747,580,107
EBIT ¹	2,347,488,128	1,855,569,319
EBITDA ²	2,512,340,109	1,959,894,624
EBIT Margin ³	11.16%	10.46%
Current Ratio ⁴	2.67	3.15
Debt to Equity Ratio ⁵	0.32	0.34
Interest Coverage Ratio ⁶	1,000.93	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*

MATERIAL CHANGES (+/-5%) IN THE FINANCIAL STATEMENTS

Statement of Financial Position as at December 31, 2018 and December 31, 2017

1. Aggregate cash and cash equivalents including short-term investments decreased by ₱775 million or 21.4% from ₱3,617 million at the close of 2017 to ₱2,842 million by end of 2018, traceable primarily due to repayment of bank loans and distribution of dividends in 2018 partially offset by the income generated.
2. 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.
3. Other current assets increased by ₱33 million or 5.5% from ₱610 million as at December 31, 2017 to ₱644 million as at December 31, 2018 due to increase in prepaid expenses, materials and supplies, partially offset by decrease in input VAT.
4. Noncurrent assets climbed 43.4% or ₱1,858 million to total ₱6,134 million as at December 31, 2018 from the December 31, 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 December 31, 2018, up 221.7% or ₱1,907 million from ₱860 million as at December 31, 2017 in view of the construction of new stores. Property and equipment accounted for 45.1% of total non-current assets.
5. Net deferred tax assets also increased by ₱22 million or 18.8% from ₱116 million as at December 31, 2017 to ₱138 million as at December 31, 2018 due mainly to the tax effect of temporary differences on accrued rent, allowance for impairment losses on receivables, and unearned revenue from loyalty program.
6. Furthermore, other noncurrent assets increased by ₱19 million or 6.3% from ₱304 million as at December 31, 2017 to ₱323 million as at December 31, 2018 due mainly to increase in computer software and non-current deferred input VAT partly offset by decrease in advance rent.
7. Current liabilities totaled ₱4,171 million as at December 31, 2018, increasing by 12.0% or ₱446 million from the balance of ₱3,725 million as at December 31, 2017, primarily due to the rise in trade and other payables which includes payables to suppliers and contractors for the construction of store buildings, increase in tax payable in view of higher taxable income in 2018 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 partly offset by reduction to nil of current portion of long-term debt due to repayment of bank loans.
8. Non-current liabilities totaled ₱118 million as at December 31, 2018, down by 68.9% or ₱263 million from the December 31, 2017 level of ₱381 million mainly due to repayment of bank loans.
9. Retirement liability also decreased by ₱14 million or 10.6% from ₱133 million as at December 31, 2017 to ₱118 million as at December 31, 2018 due mainly to contributions to the plan assets partly offset by current service cost and interest expense on the defined benefit obligation.
10. 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 2018 and partly offset by the payment of dividends.

Income Statement Items

1. Net income of ₱1,835 million for the year ended December 31, 2018, was up by 32.5% or ₱450 million from the ₱1,385 million reported for the full year 2017, driven by a robust comparable sales growth of 8.0% and margin-enhancing product mix strategy.
2. Net sales increased to ₱21,041 million in 2018, 18.6% or ₱3,294 million higher than the ₱17,748 million generated in 2017. The growth was driven by comparable sales performance of 8.0% in 2018 and a healthy contribution from new stores opened in 2018 and 2017.
3. Gross profit in 2018 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 traceable mainly to the expanding contribution of the higher margin in-house and exclusive products to total net sales.
4. Operating expenses increased to ₱4,421 million in 2018, increasing by 22.9% or ₱825 million from ₱3,596 million in 2017. 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.
5. The Company repaid its bank loans resulting in an 89.2% or ₱19 million drop in interest expense to ₱2 million in 2018.
6. Net other income in 2018 reached ₱359 million, up 94.0% or ₱174 million from the ₱185 million generated in 2017. The jump is attributable mainly to higher interest income earned from placements and from placements.
7. Income tax increased by 57.1% or ₱256 million to settle at ₱704 million in view of the higher taxable income in 2018 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.

Results of Operations for the year ended December 31, 2017 and Nine Months ended December 31, 2016

Net Sales

The Company generated net sales of ₱17,748 million for the year ended December 31, 2017. Its flagship format, the depot, accounted for 96.9% or ₱17,198 million, while sales generated by the smaller format (known as "home essentials") stores comprised the remaining 3.1% of ₱550 million of total net sales.

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

For the year ended December 31, 2016, net sales totaled ₱12,298 million, representing net sales for the period beginning April 1, 2016, the start of commercial operations. Sales from the depots accounted for 96.7% while sales from the home essentials stores accounted for the remainder 3.3% of total net sales for the period. In 2016, two depot format stores were opened, in Molino, Cavite and Santa Rosa, Laguna, both areas are located in the highly progressive region immediately south of Metro Manila.

Gross Profit

Gross profit for the year ended December 31, 2017 reached ₱5,266 million, resulting in a gross profit margin of 29.7%. For the nine months period ended December 31, 2016, gross profit totaled ₱3,299

million for a gross profit margin of 26.8%. Improvement in gross profit margin may be attributed mainly to the increase in the contribution to total net sales of higher margin products.

Operating Expenses

The Company's operating expenses totaled ₱3,596 million by the end of 2017. Biggest contributors to operating expenses include rent, outsourced services, and salaries and wages, accounting for 59.4% of the total. Operating expenses accounted for 20.3% of total net sales.

For the period ended December 31, 2016, operating expenses totaled ₱2,287 million, with rent expense, salaries and wages, and outsourced services cost accounting for 61.3% of total operating expenses. Operating expenses for 2016 comprised 18.6% of total net sales. Other than the difference in the length of operating period, the upsurge in operating expenses as a percentage of sales is primarily attributed to the increase in front-loaded expenses associated with new store openings.

Interest Expense

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

Other Income (Charges)

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

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

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

EBITDA for the year ended December 31, 2017 reached ₱1,960 million, or 11.0% of net sales. EBITDA for the period ended December 31, 2016 is reported at ₱1,108 million, or 9.0% of net sales.

EBIT for the year 2017 is ₱1,856 million or 10.5% of net sales, while for the year 2016 amounted to ₱1,046 million, or 8.5% of net sales, respectively.

Income Tax Expense

Income tax expense in 2017 netted out at ₱448.4 million. This consisted of current income tax totaling ₱459.5 million representing regular corporate income tax and a ₱11.2 million deferred income tax benefit. For the period ended December 31, 2016, the income tax expense netted out at ₱128.6 million, which consisted of ₱308.5 million in current income tax expense offset by a deferred income tax benefit of ₱179.9 million.

Net income

Net income for the year ended December 31, 2017 reached ₱1,385 million for a net profit margin of 7.8% while net income for the period ended December 31, 2016 amounted to ₱886.8 million for a 7.2% net profit margin.

Financial Position as at December 31, 2017 and December 31, 2016

Assets

Current assets

Cash and cash equivalents increased by ₱2,379 million or 372.8% from ₱638.1 million at the close of 2016 to ₱3,017 million by end of 2017, traceable primarily to the net proceeds generated from the initial public offering of the Company's capital stock amounting to ₱6,749 million, which was partly reinvested in retail treasury bonds and money market placements, used to pay off bank debts, used to fund the store network expansion, and used for general corporate purposes.

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

Merchandise inventories totaling ₱6,968 million make up the bulk of current assets, accounting for 59.3% of total current assets at yearend 2017. This represents 6.0% or ₱392.3 million jump over the ending 2016 balance of ₱6,576 million in view of the expansion plans of the Company.

Noncurrent assets

The Company's noncurrent assets totaled ₱4,277 million as at December 31, 2017, accounting for 26.7% of total assets. Investment in available-for-sale financial asset amounting to ₱2,997 million accounts for 70.1% of total noncurrent assets, followed by property and equipment at 20.1%. Property and equipment consists of furniture and equipment, construction in progress of new stores being built, building and leasehold improvements, and transportation equipment.

As at December 31, 2016, noncurrent assets amounted to ₱737.1 million accounting for 8.1% of total assets.

Liabilities

Current liabilities amounted to ₱3,725 million as at yearend 2017, comprising of current portion of long-term debt of ₱155.0 million, trade and other payables of ₱3,491 million, and income tax payable of ₱78.9 million. Current liabilities account for 90.7% of total liabilities. Current liabilities as at December 31, 2016 totaled ₱4,497 million. Current liabilities decreased primarily due to repayment of bank debts.

Noncurrent liabilities totaled ₱381.0 million, representing long-term debt, net of current portion of ₱248.5 million and retirement liability of ₱132.5 million as at December 31, 2017. As at December 31, 2016, non-current liabilities closed at ₱1,064 million.

Total liabilities amounted to ₱4,106 million as at December 31, 2017, ₱1,455 million or 26.2% less than the balance of ₱5,561 million at the end of 2016. The drop is attributable mainly to the repayment of bank loans.

Equity

Total equity amounted to ₱11,918 million, comprised of capital stock of ₱4,100 million, additional paid-in capital of ₱5,374 million, retained earnings of ₱2,272 million, and other comprehensive income (loss) of ₱173.1 million as at December 31, 2017. Total equity as at December 31, 2016, meanwhile totaled ₱3,582 million. The 332.7% rise in the equity balance is due primarily to the initial public offering of the Company's common shares on March 31, 2017 that generated added capital stock of ₱1,394 million and an additional paid in capital of ₱5,374 million, and net income earned for the period of ₱1,385 million.

Key Financial Performance Indicators

Key Performance Indicators	2017	2016
Sales	17,747,580,107	12,298,415,794
EBIT ¹	1,855,569,319	1,045,597,138
EBITDA ²	1,959,894,624	1,108,311,745
EBIT Margin ³	10.46%	8.50%
Current Ratio ⁴	3.15	1.87
Debt to Equity Ratio ⁵	0.34	1.55
Interest Coverage Ratio ⁶	85.14	34.58

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*

MATERIAL CHANGES (+/-5%) IN THE FINANCIAL STATEMENTS

Statement of Financial Position as at December 31, 2017 and December 31, 2016

1. Cash and cash equivalents increased by ₱2,379 million or 372.8% from ₱638 million at the close of 2016 to ₱3,017 million by end of 2017, traceable primarily to the net proceeds generated from the initial public offering of the Company's capital stock amounting to ₱6,749 million, which was partly reinvested in retail treasury bonds and money market placements, used to pay off bank debts, used to fund the store network expansion, and used for general corporate purposes.
2. Trade and other receivables as at December 31, 2017 totaled ₱552 million increased by 30.6% from the 2016 balance of ₱423 million, mainly due to increase in advance payments on purchases of trade and nontrade goods and services which will be applied against future billings.
3. Merchandise inventories totaling ₱6,968 million make up the bulk of current assets, accounting for 59.3% of total current assets at yearend 2017. This represents 6.0% or ₱392.3 million jump over the ending 2016 balance of ₱6,576 million in view of the expansion plans of the Company.
4. Other current assets decreased by ₱160 million or 20.7% from ₱770 million as at December 31, 2016 to ₱610 million as at December 31, 2017 due primarily to decrease in input VAT partly offset by increase in current deferred input VAT on property and equipment and consigned goods already sold.
5. The Company's noncurrent assets totaled ₱4,277 million as at December 31, 2017 increased by ₱3,539 million or 480.1% from the ₱737 million balance as at December 31, 2016. The increase is mainly due to placement of part of the unused IPO proceeds in retail treasury bonds and increase in property and equipment due primarily to construction of new stores for the Company's network expansion.
6. Net deferred tax assets decreased by ₱68 million or 37.2% from ₱184 million as at December 31, 2016 to ₱116 million as at December 31, 2017 due mainly to the tax effect of temporary differences on retirement liability.
7. Other noncurrent assets also increased by ₱93 million or 44.0% from ₱211 million as at December 31, 2016 to ₱304 million as at December 31, 2017 due to increase in computer software, electricity and security deposits, non-current deferred input VAT and advance rent.

8. Current liabilities amounted to ₱3,725 million as at yearend 2017, decreasing by 20.7% from the balance as at end-2016 primarily due to repayment of bank debts.
9. Long-term debt - net of current portion decreased by ₱401 million or 61.7% from ₱649 million as at December 31, 2016 to ₱248 million as at December 31, 2017 due to the repayment of bank loans.
10. Net retirement liability decreased by ₱282 million or 68.0% from ₱415 million as at December 31, 2016 to ₱133 million as at December 31, 2017 mainly due to remeasurement gain on the present value of the defined benefit obligation.
11. Total equity amounted to ₱11,918 million, increasing by 232.7% from the equity balance as at end-2016 due primarily to the initial public offering of the Company's common shares on March 31, 2017 that generated added capital stock of ₱1,394 million and an additional paid in capital of ₱5,374 million, and net income earned for the period of ₱1,385 million.

Income Statement Items

Commercial operations started April 1, 2016 for the Company, so year-on-year comparison is based on a three-quarter result in 2016 versus four quarters in 2017. Majority of the material changes were traceable to the differences in operating period.

1. Net sales of ₱17,748 million for the year ended December 31, 2017 and net sales of ₱12,298 million for the year ended December 31, 2016, representing net sales for the period beginning April 1, 2016, the start of commercial operations, or an increase of ₱5,449 million or 44.3%.
2. Gross profit for the year ended December 31, 2017 reached ₱5,266 million, resulting in a gross profit margin of 29.7%. For the nine months period ended December 31, 2016, gross profit totaled ₱3,299 million for a gross profit margin of 26.8% or an increase of 59.6%. Improvement in gross profit margin may be attributed mainly to the increase in the contribution to total net sales of higher margin products.
3. The Company's operating expenses totaled ₱3,596 million by the end of 2017 versus ₱2,287 million in 2016 for an increase of 57.2%.
4. Interest expense decreased to ₱21.8 million in 2017 from ₱30.2 million in 2016 or by 38.5%, due to repayments of short-term and long-term debts from the proceeds of the initial public offering and internally generated funds.
5. For the year ended December 31, 2017, the Company generated a net other income of ₱185.3 million from ₱33.7 million or by 549.8%. Other than the length of operating period covered, the substantial jump in Other income (charges) are mainly due to the increase in interest income from ₱668 thousand to ₱115.8 million by the end of 2017, generated from money market placements of the IPO proceeds and higher non-recurring miscellaneous income earned in 2017.
6. Income tax expense in 2017 netted out at ₱448.4 million from ₱128.6 million in 2016, in view of higher taxable income.
7. Net income for the year ended December 31, 2017 reached ₱1,385 from ₱887 million in 2016 for an increase of 56.2% in view of the foregoing.

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 2019.

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 modern trade channels for the home improvement space will gradually flourish, shifting the balance and the competitive landscape.

Seasonal Aspect that has material effect on the financial statements.

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

ANNEX A

17-A (Annual Report)

COVER SHEET

C S 2 0 1 5 2 4 7 1 2

S.E.C Registration No.

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

(Company's Full name)

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

(Principal Office)

Atty. Sheila Pasicolan - Camerino

Contact Person

(02) 8634-8387

Tel. No.

1 2

Month

3 1

Day

1 7 - A

FORM TYPE

0 6

Month

1 7

Date

(Annual Meeting)

For the year ended
31 December 2019

[Empty Box]

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

[Empty Box]

File Number

LCU

[Empty Box]

Document I.D.

Cashier

STAMPS

[Empty Box]

SEC Number: CS 201524712

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. Avenue, Ugong Norte, Quezon City

(Company's Address)

(02) 8634 8387

(Telephone Number)

2019 December 31

(Fiscal Year Ending, month and day)

SEC FORM 17-A Annual Report

(Form Type)

Amendment Delegation

December 31, 2019

Period Ended Date

(Secondary License Type and File)

**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, 2019
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..... 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization

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

8. (02) 8634-8387.....
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, 2019, computed based on the closing share price of ₱18.00 on the last trading day December 27, 2019 is ₱25,060,356,000.00.

**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, 2019, 2018 and 2017 - Exhibit 1

(b) Statement of Management's Responsibility for Financial Statements as at and for the years ended December 31, 2019, 2018 and 2017, part of Exhibit 1.

(c) SEC Form 17-C – Exhibit 2

(d) 2019 Sustainability Report – Exhibit 3

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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 48,406 stock keeping units (SKUs) as at December 31, 2019. 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 57 stores nationwide, as of December 31, 2019, 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, 2019, the depot format accounted for 95.9% or ₱23,469 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 gross floor area of 9,250 sqm. As of December 31, 2019, the Company has 50

depots located in all the major cities across the Philippines. Project sales or sales to major property developers, on the other hand, accounted for 1.4% or ₱349 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 740 sqm to 2,800 sqm with an average gross floor area of 1,445 sqm. As of December 31, 2019, the Company has 3 mall-based Home Essentials stores and 4 stand-alone branches for a total of 7 Home Essentials stores. Net sales generated by Home Essentials accounted for 2.7% or ₱658M of total net sales.

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 95.9% comprised of net sales generated from the depot-format stores, 1.4% for the project sales while the remaining 2.7% 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	11
	Luzon	26
	Visayas	6
	Mindanao	7
Total Depot		50
Home Essentials	Metro Manila	6
	Visayas	1
Total Home Essentials		7

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 425 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, 2019, consignment sales accounted for 28% 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 730,458 registered members as of December 31, 2019.

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 57 branches as of December 31, 2019, only eight sites are leased from third parties.





For a detailed discussion of the material related party transactions of the Company, please see note 21 - 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.

Selected in-house brands of the Company are as follows:

Brand	Product Category
	Plumbing and Sanitary Wares
	Plumbing and Sanitary Wares
	Plumbing and Sanitary Wares
	Tiles and Flooring
	Tiles and Flooring
	Tiles and Flooring

	Tiles and Flooring
	Electrical and Lighting
	Furniture, Furnishing and Houseware
	Hardware and Tools

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, 2019, the Company has 2,707 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	909
Rank and File	1798
Total	2,707

Employment Status	Number of Employees
Regular	2407
Probationary	300
Total	2,707

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 and Strategic Thinking and Decision Making 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 2,887 employees within the next 12 months to include new hires for the planned store openings in 2020.

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, 2019, 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 17 June 2019.

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 2019 and month of January 2020, as reported by the PSE are shown below:

2020	High	Low
January	19.00	17.9

2019	High	Low
4 th quarter	19.00	16.00
3 rd quarter	17.28	15.02
2 nd quarter	17.50	15.18
1 st Quarter	16.08	12.66

The market capitalization of the Company's common shares at the end of 2019 based on the closing market price of ₱18.00 per share totaled to ₱73.795 billion.

Item 6. Management's Discussion and Analysis

For the year ended December 31, 2019 compared with period ended December 31, 2018.

Results of Operations for the Twelve Months Ended December 31, 2019

Wilcon Depot, Inc. (WDI or the Company) generated net income of ₱2,125 million for the year ended December 31, 2019, higher by 15.8% or ₱289 million from the ₱1,835 million reported in 2018 with net income margins of 8.7% both for 2019 and 2018. The improvement was driven by the 16.3% increase in net sales and the improved gross profit margin as a result mainly of margin-enhancing product mix strategy. The increase was partly offset by rising operating and non-cash financing expenses brought about by the adoption of the new accounting standard for recognizing operating leases and other expenses necessary to support the store network expansion strategy of the Company.

Net Sales

The Company recorded net sales of ₱24,476 million for the year ended December 31, 2019, 16.3% or ₱3,435 million higher than the ₱21,041 million reported in 2018. The growth was driven by the ₱2,331

million contribution from new stores accounting for 67.9% of the total increase and the comparable sales growth of 5.2% for the period.

Its flagship format, the depot, accounted for 95.9% or ₱23,469 million of the total. The format grew by 16.5% or ₱3,318 million from the ₱20,150 million net sales in 2018, driven by the continuous roll out and ramp up of new stores and same store sales growth of 5.0%.

Net sales generated by the smaller format, “home essentials”, stores comprised the 2.7% or ₱658 million of total net sales and improved by 6.2% or ₱39 million from the prior year’s ₱619 million with a 4.0% same store sales growth. The remaining 1.4% was accounted for by the project sales amounting to ₱349 million, increasing by 28.6% or ₱78 million in 2019.

During the year, the Company opened six new depots bringing the total number of stores to 57 (50 depots and seven home essentials) by the end of 2019. The Company opened three branches in Luzon, one in the Visayas and two in Mindanao.

Gross Profit

Gross profit closed at ₱8,176 million, resulting in a gross profit margin of 33.4% for the year ended December 31, 2019. For the year ended December 31, 2018, gross profit is reported at ₱6,603 million for a gross profit margin of 31.4%. The hike was brought about by the expanding contribution of the higher margin in-house and exclusive products to total net sales. Sales of exclusive and in-house products accounted for 49.5% of total net sales for the year versus 46.9% in 2018. Continued sales growth of non-exclusive products also earned for the company volume discounts in addition to cash discount opportunities successfully pursued by the company, both of which partly contributed to the improved blended gross profit margin.

Operating Expenses

Operating expenses increased to ₱5,396 million for the period, up 22.1% or ₱975 million from the prior period’s ₱4,421 million. The increase is traced mainly to expansion-related expenses, salary rate adjustments and the adoption of Philippine Financial Reporting Standard (PFRS) 16, *Leases*. Depreciation and amortization recorded the highest increase as a result of the continuous addition of the company-owned store buildings and the re-classification of part of rent expense to depreciation. Consequently, rent expense dropped by 63.9% or ₱588 million.

The company adopted the new accounting standard for leases, PFRS 16 starting January 1, 2019, which involved the recognition of the company’s qualified operating leases as lease assets with the corresponding lease liability in the balance sheet. As a result, qualified lease-related expenses previously classified as rent expense are reflected in the income statement as depreciation/amortization of the lease asset and interest expense on the lease liability.

Interest Expense

Interest expense for the years ended December 31, 2019 and 2018 amounted to ₱300 million and ₱2 million, respectively. The ₱298 million increase represents interest charged on lease liability recognized for the period in relation to the adoption of PFRS 16 by the Company, starting January 1, 2019.

Other income (Charges)

Other income (charges) for the year ended December 31, 2019 totaled ₱463 million, up 28.7% or ₱103 million from the ₱359 million recorded in 2018. Other income consists of: 1) Rent and net other income from trade and other suppliers amounting to ₱311 million, up 88.7% or ₱146 million from 2018 representing net charges for the lease of bill boards, gondola lights, end caps, etc. and their share of various operational and promotional/marketing expenses and other non-merchandise sales related income; 2) Interest income of ₱151 million which decreased from the prior year’s balance of ₱195 million as the IPO proceeds continue to be deployed for expansion purposes.

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

EBITDA for the year ended December 31, 2019 reached ₱4,225 million, or 17.3% of net sales. EBITDA for the year ended December 31, 2018 is reported at ₱2,512 million, or 11.9% of net sales.

EBIT for the year 2019 is ₱3,091 million or 12.6% of net sales, while for the year 2018 amounted to ₱2,347 million, or 11.2% of net sales, respectively.

The significant hike in EBITDA, particularly is due mainly to the change in accounting standards. It should be noted that ₱721 million of the depreciation and amortization expense and the total interest expense of ₱300 million as at December 31, 2019 are re-classified rent related expense due to the adoption of PFRS 16 for the treatment of operating leases by the Company.

Income Tax Expense (Benefit)

The Company's income tax expense increase by 16.1% or ₱114 million to end at ₱818 million, versus ₱704 million incurred during 2018 in view of higher taxable income.

Financial Condition

Assets

WDI's total assets grew by 49.9% or ₱8,735 million from ₱17,502 million balance as at December 31, 2018 to close at ₱26,237 million as at December 31, 2019. The increase was due mainly to the recognition of right of use assets (PFRS 16), additional inventories and capital expenditures related to store network expansion.

Current Assets

Aggregate cash and cash equivalents including short-term investments decreased by ₱764 million or 26.9% from ₱2,842 million at the close of 2018 to ₱2,079 million by end 2019, traceable primarily due to payment of inventories and construction liabilities.

Trade and other receivables totaled ₱440 million as at December 31, 2019, 43.5% or ₱133 million higher than the ₱307 million balance as at December 31, 2018. The increase was mainly due to increase in credit sales.

Merchandise inventories totaling ₱9,518 million make up the bulk of current assets, accounting for 63.4% of total current assets as at December 31, 2019. This represents a 29.8% or ₱2,186 million jump over the ending 2018 balance of ₱7,331 million to support the requirements of the new store openings and increased contribution of in-house and exclusive products.

Noncurrent assets

The Company's noncurrent assets reached ₱11,215 million, 75.8% or ₱4,836 million higher than the ₱6,379 million balance as at December 31, 2018 in view mainly of the adoption of PFRS 16, which requires lessees to recognize right of use assets and lease liabilities and the continued construction of new company-owned store buildings partly offset by the re-classification of financial assets at FVOIC to current assets.

Liabilities

Current liabilities amounted to ₱7,236 million as at year end 2019, up 73.5% or ₱3,065 million from the ₱4,171 million balance as at December 31, 2018. The increased was due mainly to the recognition of the current portion of lease liabilities and increased trade and other payables.

Non-current liabilities totaled ₱4,339 million, significantly higher by ₱4,221 million from the December 31, 2018 balance of ₱118 million. The increase was mainly due to the adoption of PFRS 16 which requires lessees to recognize right of use assets and lease liabilities.

Total liabilities amounted to ₱11,576 million as at December 31, 2019, ₱7,286 million or 169.8% higher than the balance of ₱4,290 million at the end of 2018.

Equity

Total equity amounted to ₱14,662 million, comprised of capital stock of ₱4,100 million, additional paid-in capital of ₱5,374 million, retained earnings of ₱5,125 million, and other comprehensive income (loss) of ₱63 million as at December 31, 2019. Total equity as at December 31, 2018, meanwhile totaled ₱13,212 million. The 11.0% rise in the equity balance is primarily due to net income earned for the period of ₱2,125 million partly offset by the payment of dividends.

Key Financial Performance Indicators

Key Performance Indicators	2019	2018
Sales	24,476,094,604	21,041,433,928
EBIT ¹	3,091,466,921	2,347,488,128
EBITDA ²	4,224,642,081	2,512,340,109
EBIT Margin ³	12.63%	11.16%
Current Ratio ⁴	2.08	2.67
Debt to Equity Ratio ⁵	0.79	0.32
Interest Coverage Ratio ⁶	10.29	1,000.93

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 2019.

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 modern trade channels for the home improvement space will gradually flourish, shifting the balance and the competitive landscape.

Seasonal Aspect that has material effect on the financial statements.

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

Certification on Internal Controls

The reliability of the Company's financial statements as at and for the period ending December 31, 2019.

The Company made a representation through its filing of SEC Form 17A (Annual Report) which contains the audited financial statements, of its responsibility for the preparation and fair presentation of such financial statements in accordance with the Philippine Financial Reporting Standards. Management also assumes responsibility for internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Company's external auditor, Reyes Tacandong & Co. provided an opinion that the Company's financial statements are presented fairly, in all material respect.

Company's compliance with financial and corporate governance regulatory requirements and reporting.

The Company, through its Compliance Officer made representation of the absence of significant breach of laws and regulations or involvement in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position or profitability.

The Treasurer attested to the submission of all financial and reportorial requirements to pertinent institutions and agencies of government.

Sound internal control and compliance system are in place in the Company.

The Company had not noted or reported any significant control gaps or weaknesses that would imperil or materially affect the achievement of its goals and objectives.

The Company's Chief Audit Executive reported to the Audit Committee the results of its audits in 2019, including control and risk matters that are of financial, operational, and compliance in nature together with the corresponding actions implemented by the Company.

Dividend Policy

The Company is authorized under Philippine law to declare dividends, subject to certain requirements. The payment of dividends, either in the form of cash or shares, will depend upon the

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

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

On March 6, 2019, the Company declared cash dividends in the amount of ₱0.11 regular and ₱0.05 special or total of ₱0.16 per share.

Discussion on Compliance with Leading Practice on Corporate Governance

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

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

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

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

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

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

On January 20, 2020 the Company submitted its Compliance Officer Certification stating that the Company has substantially complied with the provision of its Manual on Corporate Governance for the year 2019 in compliance with SEC Memorandum Circular No. 24 series of 2019.

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 2019 is ₱2,000,000.00.

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, 2019 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 2019:

Name	Age	Nationality	Position
William T. Belo	74	Filipino	Chairman Emeritus
Bertram B. Lim	82	Filipino	Chairman
Lorraine Belo-Cincochan	40	Filipino	Director, President and Chief Executive Officer
Mark Andrew Y. Belo	37	Filipino	Director, Treasurer and Chief Financial Officer
Careen Y. Belo	36	Filipino	Director and Chief Product Officer
Rolando S. Narciso	73	Filipino	Independent Director
Ricardo S. Pascua	71	Filipino	Independent Director
Delfin L. Warren	69	Filipino	Independent Director
Arthur R. Ponsaran	76	Filipino	Corporate Secretary
Sheila Pasicolan-Camerino	33	Filipino	Asst. Corporate Secretary
Rosemarie Bosch-Ong	61	Filipino	Senior Executive Vice President – Chief Operating Officer
Eden M. Godino	43	Filipino	Vice President - Product Development
Grace A. Tiong	46	Filipino	Vice President - Human Resources
Michael D. Tiong	46	Filipino	Vice President – Global Sourcing
Mary Jean G. Alger	49	Filipino	Vice President – Investor Relations
Lauro D.G Francisco	54	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 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, awarded as one of the People of the Year by People Asia and Patriarch of Home Building Retail by the Philippine Retailers Association. 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.

Caren 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 (IISA) 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.

Attendance of Directors in 2019 Board Meetings

Board	Name	Date of Election	No. of Meetings Held During the Year 2019	No. of Meetings Attended	%
Chairman	Bertram B. Lim	May 22, 2017	23	23	100%
Independent Director	Rolando S. Narciso	September 13, 2016	23	23	100%
Independent Director	Ricardo S. Pascua	September 13, 2016	23	22	96%
Independent Director	Delfin L. Warren	May 22, 2017	23	23	100%
Member	Lorraine Belo - Cincochan	March 30, 2016	23	19	83%
Member	Mark Andrew Y. Belo	March 30, 2016	23	21	91%
Member	Careen Y. Belo	March 30, 2016	23	20	87%

Directors' Compensation

Total compensation received by the members of the Board in 2019 amounted to ₱2.1M.

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, 2019, 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 2019 and projected for the year 2020:

Actual

Key Management Officers	Year	Compensation	Bonuses
Top 5 Officers	2019	₱40.5M	₱44.5M
Other officers as a group	2019	₱60.3M	₱17.4M

Projected for 2020

Key Management Officers	Year	Compensation	Bonuses
Top 5 Officers	2020	₱45.4M	₱46.9M
Other officers as a group	2020	₱71.6M	₱5.4M

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,	Arthur R. Ponsaran	Filipino	10,000	0.00%

	Las Piñas City Corporate Secretary				
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, Quezon City	Michael D. Tiong	Filipino	148,700	0.00%
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, 2019:

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, 2019.

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%

Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of December 31, 2019.

Change in Control

There are no arrangements which may result in a change in control of the Company as of December 31, 2019.

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 17, 2019, the members of the Board as well as officers of the Company attended the corporate governance seminar, entitled "*Corporate Governance: Modernizing Policies for Effective Governance*" 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, 2019, on or before May 30, 2020, 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
March 7, 2019	Notice of Annual Meeting of the Stockholders of the Corporation on 17 June 2019
June 18, 2019	Results of Annual Stockholders' Meeting held on 17 June 2019
June 18, 2019	Results of Organizational Meeting of the Board held on 17 June 2019

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 February 24, 2020.

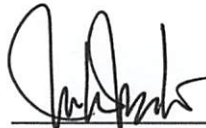
By:



Bertram B. Lim
Chairman



Lorraine Belo-Cincochan
President-CEO



Mark Andrew Y. Belo
Treasurer



Atty. Arthur R. Ponsaran
Corporate Secretary



Grace A. Tiong
Compliance Officer

SUBSCRIBED AND SWORN to before me this 24th day of February 2020 in Quezon City affiant(s) exhibiting to me their Passport, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Wilcon Depot, Inc.	TIN 009-192-878		
Bertram B. Lim			
Lorraine Belo-Cincochan			
Mark Andrew Y. Belo			
Arthur R. Ponsaran			
Grace A. Tiong			

DOC NO. 173
PAGE NO. 36
BOOK NO. VIII
SERIES OF 2020

SUBSCRIBE AND SWORN TO BEFORE ME
THIS _____ DAY OF 26 FEB 2020
AT QUEZON CITY PHILIPPINES


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY

AM Adm. Not Com. No. NP-124-1-12-19 until 12-31-2020
IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
PTR O.R. No. 9332194 C 1-3-2020 / Roll No. 33832 / TIN# 129-871-009
MCLE No. VI-0029583 valid from 12/16/19 Valid until 04/14/22 Quezon City
Address : 31-F Harvard St. Q.C.

ANNEX B

2019 Audited Financial Statements

EXHIBIT 1

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	5	2	4	7	1	2
---	---	---	---	---	---	---	---	---	---	---

COMPANY NAME

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		(A		S	u	b	s	i	d	i	a	r	y		o	f	
W	I	L	C	O	N		C	O	R	P	O	R	A	T	I	O	N		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		C	I	T	Y							
C	E	N	T	E	R)																																	

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

N	o	.		9	0		E	.		R	o	d	r	i	g	u	e	z		J	r	.		A	v	e	n	u	e	,									
B	r	g	y	.		U	g	o	n	g		N	o	r	t	e	,		Q	u	e	z	o	n		C	i	t	y										

Form Type

A	A	F	S
---	---	---	---

Department requiring the report

C	R	M	D
---	---	---	---

Secondary License Type, if Applicable

N	/	A
---	---	---

COMPANY INFORMATION

Company's Email Address

wilcon@wilcon.com.ph

Company's Telephone Number/s

(02) 8 634-8387

Mobile Number

—

No. of Stockholders

155

Annual Meeting (Month / Day)

June 17

Fiscal Year (Month / Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Mark Andrew Y. Belo

Email Address

markbelo@wilcon.com.ph

Telephone Number/s

(02) 8 634-8387

Mobile Number

—

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.

**“STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN”**

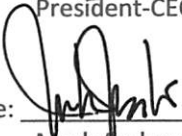
The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2019. 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, 2019 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-CEO

Signature: 
Mark Andrew Y. Belo
Treasurer



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 26 day of FEB 2020 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			

DOC NO. 174
 PAGE NO. 36
 BOOK NO. WU
 SERIES OF WU

SUBSCRIBE AND SWORN TO BEFORE ME
 THIS _____ DAY OF 6 FEB 2020
 AT QUEZON CITY PHILIPPINES

R. Bolivar
ATTY. ROGERIO J. BOLIVAR
 NOTARY PUBLIC IN QUEZON CITY
 AM Adm. Not Com. No. NP-124-1-12-19 until 12-31-2020
 IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
 PTR O.R. No. 9332194 C 1-3-2020 / Roll No. 33832 / TIN# 129-871-009
 MCLE No. VI-0029583 valid from 12/16/19 Valid until 04/14/22 Quezon City
 Address : 31-F Harvard St. Q.C.






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 for the years ended December 31, 2019, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members.

Reyes Tacandong & Co., the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.


 Signature _____
 Bertram B. Lim
 Chairman


 Signature _____
 Lorraine Belo-Cincochan
 President-CEO


 Signature _____
 Mark Andrew Y. Belo
 Treasurer

Signed this 24th day of February 2020



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 26 day of FEB 2020 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			

DOC NO. 175
 PAGE NO. 36
 BOOK NO. VII
 SERIES OF 2020

[Signature]
ATTY. DOMINICO J. BOLIVAR
 NOTARY PUBLIC IN QUEZON CITY
 AM Adm. Not Com. No. NP-124-1-12-19 until 12-31-2020
 IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
 PTR O.R. No. 9332194 C 1-3-2020 / Roll No. 33832 / TIN# 129-871-009
 MCLE No. VI-0029583 valid from 12/16/19 Valid until 04/14/22 Quezon City
 Address : 31-F Harvard St. Q.C.

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2019, 2018 and 2017, 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, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017, 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 ₱9,517.5 million as at December 31, 2019. The accounting for the complete recording and valuation of merchandise inventories are significant to our audit because merchandise inventories represent 36% of the total assets. Moreover, the Company also maintains around 48,406 stock keeping units (SKU) as at December 31, 2019. 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.

Our procedures included, among others, the observation of the conduct of the inventory count, test of inventory summarization, review of intervening transactions from date of inventory count to financial reporting date, 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 Recognition and Measurement of Right-of-Use (ROU) Assets and Lease Liabilities

The Company adopted PFRS 16, *Leases*, on January 1, 2019 which resulted to the recognition of ROU assets and lease liabilities amounting to ₱2,470.3 million and ₱2,559.4 million, respectively. As at December 31, 2019, ROU assets and lease liabilities amounted to ₱5,260.5 million and ₱5,486.5 million respectively. Amortization on ROU assets and interest expense on lease liabilities amounted to ₱721.3 million and ₱300.4 million, respectively, in 2019.

The Company's adoption of PFRS 16 is significant to our audit because the resulting ROU assets and lease liabilities represent 20% of the total assets and 47% of the total liabilities, respectively. A significant data extraction exercise was undertaken to summarize relevant terms and conditions of the lease agreements. Moreover, the adoption of PFRS 16 involves the exercise of significant management judgment and estimate which include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term; and (c) determining the appropriate discount rate.

Our procedures include, among others, review of design and implementation of key controls pertaining to leases, review of existing agreements to assess whether an arrangement contains a lease to be included in the adoption of PFRS 16 and assessing the compliance of the Company with the key requirements of PFRS 16, including the required disclosures in the financial statements. We performed an assessment of the significant management judgment and estimates used in determining the ROU assets and lease liabilities through review of the significant provisions of the lease agreements. We also assessed the reliability of the data used in the computation of the ROU assets and lease liabilities through inspection of the source document. We also assessed the reasonableness of incremental borrowing rates used if it approximates the rate that the Company would have to pay to borrow funds for similar asset with similar term and security. On a test basis, we also performed recalculation of the ROU assets and lease liabilities and assessed reasonableness of amortization on ROU assets and interest expense on lease liabilities.

Necessary disclosures are included in Note 2, *Summary of Significant Accounting Policies*, Note 3, *Significant Accounting Judgments, Estimates and Assumptions*, and Note 11, *Lease Commitments*.



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 Initial Public Offering (IPO) amounted to ₱6,749.3 million, net of transaction costs incidental to the IPO amounting to ₱289.9 million. The accounting for the use of the proceeds is significant to our audit because the unused proceeds amounting to ₱1,400.7 million as at December 31, 2019 represent 5% of the total assets. Moreover, the Company is required to adhere to the use of the proceeds pursuant to the Offering Circular.

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

Necessary disclosures are included in Note 4, *Initial Public Offering*, and Note 14, *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, 2019, 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, 2019 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.

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



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

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

REYES TACANDONG & Co.

HAYDEE M. REYES

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. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8116475

Issued January 6, 2020, Makati City

February 24, 2020

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)

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	5	P1,462,042,311	P2,842,073,524
Short-term investments	6	616,490,311	-
Investment in retail treasury bond	6	2,253,523,133	-
Trade and other receivables	7	439,901,662	306,601,219
Merchandise inventories	8	9,517,537,128	7,331,056,540
Other current assets	9	732,935,532	643,670,234
Total Current Assets		15,022,430,077	11,123,401,517
Noncurrent Assets			
Investment in retail treasury bond	6	-	2,906,721,106
Property and equipment	10	4,981,367,129	2,767,160,840
Right-of-use assets	11	5,260,470,198	-
Net deferred tax assets	19	333,740,211	137,519,693
Other noncurrent assets	12	639,043,835	567,378,597
Total Noncurrent Assets		11,214,621,373	6,378,780,236
		P26,237,051,450	P17,502,181,753
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	P5,530,142,228	P4,001,096,864
Current portion of lease liabilities	11	1,423,074,043	-
Income tax payable		283,254,451	170,167,805
Total Current Liabilities		7,236,470,722	4,171,264,669
Noncurrent Liabilities			
Long-term debt	14	20,000	20,000
Lease liabilities - net of current portion	11	4,063,408,162	-
Net retirement liability	15	275,650,904	118,427,835
Total Noncurrent Liabilities		4,339,079,066	118,447,835
Total Liabilities		11,575,549,788	4,289,712,504
Equity			
Capital stock	16	4,099,724,116	4,099,724,116
Additional paid-in capital		5,373,738,427	5,373,738,427
Other comprehensive income		63,275,338	82,902,070
Retained earnings		5,124,763,781	3,656,104,636
Total Equity		14,661,501,662	13,212,469,249
		P26,237,051,450	P17,502,181,753

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

	Note	Years Ended December 31		
		2019	2018	2017
NET SALES		₱24,476,094,604	₱21,041,433,928	₱17,747,580,107
COST OF SALES	8	(16,300,223,396)	(14,438,334,301)	(12,481,667,970)
GROSS INCOME		8,175,871,208	6,603,099,627	5,265,912,137
OPERATING EXPENSES	17	(5,395,669,570)	(4,420,552,891)	(3,595,688,634)
INTEREST EXPENSE	14	(300,371,698)	(2,345,308)	(21,793,510)
OTHER INCOME - Net	18	462,750,174	359,472,440	185,345,816
INCOME BEFORE INCOME TAX		2,942,580,114	2,539,673,868	1,833,775,809
INCOME TAX EXPENSE (BENEFIT)	19			
Current		964,287,588	725,998,406	459,519,649
Deferred		(146,322,479)	(21,736,924)	(11,158,692)
		817,965,109	704,261,482	448,360,957
NET INCOME		2,124,615,005	1,835,412,386	1,385,414,852
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item not to be reclassified to profit or loss -</i>				
Remeasurement gain (loss) on retirement liability, net of deferred income tax	15	(116,428,759)	(3,333)	185,824,622
<i>Item to be reclassified to profit or loss -</i>				
Unrealized gain (loss) on fair value changes of investment in retail treasury bond	6	96,802,027	(90,225,514)	(3,053,380)
		(19,626,732)	(90,228,847)	182,771,242
TOTAL COMPREHENSIVE INCOME		₱2,104,988,273	₱1,745,183,539	₱1,568,186,094
BASIC AND DILUTIVE EARNINGS PER SHARE	22	₱0.52	₱0.45	₱0.37

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 CHANGES IN EQUITY

	Note	Years Ended December 31		
		2019	2018	2017
CAPITAL STOCK				
Balance at beginning of year	16	₱4,099,724,116	₱4,099,724,116	₱2,705,817,916
Issuances		-	-	1,393,906,200
Balance at end of year		4,099,724,116	4,099,724,116	4,099,724,116
ADDITIONAL PAID-IN CAPITAL		5,373,738,427	5,373,738,427	5,373,738,427
OTHER COMPREHENSIVE INCOME				
Cumulative Remeasurement Gain on Retirement Liability				
Balance at beginning of year	15	176,180,964	176,184,297	(9,640,325)
Remeasurement gain (loss), net of deferred income tax		(116,428,759)	(3,333)	185,824,622
Balance at end of year		59,752,205	176,180,964	176,184,297
Cumulative Unrealized Gain (Loss) on Fair Value Changes of Investment in Retail Treasury Bond				
Balance at beginning of year		(93,278,894)	(3,053,380)	-
Unrealized gain (loss)	6	96,802,027	(90,225,514)	(3,053,380)
Balance at end of year		3,523,133	(93,278,894)	(3,053,380)
		63,275,338	82,902,070	173,130,917
RETAINED EARNINGS				
Balance at beginning of year		3,656,104,636	2,271,661,903	886,247,051
Net income		2,124,615,005	1,835,412,386	1,385,414,852
Cash dividends	16	(655,955,860)	(450,969,653)	-
Balance at end of year		5,124,763,781	3,656,104,636	2,271,661,903
		₱14,661,501,662	₱13,212,469,249	₱11,918,255,363

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 CASH FLOWS

		Years Ended December 31		
	Note	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P2,942,580,114	P2,539,673,868	P1,833,775,809
Adjustments for:				
Depreciation and amortization	10	1,133,175,160	164,851,981	104,325,305
Interest expense	14	300,371,698	2,345,308	21,793,510
Interest income	5	(151,484,892)	(194,531,047)	(115,788,780)
Provision (reversal of allowance) for inventory write-down and losses	8	(33,337,395)	-	29,175,121
Retirement benefits	15	23,088,535	23,521,289	34,017,328
Provision (reversal of allowance) for expected credit losses on receivables	7	11,768,506	26,254,535	(3,726,780)
Gain on sale of investment in retail treasury bond	6	(1,611,403)	-	-
Direct write-off of receivables		-	50,149	-
Offer expenses		-	-	18,316,120
Operating income before working capital changes		4,224,550,323	2,562,166,083	1,921,887,633
Decrease (increase) in:				
Merchandise inventories		(2,153,143,193)	(362,912,433)	(421,475,327)
Other current assets		(202,453,628)	(86,408,752)	159,564,677
Trade and other receivables		(150,757,101)	(30,882,622)	(91,433,713)
Other noncurrent assets		(40,558,137)	106,217,615	79,607,812
Increase (decrease) in trade and other payables		1,677,224,400	510,014,364	(150,953,004)
Net cash generated from operations		3,354,862,664	2,698,194,255	1,497,198,078
Income tax paid		(802,776,612)	(581,608,431)	(534,725,739)
Contributions to retirement plan	15	(32,192,264)	(37,633,926)	(28,399,857)
Retirement benefits paid	15	(1,584,356)	(1,753,646)	(105,420)
Interest received from cash in banks		1,365,854	1,426,985	2,448,451
Net cash provided by operating activities		2,519,675,286	2,078,625,237	936,415,513
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	10	(2,618,466,105)	(2,065,776,777)	(619,269,798)
Computer software	12	(30,334,944)	(31,904,348)	(30,465,688)
Investment in retail treasury bond		-	-	(3,000,000,000)
Net proceeds from sale of investment in retail treasury bond	6	751,611,403	-	-
Decrease (increase) in:				
Short-term investments		(616,490,311)	600,580,715	(600,580,715)
Advances to contractors		(63,242,424)	(99,519,131)	(145,102,313)
Interest received from investments		157,391,546	200,238,033	79,069,358
Net cash used in investing activities		(2,419,530,835)	(1,396,381,508)	(4,316,349,156)

(Forward)

		Years Ended December 31		
	Note	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Lease liabilities	11	(P824,218,626)	P-	P-
Cash dividends	16	(655,955,860)	(450,969,653)	-
Interest on long-term debt	14	(1,178)	(2,574,163)	(21,292,833)
Long-term debt	14	-	(403,441,539)	(722,820,513)
Short-term debt		-	-	(445,000,000)
Proceeds from:				
Issuances of capital stock	16	-	-	6,749,328,507
Availments of long-term borrowings		-	-	198,461,539
Net cash provided by (used in) financing activities		(1,480,175,664)	(856,985,355)	5,758,676,700
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		(1,380,031,213)	(174,741,626)	2,378,743,057
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		2,842,073,524	3,016,815,150	638,072,093
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	5	P1,462,042,311	P2,842,073,524	P3,016,815,150
NONCASH INFORMATION				
Recognition of lease liabilities		P6,010,330,247	P-	P-
Recognition of right-of-use assets		5,981,801,377	-	-
Retirement plan assets transferred from Parent Company		-	-	22,084,182

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)

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, 2017, the 1,393,906,200 common shares of the Company were listed in the Philippine Stock Exchange (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 16).

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

The financial statements of the Company as at and for the years ended December 31, 2019, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on February 24, 2020, 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 investment in retail treasury bond (RTB) 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 measurement 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 24, *Fair Value of Financial Instruments*

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS effective January 1, 2019.

- PFRS 16, *Leases*

PFRS 16 replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives*, and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a lease accounting model under which all major leases are recognized on-balance sheet similar to the accounting for finance leases under PAS 17. The new accounting standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The

standard provides two recognition exemptions for lessees – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

At the commencement date of a lease, the lessee should recognize a liability and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to amortize the right-of-use (ROU) asset:

The lease liability should be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor should continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

Prior to the adoption of PFRS 16, the Company classified leases as operating leases under PAS 17. These pertain to land, buildings, retail and office units, transportation equipment and computer software used for its operations. The lease of transportation equipment is considered as short-term lease and excluded from the adoption of PFRS 16.

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at January 1, 2019. ROU assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments.

The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17.

- Applied PFRS 16 only to lease agreements that were previously identified as leases applying PAS 17 at the date of initial application.
- Applied the exemption not to recognize ROU assets and lease liabilities for leases with less than 12 months of lease term as at transition.

The accounting policies applicable to the Company as a lessor are not different from those under PAS 17. As such, PFRS 16 has no impact for leases where the Company acts as a lessor.

Impact on Transition

On transition to PFRS 16, the Company adopted PFRS 16 using the modified retrospective approach. Under this approach, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The difference of ₱166.4 million resulting to the straight-line basis of accounting under PAS 17 was recognized as part of ROU assets. Accordingly, no adjustment on beginning retained earnings and the comparative information presented in 2018 financial statements have not been restated.

The impact on transition as at January 1, 2019 is summarized below:

	Note	Increase (Decrease)
Lease liabilities	11	₱2,559,379,229
ROU assets	11	2,470,336,375
Accrued rent	11	(143,928,956)
Advance rent	11	(54,886,102)

When measuring lease liabilities for leases that have been classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at January 1, 2019. The Company has applied incremental borrowing rate ranging from 5.59% to 7.28%, depending on the remaining lease term.

The reconciliation of operating lease commitments as at December 31, 2018 discounted using the incremental borrowing rate as at January 1, 2019 and the lease liabilities recognized as at January 1, 2019 follows.

Operating lease commitments as at December 31, 2018 as disclosed under PAS 17	₱2,768,112,586
Recognition exemption for leases with less than 12 months of term at transition	(331,775,281)
Discounted using the incremental borrowing rate at January 1, 2019	123,041,924
<u>Lease liabilities recognized as at January 1, 2019</u>	<u>₱2,559,379,229</u>

Impact for 2019

As a result of initial adoption of PFRS 16, in relation to the leases that were previously classified as operating leases, the Company recognized ROU assets amounting to ₱5,260.5 million and lease liabilities amounting to ₱5,486.5 million as at December 31, 2019 (see Note 11).

Also, the Company recognized amortization on ROU assets and interest expense on lease liabilities, instead of rent expense, amounting to ₱721.3 million and ₱300.4 million, respectively, in 2019 (see Note 11).

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities’ examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.
- Amendments to PFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the “solely payments of principal and interest” criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

Under prevailing circumstances, the adoption of the foregoing amended PFRS, except for PFRS 16, did not have a material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

Amended PFRS Issued but Not yet Effective

Relevant new and amended PFRS, which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

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 fair value through other comprehensive income (financial asset at FVOCI). The classification of financial asset largely depends on the Company’s business model and its contractual cash flow characteristics.

As at December 31, 2019 and 2018, 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, 2019 and 2018, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers, and officers and employees), 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.

Cash and cash equivalents, include cash on hand, cash in banks and money market placements. 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 Assets at FVOCI. Financial assets at FVOCI which pertain to debt instrument, is 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, 2019 and 2018, this category includes investment in RTB.

Impairment. 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.

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 and (b) financial liabilities at FVPL.

As at December 31, 2019 and 2018, 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, 2019 and 2018, the long-term debt, lease liabilities and trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue) are included in this category.

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.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the moving 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 charged to cost of sales at the year in which it occurred. 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 deferred input value-added tax (VAT), materials and supplies, prepaid expenses, input VAT, and container deposits.

Deferred Input VAT. 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 subsequently. 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.

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

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.

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.

Property and Equipment

Property and equipment, excluding construction in progress, 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:

<u>Asset Type</u>	<u>Number of Years</u>
Buildings and improvements	20 or term of lease, whichever is shorter
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.

In 2019, the Company changed the estimated useful lives of buildings and leasehold improvements covered with lease agreements with related parties and third parties on land, buildings and retail and office units from 20 years to 15 years and from five to three years, respectively, to align with the lease terms for land, buildings and retail and office units of 15 years and three years (as amended for certain lease agreements).

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

Advances to Contractors. Advances to contractors represent advance payments made in relation to purchase of materials and services for the construction of stores and are carried at cost less any impairment in value. These will be applied against future billings.

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 annually. 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 as at December 31, 2018 represents advance payments made in relation to the lease agreements entered into by the Company and are carried at cost less any impairment in value. This will be applied at the end of the lease term.

Impairment of Nonfinancial Assets

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

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

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 cumulative unrealized gain (loss) on fair value changes of investment in RTB 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.

Revenue within the scope of PFRS 15 is recognized as follows:

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.

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.

Revenue outside scope of PFRS 15 is recognized as follows:

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

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

Cost and Expense Recognition

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

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. Operating expenses are expensed as incurred.

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

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 net 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 Company as a Lessee.

ROU Assets. ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

The ROU assets are measured subsequently at cost less amortization and any impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liabilities resulting from reassessments or lease modifications.

Lease Liabilities. Lease liabilities are measured at the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

After the initial recognition, the measurement of a lease liability is affected by:

- accruing interest on the lease liability
- lease payments made
- remeasurements reflecting any reassessment or lease modifications

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis of accounting as rent expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Company as a Lessor.

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 of accounting over the period of the lease.

Policies prior to January 1, 2019. 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.
- 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 components of the Company; (b) whose operating results are regularly reviewed by the Company's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

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 Classification of Financial Assets. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Company.

The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the key factors considered by the Company in its business model assessment:

- Specific business objectives in holding the financial assets,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Company also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates. The Company, as a lessee, has various lease agreements with related parties and third parties for land, buildings, retail and office units, computer software and transportation equipment. Until December 31, 2018, the Company accounts for these lease agreements as operating leases. Rent expense on operating leases amounted to ₱919.9 million and ₱780.7 million in 2018 and 2017, respectively (see Note 11).

The Company has exercised significant judgment in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Starting January 1, 2019, all the existing leases of the Company, except for short-term lease on transportation equipment and leases on land and buildings with less than 12 months term at transition, qualified as leases under PFRS 16.

Lease liabilities and ROU assets were recognized for the remaining lease agreements. Payments of lease liabilities are allocated over the principal liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each year. The ROU assets are amortized over the lease term on a straight-line basis.

The leases on land, buildings, retail and office units and computer software are renewable upon mutual agreement by both parties (as amended for certain lease agreements) to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

Significant management judgment was likewise exercised by the Company in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate ranges from 5.59% to 7.28% which is the incremental borrowing rates as obtained from the banks.

Reassessments are made on a continuing basis whether changes should be reflected on the amount of lease liabilities due to circumstances affecting lease payments and discount rates.

Rent expense on short-term lease on transportation equipment and leases on land and buildings with less than 12 months term at transition amounted to ₱331.8 million in 2019 (see Note 11). Interest expense on lease liabilities and amortization on ROU assets amounted to ₱300.4 million and ₱721.3 million, respectively, in 2019 (see Note 11).

As at December 31, 2019, ROU assets and lease liabilities amounted to ₱5,260.5 million and ₱5.486.5 million, respectively (see Note 11).

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 ₱30.4 million, ₱20.1 million and ₱17.3 million in 2019, 2018 and 2017, respectively (see Note 11).

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 or claims under these lawsuits 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 Investment in RTB. 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 gain (loss) on fair value changes of investment in RTB recognized in other comprehensive income amounted to ₱96.8 million, (₱90.2) million, and (₱3.1) million in 2019, 2018 and 2017, respectively (see Note 6). The carrying amount of Investment in RTB amounted to ₱2,253.5 million and ₱2,906.7 million as at December 31, 2019 and 2018, respectively (see Note 6).

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

Assessing Impairment of Trade and Other Receivables. Starting 2018, the Company adopted the simplified approach in measuring ECL based on lifetime expected credit losses on its trade receivables. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Net provision for expected credit losses recognized in 2019 and 2018 amounted to ₱11.8 million and ₱26.1 million, respectively (see Note 7).

Prior to 2018, allowance for impairment losses on trade and other receivables is made for specific and groups of accounts, where objective evidence of impairment exists, in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*. 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 in 2017 (see Note 7).

The carrying amount of trade and other receivables (excluding advances to suppliers and officers and employees) amounted to ₱383.0 million and ₱237.3 million as at December 31, 2019 and 2018, respectively (see Note 7). Allowance for expected credit losses amounted to ₱75.2 million and ₱63.4 million as at December 31, 2019 and 2018, respectively (see Note 7).

Assessing Estimated Impairment Losses on Other Financial Assets 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 expected credit losses on other financial assets at amortized cost were recognized in 2019, 2018 and 2017.

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

	Note	2019	2018
Security deposits	12	₱141,734,449	₱103,587,631
Electricity deposits	12	47,922,896	47,818,940
Container deposits	9	8,010,715	8,010,715
		₱197,668,060	₱159,417,286

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 expected credit losses as at December 31, 2019 and 2018 (see Note 12).

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 amount of merchandise inventories amounted to ₱9,517.5 million and ₱7,331.1 million as at December 31, 2019 and 2018, respectively (see Note 8). Net reversal and provision of allowance for inventory write-down and losses amounted to ₱33.3 million and ₱29.2 million in 2019 and 2017, respectively (see Note 8). Allowance for inventory write-down and losses amounted to ₱97.5 million and ₱130.8 million as at December 31, 2019 and 2018, respectively (see Note 8).

Estimating Useful Lives of Property and Equipment and Computer Software. The Company estimates the useful lives of property and equipment and computer software based on the 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.

In 2019, the Company changed the estimated useful lives of buildings and leasehold improvements covered with lease agreements with related parties and third parties on land, buildings and retail and office units from 20 years to 15 years and from five to three years, respectively, to align with the lease terms for land, buildings and retail and office units of 15 years and three years (as amended for certain lease agreements). The change in estimate is effective January 1, 2019. The effect of the change in estimated useful lives of buildings and leasehold improvements resulted to an increase in depreciation and amortization by ₱50.0 million for the year ended December 31, 2019.

There is no change in estimated useful lives of other items of property and equipment and computer software in 2018 and 2017. The carrying amount of depreciable property and equipment and computer software follows:

	Note	2019	2018
Property and equipment*	10	₱4,227,821,977	₱2,383,379,880
Computer software	12	86,282,472	63,531,693
		₱4,314,104,449	₱2,446,911,573

*Excluding construction in progress amounting to ₱753.5 million and ₱383.8 million as at December 31, 2019 and 2018, 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 2019, 2018 and 2017.

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

	Note	2019	2018
ROU assets	11	₱5,260,470,198	₱-
Property and equipment	10	4,981,367,129	2,767,160,840
Input VAT (including deferred input VAT)	9,12	496,684,081	469,136,073
Computer software	12	86,282,472	63,531,693
		₱10,328,119,799	₱2,830,692,533

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the 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 ₱275.7 million and ₱118.4 million as at December 31, 2019 and 2018, respectively (see Note 15).

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

Deferred tax assets (gross) amounted to ₱338.2 million and ₱165.3 million as at December 31, 2019 and 2018, respectively (see Note 19).

4. 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 16).

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 ₱1,400.7 million and ₱3,573.1 million as at December 31, 2019 and 2018, respectively, and are maintained in various current and savings accounts, cash equivalents and investment in RTB.

Details are as follows:

	2019	2018
Investment in RTB (at face value)	₱2,250,000,000	₱3,000,000,000
Advances from various regular bank accounts	(886,703,388)	-
Cash and cash equivalents	37,372,360	573,063,018
	₱1,400,668,972	₱3,573,063,018

The fair value of investment in RTB as at December 31, 2019 and 2018 amounted to ₱2,253.5 million and ₱2,906.7 million, respectively (see Note 6).

Advances from various regular bank accounts shall be reimbursed upon maturity of the investment in RTB.

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

5. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	₱8,779,283	₱8,794,295
Cash in banks	1,453,263,028	777,279,229
Cash equivalents	-	2,056,000,000
	₱1,462,042,311	₱2,842,073,524

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents represent money market placements with interest ranging from 4.00% to 4.25% and 2.0% to 7.50% in 2019 and 2018, respectively, and have a maturity of 15 to 90 days. As at December 31, 2019, the Company has no cash equivalents.

Details of interest income are as follows:

	Note	2019	2018	2017
Investment in RTB	6	₱95,565,569	₱99,450,000	₱77,566,667
Cash and cash equivalents		53,760,451	93,347,153	34,341,398
Short-term investments	6	2,158,872	1,733,894	3,880,715
	18	₱151,484,892	₱194,531,047	₱115,788,780

6. Investments

Short-term Investments

Short-term investments amounting to ₱616.5 million as at December 31, 2019 represent money market placements, which bears interest of 4.00%. Interest income earned from short-term investments amounted to ₱2.2 million, ₱1.7 million and ₱3.9 million in 2019, 2018 and 2017, respectively (see Note 5).

Investment in RTB

As at December 31, 2019 and 2018, investment in RTB amounting to ₱2,253.5 million and ₱2,906.7 million, respectively, is classified as financial asset at FVOCI. The investment bears an annual interest of 4.25% and will mature on April 11, 2020. Accordingly, the investment is classified as current asset as at December 31, 2019.

In August and December 2019, the Company sold portions of the investment in RTB totalling to ₱750.0 million for consideration aggregating to ₱751.6 million. Gain on sale amounted ₱1.6 million.

Interest income from investment in RTB amounted to ₱95.6 million, ₱99.5 million and ₱77.6 million in 2019, 2018 and 2017, respectively (see Note 5).

Unrealized gain (loss) on fair value changes of investment in RTB amounted to ₱96.8 million, (₱90.2) million and (₱3.1) million in 2019, 2018 and 2017, respectively. The fair value measurement for investment in RTB as at December 31, 2019 has been categorized as level 2.

7. Trade and Other Receivables

Details of this account are as follows:

	Note	2019	2018
Trade:			
Third parties		₱366,209,326	₱234,981,128
Related parties	21	1,589,088	786,933
Advances to suppliers		44,311,064	60,763,706
Accrued interest		19,864,492	27,137,000
Advances to officers and employees		12,630,795	8,508,102
Rent receivables	11	6,055,351	3,713,225
Others		64,459,448	34,160,521
		515,119,564	370,050,615
Allowance for expected credit losses		(75,217,902)	(63,449,396)
		₱439,901,662	₱306,601,219

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

Advances to suppliers pertain to advance payments on purchases of trade and nontrade goods and services.

Accrued interest pertains to interest receivable on the Company's cash and cash equivalents, short-term investments and investment in RTB.

Advances to officers and employees are noninterest-bearing advances and are normally settled through salary deduction. This account also includes cash advances to employees and officers for store operations which are for liquidation.

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 expected credit losses on receivables are as follows:

	2019	2018	2017
Balance at beginning of year	₱63,449,396	₱37,382,126	₱45,834,378
Provision	11,768,506	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	₱75,217,902	₱63,449,396	₱37,382,126

8. Merchandise Inventories

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

	2019	2018
At cost	₱9,449,683,308	₱7,019,261,107
At NRV	67,853,820	311,795,433
	₱9,517,537,128	₱7,331,056,540

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 ₱165.3 million and ₱442.6 million as at December 31, 2019 and 2018, respectively.

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

	2019	2018	2017
Beginning of year	₱130,826,546	₱130,826,546	₱101,651,425
Reversal	(33,337,395)	-	-
Provision	-	-	29,175,121
Balance at end of year	₱97,489,151	₱130,826,546	₱130,826,546

Inventories charged to cost of sales amounted to ₱16,300.2 million, ₱14,438.3 million, and ₱12,481.7 million in 2019, 2018 and 2017, respectively, including any provision or reversal of allowance for inventory write-down and losses.

9. Other Current Assets

Details of this account are as follows:

	2019	2018
Current deferred input VAT	₱391,159,640	₱175,886,317
Materials and supplies	159,906,892	103,832,889
Prepaid expenses	123,573,994	115,623,344
Input VAT	50,284,291	240,316,969
Container deposits	8,010,715	8,010,715
	₱732,935,532	₱643,670,234

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

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

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

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:

	2019					Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	
Cost						
Balance at beginning of year	P1,843,096,812	P704,127,389	P121,409,402	P36,078,694	P383,780,960	P3,088,493,257
Additions	-	293,363,348	1,941,856	5,607,323	2,317,553,578	2,618,466,105
Reclassification	1,420,654,296	169,974,014	357,161,076	-	(1,947,789,386)	-
Balance at end of year	3,263,751,108	1,167,464,751	480,512,334	41,686,017	753,545,152	5,706,959,362
Accumulated Depreciation and Amortization						
Balance at beginning of year	47,962,174	240,786,447	24,978,726	7,605,070	-	321,332,417
Depreciation and amortization	169,953,265	163,968,166	62,481,525	7,856,860	-	404,259,816
Balance at end of year	217,915,439	404,754,613	87,460,251	15,461,930	-	725,592,233
Carrying Value	P3,045,835,669	P762,710,138	P393,052,083	P26,224,087	P753,545,152	P4,981,367,129

	2018					Total
	Building and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	
Cost						
Balance at beginning of year	P290,356,213	P460,440,664	P22,309,192	P16,873,492	P233,579,936	P1,023,559,497
Additions	-	243,686,725	58,823,462	19,205,202	1,744,061,388	2,065,776,777
Disposal	(843,017)	-	-	-	-	(843,017)
Reclassification	1,553,583,616	-	40,276,748	-	(1,593,860,364)	-
Balance at end of year	1,843,096,812	704,127,389	121,409,402	36,078,694	383,780,960	3,088,493,257
Accumulated Depreciation and Amortization						
Balance at beginning of year	10,031,862	140,543,866	10,641,838	2,281,229	-	163,498,795
Depreciation and amortization	38,773,329	100,242,581	14,336,888	5,323,841	-	158,676,639
Disposal	(843,017)	-	-	-	-	(843,017)
Balance at end of year	47,962,174	240,786,447	24,978,726	7,605,070	-	321,332,417
Carrying Value	P1,795,134,638	P463,340,942	P96,430,676	P28,473,624	P383,780,960	P2,767,160,840

Construction in progress pertains to costs incurred for constructing new stores in various strategic locations within the Philippines and are expected to be completed in 2020.

Depreciation and amortization are summarized below:

	Note	2019	2018	2017
ROU assets	11	₱721,331,179	₱-	₱-
Property and equipment		404,259,816	158,676,639	101,106,995
Computer software	12	7,584,165	6,175,342	3,218,310
	17	₱1,133,175,160	₱164,851,981	₱104,325,305

11. Lease Commitments

The Company as a Lessee

The Company has various lease agreements with related parties and third parties for the use of land, buildings, retail and office units, transportation equipment and computer software for a period of one to 15 years. These leases are renewable upon mutual agreement by both parties (as amended for certain lease agreements) to be covered by a separate and new lease agreement. The annual rent is subject to escalation of 5%.

Security deposits amounted to ₱141.7 million and ₱103.6 million as at December 31, 2019 and 2018, respectively (see Note 12). Advance rent amounted to ₱54.9 million as at December 31, 2018 (see Note 12). Accrued rent as at December 31, 2018 amounted to ₱143.9 million. Upon the adoption of PFRS 16, the advance rent and accrued rent were reclassified as part of ROU assets.

Amounts recognized in profit and loss:

	Note	2019	2018	2017
Amortization on ROU assets	10	₱721,331,179	₱-	₱-
Rent expense	17	331,775,281	919,910,158	780,737,052
Interest on lease liabilities	14	300,370,584	-	-
		₱1,353,477,044	₱919,910,158	₱780,737,052

Rent expense in 2019 pertains to short-term lease on transportation equipment and leases on land and buildings with less than 12 months term at transition.

Movements in the ROU assets as at December 31, 2019 are presented below:

	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Balances as at January 1, 2019	2	₱2,051,625,685	₱337,213,138	₱32,754,890	₱48,742,662	₱-	₱2,470,336,375
Additions		1,428,503,560	1,729,634,116	314,413,262	-	38,914,064	3,511,465,002
Amortization	10	(212,640,047)	(406,764,729)	(50,251,887)	(34,379,377)	(17,295,139)	(721,331,179)
Balances as at end of year	2	₱3,267,489,198	₱1,660,082,525	₱296,916,265	₱14,363,286	₱21,618,925	₱5,260,470,198

Movements in the lease liabilities as at December 31, 2019 are presented below:

	Note	
Balance as at January 1, 2019 (upon adoption of PFRS 16)	2	₱2,559,379,229
Additions		3,450,951,018
Payments		(824,218,626)
Interest expense		300,370,584
	2	5,486,482,205
Current portion		1,423,074,043
Noncurrent portion		₱4,063,408,162

Total cash outflows for the payment of lease liabilities amounted to ₱824.2 million in 2019.

As at December 31, 2018, the future minimum lease payments under non-cancellable leases are as follows:

Less than one year	₱532,328,641
Between one and five years	849,830,332
More than five years	1,028,895,858
Balance at end of year	₱2,411,054,831

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 ₱30.4 million, ₱20.1 million and ₱17.3 million in 2019, 2018 and 2017, respectively (see Note 18). Rent receivables amounted to ₱6.1 million and ₱3.7 million as at December 31, 2019 and 2018, respectively (see Note 7).

12. Other Noncurrent Assets

Details of this account are as follows:

	Note	2019	2018
Advances to contractors		₱307,863,868	₱244,621,444
Security deposits	11	141,734,449	103,587,631
Computer software		86,282,472	63,531,693
Noncurrent deferred input VAT		55,240,150	52,932,787
Electricity deposits		47,922,896	47,818,940
Advance rent	11	–	54,886,102
		₱639,043,835	₱567,378,597

Advances to contractors pertain to payments for purchase of materials and services for the constructions of assets to be classified as property and equipment. The advances will be applied against the future billings of the contractors. The balance as at December 31, 2018 was reclassified from advances to suppliers to conform with the 2019 financial statement presentation. There is no impact on the financial position and financial performance of the Company.

Movements of computer software are as follow:

	Note	2019	2018
Cost			
Balance at beginning of year		₱73,355,365	₱41,451,017
Additions		30,334,944	31,904,348
Balance at end of year		103,690,309	73,355,365
Accumulated Amortization			
Balance at beginning of year		9,823,672	3,648,330
Amortization	10	7,584,165	6,175,342
Balance at end of year		17,407,837	9,823,672
Carrying Amount		₱86,282,472	₱63,531,693

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies. These are to 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, 2019 and 2018, the refund of cash bonds is still pending with the BOC. Consequently, this has been fully provided with allowance.

13. Trade and Other Payables

Details of this account are as follows:

	Note	2019	2018
Trade:			
Third parties		₱4,437,057,093	₱2,629,936,351
Related parties	21	145,381,226	141,177,998
Nontrade:			
Third parties		346,644,283	526,656,476
Related parties	21	6,808,036	694,404
Advances from customers		244,015,413	280,983,544
Accrued expenses:			
Outside services		101,888,443	39,498,906
Utilities		27,639,785	9,561,143
Salaries and wages		27,420,742	90,432,195
Others		13,999,561	24,378,865
Rent		–	104,857,248
Trucking services		–	1,342,880
Others		179,287,646	151,576,854
		₱5,530,142,228	₱4,001,096,864

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

Advances from customers pertain to payments and deposits made by the customers, which are to be applied against future purchases.

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

14. Long-term Debt

Long-term debt amounting to ₱20,000 represent loans maturing in August 2021 and bears interest ranging from 2.25% to 6.0% in 2019 and 2018.

Details of interest expense follows:

	Note	2019	2018	2017
Lease liabilities	11	₱300,370,584	₱-	₱-
Long-term debt		1,114	2,345,308	15,168,951
Short-term debt		-	-	6,624,559
		₱300,371,698	₱2,345,308	₱21,793,510

As at December 31, 2019 and 2018, certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million (see Note 21).

The maturities of the long-term debt as at December 31, 2019 are in two years. The Company paid in advance long-term debt amounting to ₱248.4 million in 2018.

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

	2019		2018	
	Long-term Debt	Accrued Interest	Long-term Debt	Accrued Interest
Balance at beginning of year	₱20,000	₱35	₱403,461,539	₱228,890
Payments	-	(1,178)	(403,441,539)	(2,574,163)
Interest expense	-	1,114	-	2,345,308
Balance at end of year	₱20,000	(₱29)	₱20,000	₱35

There are no noncash transactions arising from these liabilities.

15. Retirement Plan

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 liabilities and the amount of contributions. The latest actuarial valuation report was dated as at December 31, 2019.

Details of retirement benefits recognized in profit or loss are as follows:

	2019	2018	2017
Current service cost	P15,323,307	P16,989,341	P15,913,503
Interest expense	15,068,537	10,435,646	19,277,579
Interest income	(7,303,309)	(3,903,698)	(1,173,754)
	P23,088,535	P23,521,289	P34,017,328

The cumulative remeasurement gain recognized in other comprehensive income follows:

	2019		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 19)	Net
Balance at beginning of year	P251,687,091	(P75,506,127)	P176,180,964
Remeasurement loss	(166,326,798)	49,898,039	(116,428,759)
Balance at end of year	P85,360,293	(P25,608,088)	P59,752,205

	2018		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 19)	Net
Balance at beginning of year	P251,691,852	(P75,507,555)	P176,184,297
Remeasurement loss	(4,761)	1,428	(3,333)
Balance at end of year	P251,687,091	(P75,506,127)	P176,180,964

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

	2019	2018
Present value of define benefit obligation	P397,557,876	P200,113,371
Fair value of plan assets	(121,906,972)	(81,685,536)
	P275,650,904	P118,427,835

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

	2019	2018
Balance at beginning of year	P200,113,371	P183,081,500
Remeasurement (gain) loss:		
Changes in financial assumptions	105,304,194	(55,044,671)
Changes in demographic assumptions	(13,660,769)	7,671,509
Experience	76,993,592	38,733,692
Current service cost	15,323,307	16,989,341
Interest expense	15,068,537	10,435,646
Benefits paid	(1,584,356)	(1,753,646)
Balance at end of year	P397,557,876	P200,113,371

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

	2019	2018
Balance at beginning of year	₱81,685,536	₱50,545,789
Contributions	32,192,264	37,633,926
Interest income	7,303,309	3,903,698
Remeasurement gain (loss)	2,310,219	(8,644,231)
Benefits paid	(1,584,356)	(1,753,646)
Balance at end of year	₱121,906,972	₱81,685,536

Details of plan assets are as follows:

Unit investment trust funds	99.99%
Others	0.01%
	100.00%

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

	2019	2018
Discount rate	5.22%	7.53%
Annual salary increase rate	4.00%	4.00%

Sensitivity analysis on retirement liabilities is as follows:

	Basis Points	Amount
Discount rate	+100	(₱51,572,343)
	-100	63,344,032
Salary rate	+100	63,491,149
	-100	(52,573,369)
Turnover rate	-	120,333,261

As at December 31, 2019, the expected future benefits payments are as follows:

Year	Amount
2020	₱55,137,709
2021	8,452,300
2022	14,328,739
2023	5,122,153
2024	9,792,966
2025 to 2029	80,812,027
	₱173,645,894

16. Equity

Details of capital stock as at December 31, 2019 and 2018 are as follow:

	Number of Shares	Amount
Authorized - at ₱1 a share	5,000,000,000	₱5,000,000,000
Issued and outstanding	4,099,724,116	₱4,099,724,116

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 Notes 1 and 4). Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million. Net additional paid-in capital amounted to ₱5,373.7 million.

As at December 31, 2019 and 2018, the Company has 4,099,724,116 listed shares.

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 12, 2019 and payment date of April 16, 2019.

17. Operating Expenses

Details of this account are as follows:

	Note	2019	2018	2017
Depreciation and amortization	10	₱1,133,175,160	₱164,851,981	₱104,325,305
Salaries, wages and employee benefits		1,025,194,474	830,904,777	643,369,575
Outsourced services		937,715,238	769,736,714	711,320,626
Trucking services		546,354,505	473,945,501	351,607,772
Utilities		514,837,851	436,646,588	331,922,472
Rent	11	331,775,281	919,910,158	780,737,052
Taxes and licenses		239,927,975	181,280,353	162,320,458
Credit card charges		199,916,867	173,251,280	149,839,772
Advertising and promotions		114,447,468	104,360,976	100,806,258
Repairs and maintenance		95,844,359	86,825,007	56,257,962
Supplies		94,899,773	117,998,573	86,810,376
Postage, telephone and telegraph		35,185,183	30,639,159	27,983,000
Transportation and travel		27,032,030	17,636,609	17,309,280
Donations and contributions		16,836,326	11,318,431	22,600,054
Others		82,527,080	101,246,784	48,478,672
		₱5,395,669,570	₱4,420,552,891	₱3,595,688,634

Other expenses include professional fees, director's fees, fuel and oil, net provision for impairment losses on receivables and other operating costs.

18. Other Income

Details of this account are as follow:

	Note	2019	2018	2017
Interest	5	₱151,484,892	₱194,531,047	₱115,788,780
Rent	11	30,408,931	20,147,518	17,311,963
Others - net		280,856,351	144,793,875	52,245,073
		₱462,750,174	₱359,472,440	₱185,345,816

Interest income arises from investment in retail treasury bond, short-term investments and cash in banks.

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

Other include amount 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. It also includes amounts charged to customers such as delivery fees and other charges.

19. Income Tax

The current income tax expense represents regular corporate income tax.

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

	2019	2018	2017
Income tax expense at statutory rate	₱882,774,034	₱761,902,160	₱550,132,743
Income tax effects of:			
Interest income already subjected to final tax	(45,445,468)	(58,359,314)	(34,736,634)
Offer and other deductible expenses	(24,647,390)	–	(80,198,460)
Nondeductible expenses	5,283,933	718,636	6,538,053
Derecognition of deferred tax asset resulting from retirement plan assets transferred from Parent Company	–	–	6,625,255
	₱817,965,109	₱704,261,482	₱448,360,957

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

	2019	2018
Deferred tax assets:		
Net lease rental payments	₱104,722,881	₱-
Retirement liability	85,153,278	35,528,351
Advance rent	48,730,906	-
Allowance for inventory write-down and losses	29,246,745	39,247,964
Allowance for impairment of refundable cash bonds	25,022,980	25,022,980
Unearned revenue from loyalty program	22,638,569	17,633,245
Allowance for impairment losses on receivables	22,621,551	19,090,999
Unrealized foreign exchange loss	64,165	-
Accrued rent on straight-line basis	-	28,788,008
	338,201,075	165,311,547
Deferred tax liabilities:		
Prepaid taxes	(4,460,864)	(4,460,864)
Advance rent	-	(23,324,851)
Unrealized foreign exchange gain	-	(6,139)
	(4,460,864)	(27,791,854)
	₱333,740,211	₱137,519,693

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

	Note	2019	2018
Through profit or loss		₱359,348,299	₱213,025,820
Through other comprehensive income	15	(25,608,088)	(75,506,127)
		₱333,740,211	₱137,519,693

20. Commitments and Contingencies

Agreements 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 ₱106.2 million in 2018.

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, 2019, 2018, and 2017.

21. Related Party Transactions and Balances

The Company has an approval policy on material Related Party Transactions (RPT) wherein all individual material RPT shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent director's vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

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	2019	₱586,410	₱801,765,333	₱218,990,105	₱1,721,366
	2018	1,481,307	522,392,993	112,001,511	10,657,818
	2017	9,262,833	468,272,214	108,366,402	72,847,581
Entities under Common Control	2019	17,023,715	1,298,103,203	114,456,988	151,805,162
	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	2019	530,625	19,528,996	8,786,372	10,031
	2018	1,628,245	16,111,462	1,800,315	-
	2017	1,776,012	14,347,525	633,515	-
	2019	₱18,140,750	₱2,119,397,532	₱342,233,465	₱153,536,559
	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 ₱25.8 million and ₱17.5 million as at December 31, 2019 and 2018, respectively (see Note 7) and security deposits and advance rent (included as part of "Other current assets" or "Other noncurrent assets") aggregating ₱316.4 million and ₱181.3 million as at December 31, 2019 and 2018, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2019, 2018 and 2017.

Amounts owed to related parties consist of trade and other payables aggregating ₱153.5 million and ₱236.5 million as at December 31, 2019 and 2018, respectively (see Note 13). The amounts owed to related party do not include future rentals amounting to ₱5,100.6 million (see Note 11).

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

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

Purchases of goods and services from related parties aggregated ₱750.7 million, ₱749.7 million and ₱757.2 million in 2019, 2018 and 2017, respectively.

Sale of goods and services to related parties aggregated ₱18.1 million, ₱30.7 million and ₱38.6 million in 2019, 2018 and 2017, respectively.

- b. Cash advances for working capital requirement and reimbursement of certain expenses mainly pertain to power and electricity, water, postage, telephone and telegraph. Reimbursement of

certain expenses from related parties amounted to ₱113.8 million, ₱59.5 million and ₱65.3 million in 2019, 2018 and 2017, respectively.

- c. Lease agreements with the Parent Company and related parties for the use of land, buildings, computer software for a period of one to 15 years (see Note 11).

Lease liabilities and interest expense on lease liabilities from lease agreements with related parties amounted ₱5,100.6 million as at December 31, 2019 and ₱297.0 million in 2018, respectively.

Rent expense from related parties amounted to ₱245.7 million, ₱791.9 million and ₱637.8 million in 2019, 2018 and 2017, respectively.

Total lease payments, including payments on lease liabilities, amounted to ₱966.7 million and ₱692.0 million in 2019 and 2018, respectively.

- d. As at December 31, 2019 and 2018, certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million (see Note 14).

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

	2019	2018	2017
Short-term employee benefits	₱107,854,466	₱67,640,177	₱47,849,537
Retirement benefits	2,984,865	2,234,912	3,077,046
	₱110,839,331	₱69,875,089	₱50,926,583

22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	2019	2018	2017
Net income	₱2,124,615,005	₱1,835,412,386	₱1,385,414,852
Divided by the weighted average number of outstanding shares	4,099,724,116	4,099,724,116	3,751,247,566
	₱0.52	₱0.45	₱0.37

23. 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 and officers and employees), trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), Investment in RTB, security, electricity and container deposits, refundable cash bonds, lease liabilities 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:

	2019	2018
Cash in banks and cash equivalents	P1,453,263,028	P2,833,279,229
Short-term investments	616,490,311	-
Investment in RTB	2,253,523,133	2,906,721,106
Trade and other receivables*	458,177,705	300,778,807
Container deposits	8,010,715	8,010,715
Security deposits	141,734,449	103,587,631
Electricity deposits	47,922,896	47,818,940
Refundable cash bonds	83,409,934	83,409,934
	P5,062,532,171	P6,283,606,362

*Excluding advances to suppliers and officers and employees aggregating P56.9 million and P69.3 million as at December 31, 2019 and 2018, respectively.

The Company does not have major concentration of credit risk.

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

	2019				Total
	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	
		Less than One Year	One Year and Over		
Cash in banks and cash equivalents	P1,453,263,028	P-	P-	P-	P1,453,263,028
Short-term investments	616,490,311	-	-	-	616,490,311
Investment in RTB	2,253,523,133	-	-	-	2,253,523,133
Trade and other receivables*	362,041,731	31,412,838	40,216,513	24,506,623	458,177,705
Container deposits	8,010,715	-	-	-	8,010,715
Security deposits	141,734,449	-	-	-	141,734,449
Electricity deposits	47,922,896	-	-	-	47,922,896
Refundable cash bonds	-	-	-	83,409,934	83,409,934
	P4,882,986,263	P31,412,838	P40,216,513	P107,916,557	P5,062,532,171

*Excluding advances to suppliers and officers and employees aggregating P56.9 million.

	2018				Total
	Neither Past Due Nor Impaired	Past Due but not Impaired		Past Due and Impaired	
		Less than One Year	One Year and Over		
Cash in banks and cash equivalents	P2,833,279,229	P-	P-	P-	P2,833,279,229
Investment in RTB	2,906,721,106	-	-	-	2,906,721,106
Trade and other receivables*	122,918,146	47,860,173	66,551,092	63,449,396	300,778,807
Container deposits	8,010,715	-	-	-	8,010,715
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
	P6,022,335,767	P47,860,173	P66,551,092	P146,859,330	P6,283,606,362

*Excluding advances to suppliers and officers and employees aggregating P69.3 million.

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

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

	2019				
	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*	P=	P5,060,531,825	P325,464,794	P6,927,012	P5,392,923,631
Lease liabilities	-	355,768,511	1,067,305,532	4,063,408,162	5,486,482,205
Long-term debt	-	-	-	20,000	20,000
	P=	P5,416,300,336	P1,392,770,326	P4,070,355,174	P10,879,425,836

*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating P137.2 million.

	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*	P=	P3,851,161,810	P45,603,626	P=	P3,896,765,436
Long-term debt	-	-	-	20,000	20,000
	P=	P3,851,161,810	P45,603,626	P20,000	P3,896,785,436

*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating P104.3 million.

As at December 31, 2019 and 2018, Company’s cash and cash equivalents aggregate P1,462.0 million and P2,842.1 million, respectively. The Company’s cash and cash equivalents resulting from the net cash flows 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 investment in RTB. 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 investment in RTB with all other variables held constant.

	2019		2018	
	+/-%	Effect on Profit or Loss	+/-%	Effect on Profit or Loss
Investment in RTB	0.05%	P40,877	0.03%	P43,633
Short-term investments	0.05%	11,420	-	-
Cash equivalents	-	-	0.30%	376,127

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

Capital Management

The Company monitors its debt-to-equity ratio.

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

The debt-to-equity ratio is as follows:

	2019	2018
Total debt	P11,575,549,788	P4,289,712,504
Total equity	14,661,501,662	13,212,469,249
Debt-to-equity ratio	0.79:1	0.32:1

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

24. Fair Value of Financial Instruments

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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P1,462,042,311	P1,462,042,311	P2,842,073,524	P2,842,073,524
Short-term investments	616,490,311	616,490,311	-	-
Investment in RTB	2,253,523,133	2,253,523,133	2,906,721,106	2,906,721,106
Trade and other receivables*	382,959,803	382,959,803	237,329,411	237,329,411
Container deposits	8,010,715	8,010,715	8,010,715	8,010,715
Security deposits	141,734,449	118,383,955	103,587,631	88,338,771
Electricity deposits	47,922,896	47,922,896	47,818,940	47,818,940
	P4,912,683,618	P4,889,333,124	P6,145,541,327	P6,130,292,467
Financial Liabilities				
Trade and other payables**	P5,392,923,631	P5,392,923,631	P3,896,765,436	P3,896,765,436
Lease liabilities	5,486,482,205	5,486,482,205	-	-
Long-term debt	20,000	20,000	20,000	20,000
	P10,879,425,836	P10,879,425,836	P3,896,785,436	P3,896,785,436

*Excluding advances to suppliers and officers and employees aggregating P56.9 million and P69.3 million as at December 31, 2019 and 2018, respectively.

**Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating P137.2 million and P104.3 million as at December 31, 2019 and, 2018, 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, and Trade and Other Payables. The carrying amounts of cash and cash equivalents, short-term investments, trade and other receivables, container deposits, refundable cash bonds, 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.

Investment in RTB. The fair value of investment in RTB is estimated by reference to quoted bid price in an active market at the end of the reporting year 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.

Lease Liabilities. The carrying amount of lease liabilities approximate its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease.

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 2019 and 2018, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated February 24, 2020. 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 (SEC) 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, 2019
- Schedules Required under Annex 68-E of Securities Regulation Code (SRC) Rule 68, as amended, as at and for the year ended December 31, 2019
- Corporate Structure as at December 31, 2019

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018, and 2017 and no material exceptions were noted.

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68 issued by the SEC, 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

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. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8116475

Issued January 6, 2020, Makati City

February 24, 2020
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, 2019

Retained earnings at beginning of year as shown in the financial statements	₱3,656,104,636
Net income during the year closed to retained earnings	2,124,615,005
Dividends declared during the year	(655,955,860)
Net deferred tax assets as at December 31, 2019	(333,740,211)

Retained earnings as at end of year available for dividend declaration **₱4,791,023,570**

Reconciliation

Retained earnings at end of year as shown in the financial statements	₱5,124,763,781
Net deferred tax assets as at December 31, 2019	(333,740,211)

Retained earnings as at end of year available for dividend declaration **₱4,791,023,570**

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 Revised Securities Regulation Code Rule 68
As at and For the Year Ended December 31, 2019

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A	Financial Assets	1
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of the financial statements	N/A
D	Intangible Assets - Other Noncurrent Assets	3
E	Long-term Debt	4
F	Indebtedness to Related Parties (Long-Term Loans from Related Companies)	N/A
G	Guarantees of Securities of Other Issuers	N/A
H	Capital Stock	5

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, 2019

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)	-	P600,011	P665
China Banking Corporation (CBC)	-	504,067	125
Metropolitan Bank and Trust Companies (MBTC)	-	151,117	258
Philippine National Bank (PNB)	-	82,950	82
Bank of the Philippine Island (BPI)	-	58,662	145
Rizal Commercial Banking Corporation (RCBC)	-	42,993	72
Asia United Bank (AUB)	-	9,322	19
Eastwest Banking Corporation (EBC)	-	322	-
Robinsons Bank	-	3,819	-
		1,453,263	1,366
Short-term Investments			
China Bank Savings, Inc. CBS	-	211,000	37,944
MBTC	-	202,000	14,450
CBC	-	203,490	2,159
		616,490	54,553
Investment in Retail Treasury Bonds	-	2,253,523	95,566
Trade and Other Receivables*			
Trade	-	299,122	-
Rent	-	6,055	-
Others	-	77,783	-
		382,960	-
Other financial assets**	-	197,668	-
		P4,903,904	P151,485

**Balances are net of aggregate allowance for expected credit losses amounting to P75.2 million.*

***Other financial assets 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, 2019

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	₱8,508	₱34,843	(₱30,720)	₱-	₱12,631	₱-	₱12,631

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, 2019
Amounts in Thousands

Description	Balance at Beginning of Year	Additions at Cost	Charged to Cost and Expenses	Charged to Other Accounts	Other Changes		Balance at End of Year
					Additions	(Deductions)	
Computer software	₱63,531	₱30,335	₱7,584	₱-	₱-	₱-	₱86,282

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, 2019
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.	P210,000	P-	P10
Banco de Oro Unibank, Inc.	170,000	-	10
	P380,000	P-	P20

SCHEDULE H

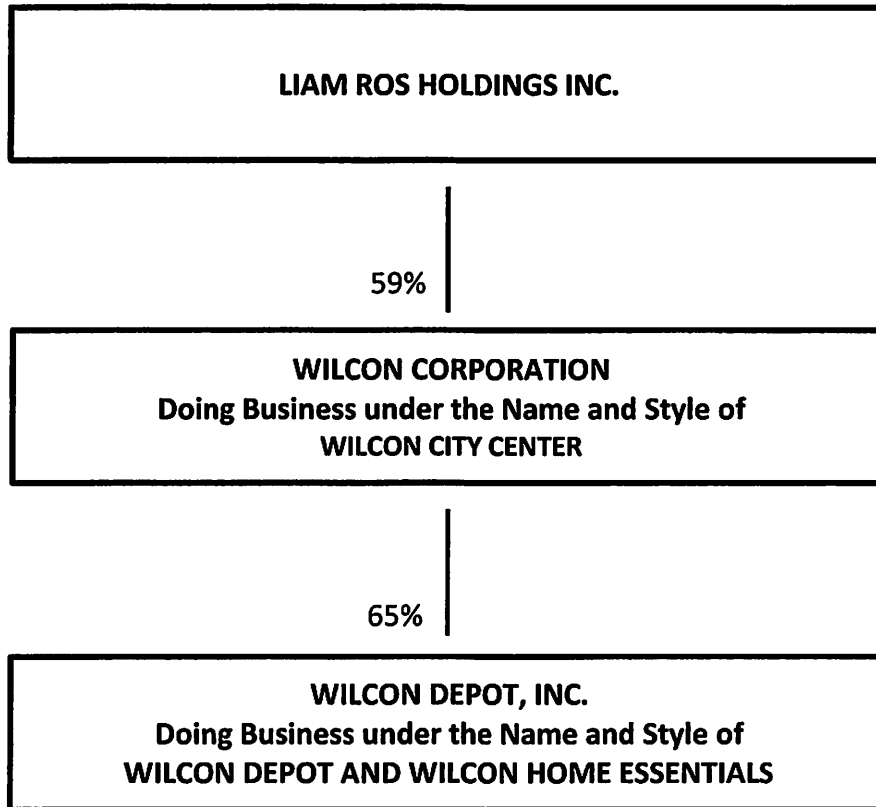
WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT AND WILCON HOME ESSENTIALS
(A Subsidiary of WILCON CORPORATION
Doing Business under the Name and Style of WILCON CITY CENTER)

CAPITAL STOCK
DECEMBER 31, 2019

Title of Issue	Number of Shares Authorized	Number of Shares Issued and		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
		Outstanding as shown under related Statement of Financial Position	under related				
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
AS AT DECEMBER 31, 2019



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, 2019

	Allocation based on Prospectus	Allocation based on Actual Net Proceeds	Actual Disbursements
Gross Proceeds	₱7,039,226,310	₱7,039,226,310	₱7,039,226,310
Offer expenses	(289,132,001)	(289,897,803)	(289,897,803)
Net Proceeds	6,750,094,309	6,749,328,507	6,749,328,507
Use of the Proceeds			
Debt repayment	(428,100,000)	(428,100,000)	(428,100,000)
General corporate purposes	(200,000,000)	(200,000,000)	(200,000,000)
Store network expansion	(6,121,994,309)	(6,121,228,507)	(4,720,559,535)
	(6,750,094,309)	(6,749,328,507)	(5,348,659,535)
Unapplied Proceeds	₱-	₱-	₱1,400,668,972

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.

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)

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

Formula		2019	2018
Liquidity ratio			
Current ratio	Total Current Assets Divide by: Total Current Liabilities Current ratio	₱15,022,430,077 <u>7,236,470,722</u> 2.08	2.08 : 1 2.67 : 1
Acid test ratio	Total Current Assets Merchandise Inventories Other Current Assets Quick Assets Divide by: Total Current Liabilities Acid test ratio	₱15,022,430,077 (9,517,537,128) (732,935,532) 4,771,957,417 <u>7,236,470,722</u> 0.66	0.66 : 1 0.75 : 1
Solvency ratio			
Debt to equity ratio	Total Liabilities Divide by: Total Equity Debt to equity ratio	₱11,575,549,788 <u>14,661,501,662</u> 0.79	0.79 : 1 0.32 : 1
Profitability ratio			
Return on assets	Net Income Divided by: Total Assets Return on assets	₱2,124,615,005 <u>26,237,051,450</u> 8.10%	8.10% 10.49%
Return on equity	Net Income Divide by: Total Equity Return on equity	₱2,124,615,005 <u>14,661,501,662</u> 14.49%	14.49% 13.89%
Book value per share	Total Equity Divide by: Number of outstanding shares	₱14,661,501,662 <u>4,099,724,116</u> ₱3.58	₱3.58 ₱3.22

	Formula		2019	2018
Gross margin	Gross Profit	₱8,175,871,208	33.40%	31.38
	Divide by: Net Sales	24,476,094,604		
		<u>33.40%</u>		
EBITDA margin	Income before Income Tax	₱2,942,580,114	17.26%	11.94%
	Add: Depreciation and Amortization	1,133,175,160		
	Interest Expense	<u>148,886,806</u>		
	Earnings Before Interest, Tax,			
	Depreciation, and Amortization	4,224,642,080		
	Divided by: Net Sales	<u>24,476,094,604</u>		
EBITDA margin	<u>17.26%</u>			
Net income margin	Net Income	₱2,124,615,005	8.68%	8.72%
	Divide by: Net Sales	24,476,094,604		
	Net income margin	<u>8.68%</u>		

ANNEX C

Certification of Independent Directors

CERTIFICATION OF INDEPENDENT DIRECTOR

I, RICARDO S PASCUA, of legal age, Filipino and with postal address at 3 Pebblewood cor. Fairwood Mckinley Hill Village, Taguig City, after being duly sworn in accordance with law, depose and state that:

- I am a nominee for Independent Director of Wilcon Depot, Inc., and has been its Independent Director since September 13, 2016.
- I am affiliated with the following companies or organizations (including Government Owed and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
Caelum Developers, Inc.	Chairman of the Board	2002-Prcsent
Facilities & Property Mgmt Technologies, Inc.	Chairman of the Board	2002-Present
Ascension Phildevelopers, Inc.	Chairman of the Board	2002-Present
Bancom II Consultants, Inc.	President	2002-Present
Phoenix Land, Inc.	Chairman of the Executive Committee	2002-Present
Boulevard Holdings, Inc.	Director	2002-Present
Central Luzon Doctor's Hospital	Director	2002-Present
Quicksilver Satcom Ventures, Inc.	Director	2002-Present


- I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Wilcon Depot, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuance of the Securities and Exchange Commission (the "SEC").
- I am related to the following director/officer/substantial shareholder of Wilcon Depot Inc., or any of its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A

- To the best of my knowledge, I am not the subject to any pending criminal or administrative investigation or proceeding.

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A

- To the best of my knowledge, I am neither an officer nor an employee of any government agency or government owned and controlled corporation.


 7/23/2020

7. I shall faithfully and diligently comply with my duties and responsibilities an independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Wilcon Depot, Inc., of any changes in the above mentioned information within five (5) days from its occurrence.


Done this 23rd July in QUEZON CITY



Ricardo S. Pascua

SUBSCRIBED AND SWORN to before me this 23 July 2020 in QUEZON CITY affiant exhibiting to me his competent evidence of identity as follows:
Passport No. _____ issued on _____ at _____ valid until _____

Doc. No. 369
Page No. 63
Book No. XIV
Series of 2020.


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Not Com. No NP-24-1-12-19 until 12-31-2020
IBP O.R. No. 055256 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
PTRO.R. No. 9032'94 C 1-3-2020 / Ref. No. 33832 / TIN# 12-871-009
MCLE No. VI-0029583 valid from 12/16/19 Valid until 04/14/22 Quezon City
Address : 31-F Harvard St. Q.C.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, BERTRAM B. LIM, of legal age, Filipino and with postal address at 60 Sen. Gil Puyat Ave., Makati City, after being duly sworn in accordance with law, depose and state that:

1. I am a nominee for Independent Director of Wilcon Depot, Inc., and have been its Independent Director since May 22, 2017.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
United Neon Advertising	Chairman	1971 – present
Center for Community Transformation	Chairman	1997 – present
Trinity University	Board Treasurer	2000 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Wilcon Depot, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuance of the Securities and Exchange Commission (the “SEC”).
4. I am related to the following director/officer/substantial shareholder of Wilcon Depot Inc., or any of its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

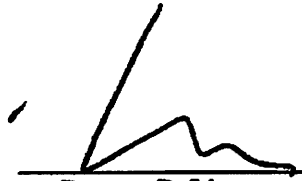
Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
William T. Belo	Wilcon Depot, Inc.	Brother-in-law
Lorraine Belo-Cincochan	Wilcon Depot, Inc.	Niece
Mark Andrew Y. Belo	Wilcon Depot, Inc.	Nephew
Caren Y. Belo	Wilcon Depot, Inc.	Niece

5. To the best of my knowledge, I am not the subject to any pending criminal or administrative investigation or proceeding.

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A


6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities an independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Wilcon Depot, Inc., of any changes in the above mentioned information within five (5) days from its occurrence.

Done this 10 AUG 2020 in QUEZON CITY.


Bertram B. Lim

~~QUEZON CITY~~ AND SWORN to before me this 10 AUG 2020 in
affiant exhibiting to me his competent evidence of identity as
follows: Passport No. _____ ssued on _____ at _____ valid until _____

Doc. No. 400
Page No. 81
Book No. XV
Series of 2020.


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY
AM Adm. Not Com. No. NP-124-1-12-19 until 12-31-2020
BP O.R. No. 055256 Jan. 2019 & BP O.R. No. 055256 Jan. 2020
PTR O.R. No. 9332194 C 1-3-2020 / Ref. No. 33832 / TOLR 129-871-009
MCLE No. VI-0329583 valid from 12/16/19 Valid until 04/14/22 Quezon City
Address : 31-F Harvard St. Q.C.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ROLANDO S. NARCISO, of legal age, Filipino and with postal address at Lexington Garden, Village, San Joaquin, Pasig City after being duly sworn in accordance with law, depose and state that:

1. I am a nominee for Independent Director of Wilcon Depot, Inc., and have been its Independent Director since September 13, 2016.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
St. Joseph Group Inc	Chairman/Director	2014 – Present
CVM Finance Corp	Chairman/Director	2016 – Present
CVM Pawnshops Corp	Chairman/Director	2016 - Present
St. Joseph Fish Brokerage Inc	Chairman/Director	2016 - Present
Crystal Cold Chain Corp	Chairman/Director	2016 - Present
Kai-Anya Foods Inc	Chairman/Director	2016 - Present
CVM Realty Inc	Chairman/Director	2016 - Present
Info Alchemy Corp	Chairman/Director	2016 - Present
Rekom Manila Corp	Chairman/Director	2010 – Present
OWN (Rural) Bank	Director	2016 - Present
Phil. Galvanizers and Coaters Association	Executive Advisor	2010 – Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Wilcon Depot, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuance of the Securities and Exchange Commission (the “SEC”).
4. I am related to the following director/officer/substantial shareholder of Wilcon Depot Inc., or any of its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A

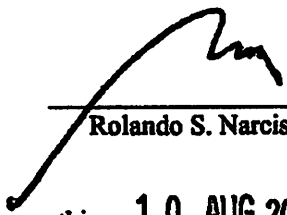
5. To the best of my knowledge, I am not the subject to any pending criminal or administrative investigation or proceeding.

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government owned and controlled corporation.

7. I shall faithfully and diligently comply with my duties and responsibilities an independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Wilcon Depot, Inc., of any changes in the abovementioned information within five (5) days from its occurrence.


Done this 10 AUG 2020 in QUEZON CITY



 Rolando S. Narciso

~~SUBSCRIBED~~ AND SWORN to before me this 10 AUG 2020 in QUEZON CITY affiant exhibiting to me his competent evidence of identity as follows:
 Passport No. _____ issued on _____ at _____ valid until _____

Doc. No. 401;
 Page No. 82;
 Book No. XV
 Series of 2020.


ATTY. ROGELIO J. BOLIVAR
 NOTARY PUBLIC IN QUEZON CITY
 AM Adm. Not Com. No. NP-124-1-12-19 until 12-31-2020
 IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
 PTR O.R. No. 9332194 C 1-3-2020 / Radl No. 33832 / TR# 129-871-009
 MCLE No. VI-0029583 valid from 12/16/19 Valid until 04/14/22 Quezon City
 Address : 31-F Harvard St. Q.C.

CERTIFICATION OF INDEPENDENT DIRECTOR

I, DELFIN L. WARREN, of legal age, Filipino and with postal address at No. 2 Sineguelas St., Valle Verde I, Pasig City, after being duly sworn in accordance with law, depose and state that:

1. I am a nominee for Independent Director of Wilcon Depot, Inc., and have been its Independent Director since May 22, 2017.
2. I am affiliated with the following companies or organizations (including Government Owned and Controlled Corporations):

Company/Organization	Position/Relationship	Period of Service
One Incentive Systems Advocates (IISA) Group	Founder, Principal, and current Chairman	1998 - Present
Warren and Nolasco Realty Corp.	Founder, Principal, and current Chairman,	1991 - Present
Procuratio, Inc. (Bugsy's Bar and Bistro)	Major Principal and current Chairman	2014 - Present
Bancom II Consultants, Inc.	Director	2015 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Wilcon Depot, Inc., as provided for in Section 38 of the Securities Regulation Code and its implementing rules and regulations and other issuance of the Securities and Exchange Commission (the "SEC").
4. I am related to the following director/officer/substantial shareholder of Wilcon Depot Inc., or any of its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code (where applicable)

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship
N/A	N/A	N/A

5. To the best of my knowledge, I am not the subject to any pending criminal or administrative investigation or proceeding.

Offense charged/investigated	Tribunal or agency involved	Status
N/A	N/A	N/A

6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities an independent director under the Securities Regulation Code and its implementing rules and regulations, the Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of Wilcon Depot, Inc., of any changes in the abovementioned information within five (5) days from its occurrence.



Done this 10 AUG 2020 in QUEZON CITY


Delfin L. Warren

SUBSCRIBED AND SWORN to before me this 10 AUG 2020 in
QUEZON CITY affiant exhibiting to me his competent evidence of identity as follows:
Passport No. _____ issued on _____ at _____ valid until _____.

Doc. No. 377
Page No. 81
Book No. XV
Series of 2020.


ATTY. ROGELIO J. BOLIVAR
NOTARY PUBLIC IN QUEZON CITY

AM Adm. Not Com. No. NP-124-1-12-19 until 12-31-2020
IBP O.R. No. 055255 Jan. 2019 & IBP O.R. No. 055256 Jan. 2020
PTR O.R. No. 9332194-C 1-3-2020 / Ref. No. 33832 / TRW 129-871-009
MCLE No. V-0029583 valid from 12/15/19 Valid until 04/14/22 Quezon City
Address : 31-F Harvard St. Q.C.

CERTIFICATION

I, **ATTY. ARTHUR R. PONSARAN**, Filipino, of legal age and with office address at Unit 3104 Antel Global Corporate Center, #3 Doña Julia Vargas Avenue, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:


1. I am the duly elected Corporate Secretary of WILCON DEPOT, INC., a corporation duly organized and existing under Philippine laws with principal office at 90 E. Rodriguez Jr., Avenue, Ugong Norte, Quezon City.
2. All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality.
3. I execute this Certification to comply with the requirements of the Securities and Exchange Commission.

Done, this 25th day of August 2020 at Pasig City.


ATTY. ARTHUR R. PONSARAN
Affiant

SUBSCRIBED AND SWORN to before me this 25th day of August 2020 at Pasig City, affiant personally appeared before me and exhibited to me his SSS ID with Number _____ and TIN with _____

Doc. No. 68 ;
Page No. 15 ;
Book No. 1 ;
Series of 2020.


ATTY. ALLEN F. GERONIMO
*Notary Public for and in the Cities of Pasig,
San Juan and the Municipality of Pateros*
Appointment No. 135 until December 31, 2021
Roll No. 72853,
IBP No. 109754, Manila City 1, 09 Jan 2020
Unit 3104 Antel Global Corporate Center,
Doña Julia Vargas., Ortigas Center, Pasig City
Admitted to Bar 2019

ANNEX D

2019 Sustainability Report



BUILDING BIG IDEAS

Better

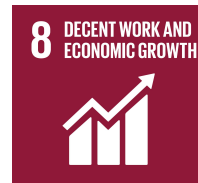
FOR PEOPLE & THE PLANET

WILCON

2019 Sustainability Report

Sustainability is built into the business of Wilcon. We have been in the industry for 42 years, growing from a humble 60-square-meter shop into the Philippines’ leading home improvement and construction supplies retailer. We achieved this because we understand that a sustainable and comfortable life is the dream of every Filipino family, and we made it our mission to support this aspiration.

With growth and development, dreams and aspirations get bigger. We are committed to contributing the best expertise, knowledge, resources, and skills to promote stronger, safer, and more sustainable homes and buildings for everyone as their lives improve through the long-lasting quality products and solutions we provide. We understand that as Wilcon continues to expand, we must manage our resources responsibly while sharing this growth with our different stakeholders, internal and external, and make sure these partnerships create value for everyone. Over these four decades, we have promoted the growth of our business and in effect cultivated the development and success of our employees within the company.



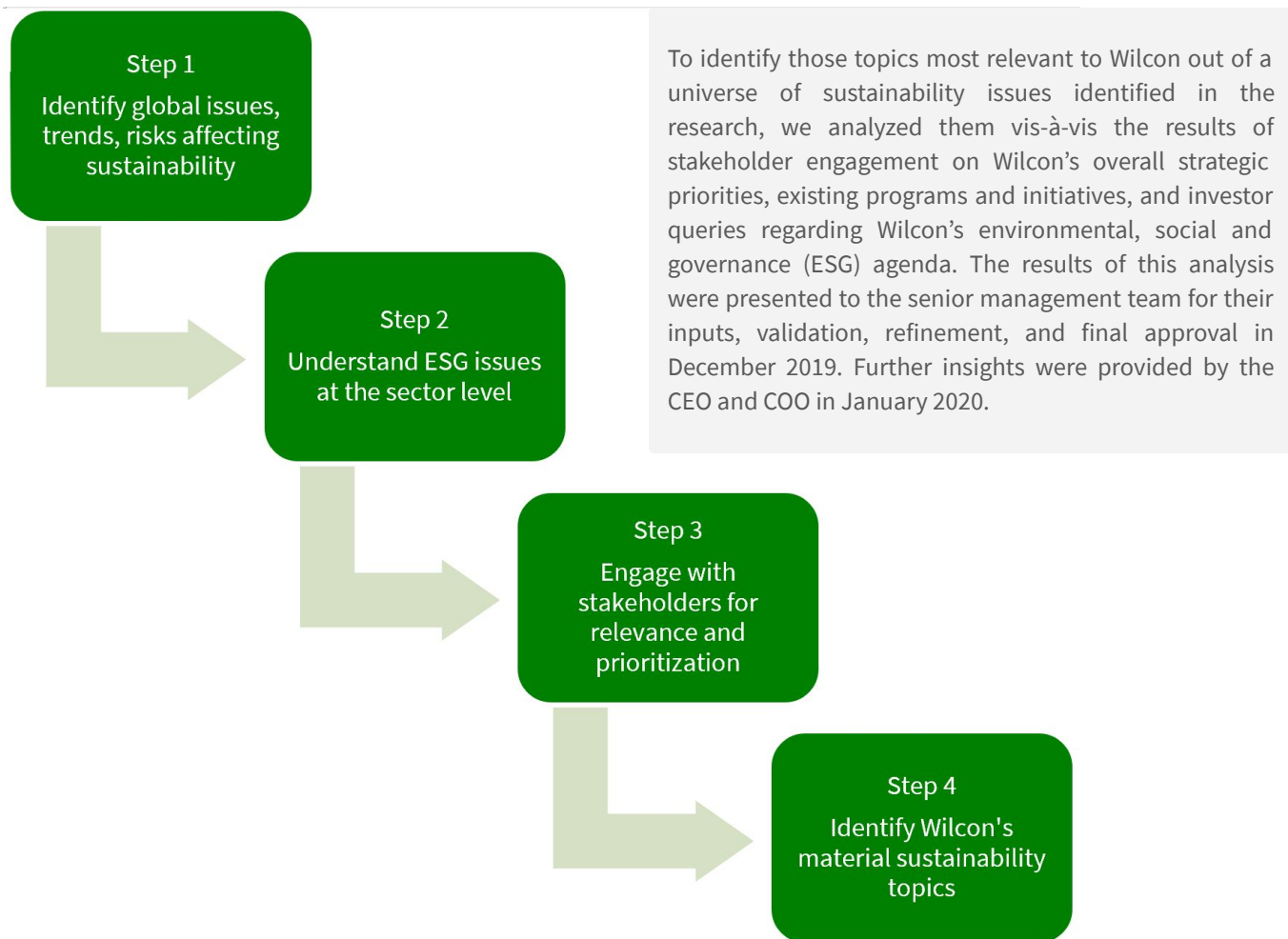
Company Information

Company details

Name of Organization	Wilcon Depot (PSE: WLCON)
Location of Headquarters	No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City
Location of Operations	See list of locations in Appendix A
Report Boundary: Legal entities included in this report	Wilcon Depot, Inc.
Business Model	2 retail formats – the depot store format and the home essentials store format, which are known under the trade names "Wilcon Depot" and "Wilcon Home Essentials", respectively. <small>Source: https://edge.pse.com.ph/companyinformation/form.do?cmpy_id=665</small>
Reporting Period	31 December 2019
Highest Ranking Person for this report	Lorraine Belo-Cincochan, President - CEO

UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS

The Securities and Exchange Commission’s sustainability reporting requirement among publicly listed companies is an opportunity for Wilcon to take stock of everything that we have done to deliver on our commitment and find ways to build our big ideas better. In 2019, we undertook a rigorous two-month materiality process, which now allows us to focus our energies and resources on a sustainability agenda that is strategic to the business, promotes its growth, manages impacts and minimizes risks, and contributes to sustainable development.




Being an industry leader, we wanted to have a more comprehensive view of the sustainability pressures and drivers that shape our business. To ensure this, we conducted a four-step materiality process that covered:

A desktop review of key global drivers, trends and risks identified by international development organizations, multilateral agencies, global sustainability surveys, and sustainability ratings agencies, as well as sector-specific sustainability issues, including benchmarking against the performance of three sustainability leaders in retail and real estate; and

Nine sets of stakeholder interviews, covering internal (permanent employees from different departments of the business and members of senior leadership/C-suite) and external stakeholders (suppliers of varying business size and nature of operations) in terms of their relevant issues with, impacts of, and expectations from Wilcon.

Our Material ESG Topics and Management Actions

Business expansion and creating shared value	Impacts of climate change on business performance	Impacts on local communities (job creation, CSR, infrastructure development)	Responsible sourcing	ECONOMIC
Emissions from energy use and transport & delivery	Waste management	ENVIRONMENTAL		
People: Training, OHS & D&I	Customer satisfaction and protection (data privacy, H&S)	Technology strategy (big data, cyber security, and e-commerce)	Meaningful communications and market shaping	Ethics and compliance (governance of ESG at Board level, anti-corruption)
SOCIAL & GOVERNANCE				



Wilcon’s assessment process resulted in the above list of sustainability topics that are material to the business and where we create the most impact. All these present Wilcon with opportunities for better and long-term value creation. Conversely, we understand that they may pose risks to the business if we do not monitor and manage our performance on these issues.

Thus, our materiality process provided us with the opportunity to identify the necessary management actions to begin to address the risks and take advantage of the opportunities they present. These are:

- Monitor and analyze markets and macro data to successfully anticipate changes and sufficiently respond to any development on these material topics, while continuing to provide more and varied choices to our customers;
- Provide company leaders and managers with more opportunities to be exposed to the external environment concerning material ESG impacts, and receive proper training to use the information and knowledge in their decision-making during planning and day-to-day operations;
- Provide adequate support to the human resources department to be able to continuously recruit, train, and deploy excellent personnel;
- Strengthen relationships with a strong core of suppliers that can be relied on to deliver up-to-date, relevant, and specifications-compliant products cost-effectively; and
- Provide sufficient lead time in our construction projects.

We look forward to improving our understanding and responses as we further embed sustainability into our strategy and operations. Thus we commit to the following next steps for a fuller picture of our sustainability journey ahead:

- Include other stakeholder groups using existing touch points (e.g., customer management system) and separate engagements for a 360-degree view of our impacts, risks, and opportunities in time for the next report in 2021;
- Establish a regular materiality review every 2 to 3 years under the governance of senior management; and
- Develop internal capacity to apply learnings from the materiality assessment in areas of our business and begin to measure our performance on these material topics.

OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilcon's economic growth relies on its ability to open new stores in strategic locations. This growth needs to create value not only for its shareholders but also for its employees, business partners, customers, and communities where we operate.



- Cost of construction and development
- Lack of qualified employees
- Lack of available contractors or construction personnel
- Securing government approvals, permits and licenses in a timely manner
- Significant competition from other more established businesses in new markets

- Increased profitability through new markets
- Growing preference for sustainable products
- Operational efficiencies and better use of resources like materials, energy, fuel, and water



Wilcon has to demonstrate its resilience in the face of risks from climate change

- Impacts on physical assets (e.g., flooding or construction delays from extreme weather), construction schedule, workforce productivity, reputation, and customer behavior and shopping seasonality, which affect our financial performance

- Ability to offer superior, more durable, more sustainable products that can withstand harsh weather conditions
- Position Wilcon as a partner in building and rebuilding
- Shape the market and educate them on the benefits of sustainable products



Wilcon's expansion into key fast-growing cities in areas outside Metro Manila creates jobs and stimulates infrastructure development and economic activities in these areas.

- Cultural differences can hamper acceptance of the brand and working relationship between store management and locally hired personnel
- Lack of acceptance from the communities in new store locations

- Local employment spurring economic growth in emerging cities
- Be recognized as an inclusive brand by the community through appropriate and meaningful marketing



Wilcon must ensure the quality, safety, and sustainability of the products and solutions it offers its customers. Addressing sustainability risks in products requires working with its suppliers in promoting a transparent, fair, and responsible supply chain.

- Non-availability of products that meet evolving customer preferences and Wilcon's quality standards
- Inaccurate forecasting of trends in customer behavior and preference and to respond to them in a timely manner
- Unmanaged or unchecked increases in price of more sustainable products and make them unaffordable

- Sustainability as a growing customer preference
- Offer products that are suitable and relevant to the market's taste
- Collaborations on innovations with suppliers to cast a wider sphere of positive impact



OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilcon's growth translates to more impacts on the environment, specifically emissions resulting from greater energy use and consumption of fuel for transport and delivery of products, while relying on external providers.

- Non-availability of feasible/ reasonably-priced/financially -sensible fossil-fuel substitutes
- Cost of technology, know-how and execution of efficiency promoting logistical processes and programs

- Use alternative power and fuel sources that are cost-effective in the long run
- Reduce carbon footprint



Wilcon must be able to manage the waste it generates as it grows, specifically how it contributes to packaging waste, pollution, and toxicity.

- Accelerated price increase of new technology that will improve waste management efficiency that will be prohibitive to use by businesses
- Human resource skills available at reasonable cost to implement

- Foster product innovation using waste as possible raw material



OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilcon must ensure the development and empowerment of its employees by providing them opportunities for professional growth and economic well-being and protecting their rights in the workplace, including occupational health and safety.

- Availability of trainable and skilled human resource
- Cost of training
- Cost of new technology

-Become the preferred employer for the incoming generation of workforce



As customer preferences and buying patterns evolve, Wilcon must be able to continue to deliver superior quality products and solutions while providing excellent and reliable service.

-Reputational damage from threats to customer wellness and safety

-Leverage Wilcon's positioning for high quality customer shopping experience as differentiator



With big data shaping the growth of retail, Wilcon needs to ensure its ability to optimize its information technology systems to make operations more efficient and reach more customers while remaining proactive against potential systems failures and breaches of security.

-Reputational damage from data breaches and system failures

-Lags and operational delays from data breaches and system failures

-Market expansion without need to put up brick & mortar stores, decreasing capital outlay

-Requires less energy to operate and generates less waste

-Addresses possible shortfall in capable manpower



As industry leader, Wilcon is in a position to shape the industry and the market towards the adoption of more sustainable products, services, and business practices.

-Resistance from consumers to see value for money in sustainable products and services

-Address unmet needs through sustainable products and services

-Enter new customer segments



Increasing ESG regulation and greater expectations for business to contribute to sustainable development while ensuring value creation and long-term resilience require responsible leadership and adoption of sustainability at the Board level

-Subject to fines for noncompliance to future regulations on ESG governance

-Establish a governance structure and management approach towards sustainability

-Ability to better respond to investor queries

Economic Performance

Direct economic value generated and distributed ((in Php)

Direct economic value generated (Revenue)	24,938,844,778
Direct economic value distributed	
A. Operating costs	5,395,669,570
B. Employee wages and benefits	1,025,194,474
C. Payments to suppliers, other operating costs	24,860,597,137
D. Dividends given to stockholders and interest payments to loan providers	655,956,975
E. Taxes given to government	1,461,032,672
F. Investments to community	11,676,935

Becoming the Preferred Partner: Our Management Approach

Wilcon's leadership in the home improvement and construction retail space is founded on its vision to become the preferred company in the industry for all its key stakeholders. We do this by differentiating our business, our product offerings, and our services through excellence, trustworthiness, and reliability.

We understand that we are in the business of offering innovative solutions. Thus we have a strong and exclusive lineup of quality, value-priced in-house brands, as well as renowned international and local brands that meet our customers' evolving needs. By being attuned and responsive to the accelerating changes in customer behavior and retail trends, we have revolutionized the home improvement and construction supply industry in the Philippines, taking it beyond "hardware-store" types to well-designed retail spaces and customer-centric business practices that enhance the customer shopping experience.

No. 1

Home improvement/
construction retail
space

57

Stores
nationwide

425

Suppliers

730,458

Members of Wilcon's loyalty & rewards program

Three-year Growth Strategy (2017 - 2019) and Goals	Baseline (2017)	2018	2019
Expand store network in fast growing cities, solidify presence in existing markets	41	51	57
Focus on continuous expansion of in-house exclusive brands	44.6%	46.9%	49.5%
Continuous increase in comparable/same store sales	6.0%	8.0%	5.2%
Consistent double digit net sales growth rate	11.2%	18.6%	16.3%

Working with Sustainable Suppliers

Wilcon's business success is built on our continuing capacity to source and sell the appropriate mix of products that meet our stringent quality standards and satisfy customers' preferences. To help deliver our mission of sustainable homes and buildings, Wilcon proactively supports suppliers that have a sustainability agenda or sustainable products in their portfolio and promotes those that offer more eco-solutions to our customers in our marketing activities. We have dedicated store shelves for green products and regularly train our salespeople to help our customers select home improvement and construction supply solutions that deliver environment-friendly benefits, which has become a customer priority.

During our materiality assessment, we engaged with a diverse range of international and local suppliers of different sizes. We did this to begin the conversation on a sustainable procurement program to understand its potential impacts on them and develop an approach that will manage transition and create value for both Wilcon and its partners. We look forward to reporting on this material aspect of our operations in greater detail in our next report.



Highlight: Committing to Responsible Business

Our ability to deliver our financial growth target depends on responsible and ethical business practices. Corporate governance protects shareholder value and promotes transparency and accountability at the highest level of our business. They also protect our leadership position in the sector. In this light, the company has revised its Manual on Corporate Governance in accordance the SEC’s mandate to submit a new manual in accordance with its Code of Corporate Governance for Publicly Listed Companies.



Similarly, we have a Code of Business Conduct and Ethics that guides Wilcon’s directors, officers, and employees when dealing with our various stakeholders throughout the business. We have a zero-tolerance approach to bribery and corruption as reflected in our Anti-Bribery and Anti-Corruption Policy, which outlines in clear detail what constitutes bribery and corruption, how to raise concerns, monitoring and review systems including internal controls by the review committee, and the administration of penalties. The policy applies to all Wilcon employees and relevant third parties in all areas where we operate.



Wilcon also has a Related Party Transactions Charter and Committee to review and ensure proper oversight of all our material related-party transactions (RPT), which we define as RPTs that amount to 10% or higher of the company’s total assets based on its latest audited financial statement. The committee promotes fairness, transparency, and independent reviews and audits, and ensures against conflicts of interest and misappropriation of resources, among others, to protect the long-term interest of our shareholders and the reputation of the company. The Committee consists of three independent directors and conducts an annual review of its performance.



Environment Performance

Energy consumption within the organization (in kWh)

Energy consumption (renewable sources)	1,514,227.66
Energy consumption (electricity)	54,709,692.84

Energy reduction of energy consumption (in kWh)

Energy reduction (electricity)	1,514, 227.66
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Air emission disclosures (in Tonnes CO₂e)

Scope 1 GHG emissions	912.01
Scope 2 GHG emissions	38,964.24
Total GHG emission	39,876.24

Water consumption within the organization (in CBM)

Water withdrawal	162,057
Water consumption	162,057
Water recycled and reused	0.00

Solid and hazardous waste generated (in kg)

Recyclable (papers & scraps)	5,040
Landfilled	Not collected in 2019
Hazardous waste generated	3,780
Hazardous waste transported	Not collected in 2019

Environmental compliance

Monetary fines for non-compliance (Php)	285,000
No. of monetary sanctions for non-compliance	0
No. of cases resolved through dispute resolution mechanism	0

Did you know?

Wilcon designed their buildings to maximize natural light, only turning on lights in the afternoon.

39,876.24

GHG Emission

Shift towards renewables: solar energy

Target: almost half of energy mix to come from solar

Improving Environmental Performance: Our Management Approach

Wilcon recognizes our growth and expansion targets translate to more impacts on the environment, specifically in terms of resource use, waste generation, and emissions from construction, operations and logistics. We have updated our mission and vision so that we can begin the process of developing an enterprise-wide environmental policy and formalizing the strategic environmental initiatives we have been undertaking over the years. This allows us to establish a baseline, begin monitoring and evaluating our performance, and eventually adopt and report on science-based targets.





Energy consumption and the resultant emissions from our operations are at the core of our environmental practices, with a strong focus on the use of renewable energy and battery technology in our branches nationwide. Partnerships with sustainable suppliers and market shaping are also critical steps to take so that we expand the reach of our impacts beyond the branches and enable more sustainable living for our customers.

Through a more deliberate environment agenda, we look forward to improving efficiencies in our operations for productivity and cost savings, taking advantage of opportunities in innovations in packaging and resource use, while addressing actual and potential negative impacts of our operations on our immediate environments and the planet. We commit to reporting further developments on this, including the training and development of employees as well as the governance of this important aspect of our business in the next report.

Shaping the Market Towards Green Solutions

Customers are becoming more conscious about the impacts of their lifestyles. Wilcon has been steadily expanding the green products it offers on its shelves to address this demand. The following are some of the sustainability features we highlight to make it easy for our customers to build and live better for the planet.



-  Water-saving fixtures: low flow, dual flush
-  Energy-efficient lighting: lower consumption, more light, longer life
-  Clean-air paint products: less polluting, no unpleasant smell
-  Circular economy: wood from renewable forests, recycled materials

We also sponsor, participate in, and mount various events in partnership with architects and interior designers to promote sustainable solutions in construction and home improvement. These events allow us to share the latest trends, best practices, and innovative solutions on sustainable design and construction. We engage with these industry professionals regularly because they help promote and contribute to environment-friendly, low-impact living, not only among their clients but a broader public. A shift in customer consciousness also means that people look to architects and designers as experts who are able to translate their desire for a more sustainable life into an actual blueprint or plan. In line with this thrust, we supported the following events in 2019:




- Green Architecture Advocacy Philippines' 16th Green Forum where GreenAP engaged business leaders and professionals from relevant industries as well as the general public to study and adopt sustainable practices in design, construction, operations, and maintenance;

- Philippine School for Interior Design's HUGIS ATBP (Homes Using Geometrically Inspired Spaces for Alternative Types of Built Places) Exhibition, which showcased interior design solutions for alternative housing such as the use of materials that are eco-friendly, sustainable, natural, and indigenous; and

- Philippine Institute of Interior Designers' Asia Interior Design Institute Association International Students Workshop, which gathered Asian interior design students and country professional representatives in a workshop that focused on solutions that challenge global, social, environmental and cultural status quos.

Highlight: Working on Waste




We generate minimal waste in our stores and partner with local government units for the sorting of any solid waste materials we generate. We also have partner facilities to treat our hazardous waste such as broken bulbs and other waste like used oils. We have a take-back program with several suppliers so that they can recycle or repurpose inventory that do not meet our quality standards or get inadvertently damaged and rejected to prevent them from ending up in our landfills.

-  Broken tiles are recycled as raw materials
-  Rejected cement boards are sent back and turned into recycled input
-  Paints are reprocessed to prevent obsolescence



Highlight: Greening Our Branches

Our stores, because of their big formats, have intense energy requirements. To promote greater cost savings while minimizing our carbon footprint, Wilcon has started to roll out solar power solutions in 2016, including renewable energy into the energy mix of all our branches. We also use high-volume low-speed fans to minimize the use of air-conditioning while still making the branches comfortable for our customers and our staff. At the same time, our stores are designed to bring in as much natural light as possible and use forklifts that run on batteries rather than diesel. Below are the highlights of several in-store initiatives that make our operations more environment-friendly.

-  100% of branches to include solar power by 2023
-  5 branches with solar power systems
-  27 branches for installation of solar power systems by 2020

SOCIAL DATA

Employee Data

Employee data	Female	Male
Employees by gender	1266	1426
Employee benefits (% who availed)	Female	Male
SSS	13.48%	17.02%
PhilHealth	1.15%	0.63%
Pag-ibig	15.02%	20.01%
Parental leaves:		
Maternity / Paternity Leave	7.64%	12.08
Solo Parent	96.43%	3.57%
Magna Carta	0.36%	
Vacation leaves	39.28%	46.98%
Sick leaves	6.02%	4.57%
Medical benefits (aside from PhilHealth)	21.33	19.75
Housing assistance (aside from Pag-ibig)	0.00%	0.00%
Retirement fund (aside from SSS)	0.00%	0.08%
Further education support	0.00%	0.00%
Company stocks option	0.00%	0.00%
Telecommuting	0.00%	0.00%
Flexible-working hours	67.53%	32.47%
Employee training and development	Female	Male
Total training hours provided	80	56
Ave. training hours provided	11.42	11.2
Labor Management Relations		
% of employees covered in CBA		29%
Number of consultations conducted with employees concerning employee-related policies		4

47%

Female employee

53%

Male employee

50:50 Female:Male

Employee in Key Management Positions

8 DECENT WORK AND ECONOMIC GROWTH



Developing Our People: Our Management Approach

In this period of continuous expansion and ambitious targets, Wilcon is committed to creating an environment that respects the dignity of our employees, cultivates their knowledge and talent, and empowers them to be the best they can be through continuous career and development opportunities available to everyone year-round. We have a strong recruitment, selection, training, and deployment program with targets and metrics to address the pool of talent needed for our growth, including outsourced floor staff and promo-merchandisers at the stores.

Central to our vision for our employees is our compensation and benefits program and Work Life Integration Program, both of which protect and promote our employees' advancement, productivity, fair treatment, physical and mental health, safety, and well-being. Apart from statutory benefits, we also provide company-initiated benefits that are not required by law such as allowances and subsidies, different types of insurance as well as incentives. We do this because it is management's responsibility to ensure duty of care and dignity of person, and maintain a culture of compassion all throughout our operations.

Because we are a large company with a network of 57 branches nationwide as of 2019, it is important for employee development and well-being to be cascaded to all levels. Empowerment is key, especially down the line, and our Human Resources department works with operations managers at the branch level who are regularly trained in human resources principles and practices, where they have the power to make decisions on matters and/or grievances concerning the staff, customers, and suppliers, as well as incidents concerning occupational health and safety and ethical practices. We have voice mechanisms that allow for daily communication between individuals and across different functions, including a whistleblower policy and grievance mechanisms for our labor unions.

SOCIAL DATA

Workplace conditions, labor standards, and human rights	Female	Male
Safe Man-Hours	136	205
No. of work-related injuries*	7	56
No. of work-related fatalities	0	0
No. of work related ill-health	0	0
No. of safety drills	392	
Labor Laws and Human Rights		
No. of legal actions or employee grievances involving forced or child labor	0	
Forced labor (y/n)	Y	
Child labor (y/n)	Y	
Human rights (y/n)	Y	
Supply Chain Management	Does Wilcon consider the following when accrediting suppliers	
Environmental Performance	Y	
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

*Minor injuries requiring basic first aid treatment only. 0 hospitalized or confined incidences

5.83%	54%	0
Attrition	Covered by OHSAS	Employees from IP

Did you know?
 100% of store leadership and 95% enterprise-wide of management of Wilcon grew organically from the ranks.

Highlight: Prioritizing Health and Safety

Wilcon invests in creating safe stores and working spaces. We understand that home improvement and construction supplies stores, with their large and bulky moveable items, machine-powered lifts, and constant foot traffic, can pose safety risks on our floor staff and customers. The following initiatives help us minimize hazards and prevent injuries at the branches:

- A health and safety governance structure consisting of occupational health and safety officers and pollution officers;
- Safety assessment for product displays and regular checkup on equipment and stocks for safety and maintenance;
- Use of caution ropes and signages for warning zones;
- Procedures for immediate action should accidents occur and incident reporting;
- Personal protective equipment when constructing and installing solar panels; and
- Review and requirement of safety policies among contractors.

At the corporate level, we have trained first aiders and a company doctor who is available for daily and monthly checkups. Our company’s occupational health and safety manual is based on the Department of Labor and Employment’s requirements. To minimize the stresses on our employees associated with the heavy traffic in the metropolis, we now offer a compressed workweek with flexible working hours. We also have a private lactation area for breastfeeding mothers in the workplace.

SOCIAL DATA



Highlight: Learning Continuous Improvement

Continuous training is available to all employees to provide them the opportunity to lead and excel in the workplace and remain enthusiastic about delivering superior solutions. We are proud of the fact that 100% of store leadership and 95% enterprise-wide of management grew organically from the ranks.

We identify and develop high-potential employees into future company leaders through structured training programs on leadership and management, soft and technical skills, sales, marketing, customer service skills, and the core values that are important to Wilcon. We have functional on-the-job learning as well as formal training sessions, including 23 technical training modules that our employees can access anytime using our e-learning platform.

We understand that labor contracting is a key risk in the fast-paced and competitive retail sector, as such we do not use contractual labor in our business. We do have outsourced manpower such as independent contractors hired on a per-need basis and promo-merchandisers, whom we include in our strategic training activities so that they are able to grow and upgrade their skills during their assignment at Wilcon, improving their chances at better job opportunities. These include regular meetings and talks with security and staff on the floor, education sessions on how to market products in collaboration with suppliers, and product orientations that focus not only on the features but also the benefits so that they can emphasize our products' value for money, especially those with environment-friendly features.

SOCIAL DATA

Ensuring Customer Satisfaction and Service Excellence: Our Management Approach

Customer behavior and preferences are shifting at an unprecedented pace, hastened by rapid technological innovations, growing environmental and social pressures, consolidation of competition, and increasing regulation. Our ability to maintain our status as industry leader and preferred partner depends on a strong commitment to deliver products and solutions of superior quality and provide excellent and reliable service to our customers consistently.

We have a strong track record of anticipating the needs of the market, and sourcing and developing products that meet these needs, allowing us to evolve over the past four decades. We were the first home improvement and construction supply store in the country to improve customer experience in our branches, departing from the traditional “hardware” type of stores and designing them to provide a comfortable atmosphere that enhances the shopping experience and to foster satisfaction and loyalty. Wilcon was also the first to proactively offer and highlight more sustainable products and solutions. In 2019, Wilcon launched its online shopping platform to cater to customer convenience and to provide a seamless shopping experience, integrating both our physical and digital presence. Such pioneering initiatives show that we are well-positioned to adapt to the changing times, and we expect this sustainability agenda to help us manage the transition better.

Innovation, customer satisfaction, and service excellence are the values that define our Customer Relationship Management (CRM) program. Our customers range from middle-income and high-income households to independent contractors and project developers. We have a CRM strategy with target , and monitoring and evaluation mechanisms. This includes a customer service platform available on our website, where customers can send queries, suggestions, comments or complaints.

Our recent rapid expansion nationwide demonstrates our ability to bring our products to different markets using innovative marketing strategies developed by an in-house marketing team. We have policies and procedures on advertising, marketing and communication that guide the campaigns and promotions of brands and products, our interactions with various media outlets, and collaborations with industry professionals, academe, and resource persons from relevant institutions. These policies and procedures seek to ensure integrity with every interaction. To further strengthen brand awareness and visibility as well as our reputation as pioneer and industry leader, we participate in national and regional exhibits and conventions on retail, construction, and home improvement.

Customer Management

Customer Satisfaction

Score

Customer Survey

n/a

Health & Safety

Quantity

No. of substantiated complaints on products or services health and safety

14

No. of complaints addressed

14

Marketing & Labeling

Quantity

No. of substantiated complaints on marketing & labelling

3

No. of complaints addressed

3

Customer Privacy

Quantity

No. of substantiated complaints on customer privacy

0

No. of complaints addressed

0

No. of customers, users and account holders whose information is used for secondary purposes

0

Data Security

Quantity

No. of data breaches, including leaks, thefts and losses of data

0

SOCIAL DATA

Our Broad Range of Products: Fit For Every Need

We have over 2000 brands and products across different product categories translating to 48,406 SKUs that make it easy and convenient for our customers to find their home improvement and construction needs under just one roof.



Plumbing and sanitary wares (bath and shower mixers, bath fillers, faucets, shower, water systems, bathtubs, bidet, bowl, lavatory, pedestal, shower enclosure, urinal, water closet and other accessories)



Hardware and tools products (door essentials, hand tools and hardware accessories, pipes, sundries, power tools and hand tools)



Tiles/Flooring (locally made and imported tiles in various sizes and types such as ceramic, glass block, porcelain, and vinyl)



Electrical and lighting (electrical accessories and supplies, lamps, wiring devices, LED and lights)



Furniture, furnishings and houseware (furniture products found in the bedroom, dining, kitchen, living room, office, and outdoor; decorative items, organizers, wall hang decors, curtains, and blinds)



Paints (a wide range of paints for different surface types)



Appliances (air coolers, air conditioners, electric fans, entertainment appliances, kitchen appliances, washing machine, and vacuum cleaner)



Building materials (building decors and supplies, ceiling and wall, floor and roofing)



Award-winning Customer Service

Our customers are well informed, know what they want, and prioritize speedy and convenient shopping and transactions. As such, we make sure our people on the floor are well trained and knowledgeable when it comes to all our products and services, including the latest design trends and consumer behavior so that they can be conversant, offering informed options and helping them find satisfactory solutions. We also work with our suppliers who extend customer support to help with installation and repairs.

To meet the increasing demand for faster, seamless, and more customer-oriented shopping, we use technology in various ways, allowing us to add value to the experience of our customers and industry partners. We have an online store for a selected range of products, mostly DIY items, decors, and basic household items with different payment options, a Wilcon Loyalty Mobile App that allows customers to earn, check, and convert points to rewards, and decentralized delivery centers for faster delivery and greater efficiency. We also offer Design Hub, a service available in all our depots, which allows customers to create 3D layouts of their desired interiors through a computer software along with a product list and cost estimates.

Across such platforms, we protect the data entrusted to us by our customers, backed by our policy on data privacy and information systems that manage and maintain all customer information (whether collected electronically and physically), and ensure that only authorized Wilcon personnel have access to these data.

For industry professionals, we have the ABCDE Lounge, launched in 2015, which Architects, Builders, Contractors, Designers, and Engineers can use to meet with their clients and fellow professionals, conceptualize design and construction projects, and save time by allowing them to immediately browse through Wilcon's extensive product catalog and compare their options with ease. The lounge is designed to be both comfortable, professional, and strategically located. At present the lounge can be found in 36 Wilcon branches and has received positive feedback from its users. We expect to increase the number of ABCDE Lounges to 45 by 2020.

Given these customer-centered initiatives, we were recognized by the Federation of Asia-Pacific Retailers Association (FAPRA) with the International Award for Excellence in Customer Service in 2019. An international body, FAPRA recognizes individuals, companies, and associations for their outstanding achievements in retail, specifically in five categories: most innovative retail concept, best marketing campaign, green retailer, best effort in retail employee training and customer service excellence.

Relationship with the community

Wilcon extends financial assistance to Eastern Regional Organization: for Planning and Human Settlements (EAROPH) Philippines with their efforts to promote a better understanding of Human Settlements and encourage excellence in planning, development and management to improve the quality of life and sustainability of human settlements in their 2nd National Convention.



i-Love Foundation: *WDI donated 3 Million worth of Wilcon items and Gift Certificates*

Donation to St. John Bosco Church Restroom

WDI and Grohe donated 110K worth of products for St. John Don Bosco Church for their restroom project

Donation for Wilcon Foundation

WDI donated Php500K to Wilcon Foundation during 5th Wilcon Cup

Truck Donation

WDI donated a Truck to Quezon City Hall DPOS compound

Highlight: Improving Local Communities

As a home improvement and construction supplies retailer, our entry into provincial centers nationwide can mean that the local economies in these areas are primed for greater activity, which can indirectly lead to more infrastructure and more job opportunities. Our stakeholders agree that our expansion has the potential to decentralize growth and development and bring it outside the traditional urban centers.

At the same time, our stakeholders shared with us the growing need for more skilled workers in construction, which can have an impact on our ability to expand and fulfill our target number of branches. Similarly, any manpower shortage that our suppliers experience can impact on their ability to deliver products that we need for our catalog.

Currently Wilcon channels its community development programs through the Wilcon Builders' Foundation to help address the decreasing availability of skilled construction workforce. We have a technical school in Montalban with three strategic programs accredited by the government's Technical Education and Skills Development Authority (TESDA), specifically on masonry, carpentry, and electrical installation and maintenance. Because we target indigent communities, we offer scholarships that require no bonds and then provide them with opportunities for on-the-job training with our suppliers. In 2019, 92% of our 373 graduates received TESDA certification and 69% are already employed.

"I feel very blessed to have a decent job with a well-known company," said Orly Recosana, who was able to receive free training in 2018 and was later absorbed by Wilcon because he demonstrated hard work, discipline, values, and an eagerness to learn. Prior to taking Wilcon's training course, Orly would be in and out of jobs back in Ormoc, Leyte. Other technical-vocational graduates find work in leading corporations like Mark Gyver Bulatao who is now a technician with a telecommunications service provider.

Appendix A: List of operations location

	Branch Name	Branch	Location
1	ALABANG	D01	8003 REAL ST., ALABANG ZAPOTE RD., ALMANZA UNO, LAS PIÑAS CITY
2	BALINTAWAK	D02	1274 EDSA A. SAMSON, QUEZON CITY
3	LIBIS	D03	90 E. RODRIGUEZ JR. AVE., BRGY. UGONG NORTE, DISTRICT 3, QUEZON CITY
4	MAKATI	D05	2212 CHINO ROCES AVE., SAN LORENZO, MAKATI CITY
5	QUIRINO	D06	L119 C-1 MINDANAO AVE., TALIPAPA, QUEZON CITY
6	FILINVEST	D07	L1 B29 ALABANG ZAPOTE RD. COR. BRIDGEWAY AVE., FILINVEST CORPORATE CITY, ALABANG, MUNTINLUPA CITY
7	MEXICO	D08	GAPAN-OLONGAPO ROAD, LAGUNDI, MEXICO, PAMPANGA
8	SUCAT	D09	DR. A. SANTOS AVENUE, SAN DIONISIO, PARAÑAQUE CITY
9	FAIRVIEW	D10	16 COMMONWEALTH AVE., BRGY. COMMONWEALTH, QUEZON CITY
10	TARLAC	D11	MC ARTHUR HIGHWAY, SAN RAFAEL, TARLAC CITY
11	DAU	D12	MC ARTHUR HI-WAY, DAU, MABALACAT, PAMPANGA
12	SAN FERNANDO	D15	FREEWAY STRIP OLONGAPO-GAPAN ROAD, DOLORES CITY OF SAN FERNANDO, PAMPANGA
13	CALAMBA	D16	NATIONAL ROAD, BRGY. HALANG, CALAMBA CITY, LAGUNA
14	BATANGAS	D17	LOT 2687-A DIVERSION ROAD, ALANGILAN, BATANGAS CITY
15	TAYTAY	D18	MANILA EAST ROAD, BRGY. SAN JUAN, TAYTAY, RIZAL
16	ANTIPOLO	D19	MARCOS HIGHWAY, BRGY. MAYAMOT, ANTIPOLO CITY, RIZAL
17	BALIUAG	D20	KM. 48 DRT HIGHWAY, BRGY. TARCAN, BALIWAG, BULACAN
18	DASMARIÑAS	D21	GOVERNOR'S DRIVE, PALIPARAN 1, DASMARIÑAS CITY, CAVITE
19	LAOAG	D22	AIRPORT ROAD, BRGY. 50, BUTTONG, LAOAG CITY
20	MANDAUE	D23	U.N. AVENUE, UMAPAD, MANDAUE CITY, CEBU
21	TALISAY	D24	LOT 2359, LAWA-AN II, TALISAY CITY, CEBU
22	KAWIT	D25	CENTENNIAL ROAD, MAGDALO, PUTOL, KAWIT, CAVITE
23	VALENZUELA	D26	292 MC ARTHUR HI-WAY, DALANDANAN, VALENZUELA CITY
24	SAN PABLO	D27	DOÑA MARIA VILLAGE PHASE 2, BRGY. BAGONG BAYAN, SAN PABLO CITY, LAGUNA
25	VILLASIS	D28	NATIONAL HIGHWAY, BRGY. BACAG, VILLASIS, PANGASINAN
26	QUEZON AVE.	D29	24 QUEZON AVE., LOURDES, QUEZON CITY
27	DAVAO	D30	MC ARTHUR HIGHWAY, MATINA, DAVAO CITY
28	IT HUB	D31	PASONG TAMO EXTENSION, BRGY. BANGKAL, MAKATI CITY
29	MOLINO	D32	BACoor BOULEVARD, BRGY. MAMBOG IV, CITY OF BACoor
30	STA. ROSA	D33	TAGAYTAY ROAD, BRGY. PULONG, STA. CRUZ, STA. ROSA, LAGUNA
31	CDO	D34	ZONE 5 , BRGY. CUGMAN, CAGAYAN DE ORO CITY
32	BACOLOD	D35	MATAB-ANG TALISAY CITY, NEGROS OCCIDENTAL
33	BUTUAN	D36	BRGY. BAAN, KM. 3, BUTUAN CITY
34	CABANATUAN	D37	LOT 2040-C-3-B & Lot 2040-C-4, SUMACAB ESTE, MAHARLIKA HIGHWAY, PUROK 6, SUMACAB ESTE, CABANATUAN CITY
35	ILOILO	D38	NORTH DIVERSION ROAD, BRGY. DUNGON-B, JARO, ILOILO CITY

Appendix A: List of operations location (cont.)

	Branch Name	Branch	Location
36	TACLOBAN	D39	PUROK SANTOL, BRGY 80 MARASBARAS, TACLOBAN CITY, LEYTE
37	SILANG	D40	PUROK 9, BRGY. LALAAAN II, SILANG, CAVITE CITY
38	ZAMBOANGA	D41	LOT 2235C I-A BOALAN, ZAMBOANGA CITY
39	NAGA	D42	BRGY. DEL ROSARIO, NAGA CITY
40	LIPA	D43	BRGY. BUGTONG NA PULO, LIPA BATANGAS
41	PANACAN, DAVAO	D45	BUNAWAN: BRGY. PANACAN VALLE VERDE, DAVAO CITY
42	TAYABAS	D46	BRGY. ISABANG, TAYABAS QUEZON
43	GEN. SAN.	D47	PALEN, BRGY. LABANGAL, GENERAL SANTOS CITY
44	PUERTO PRINCESA	D48	BRGY. SICSICAN, PUERTO PRINCESA CITY, PALAWAN
45	GENERAL TRIAS	D49	BRGY. SAN FRANCISCO, GENERAL TRIAS CITY, CAVITE
46	STA. BARBARA, ILOILO	D50	LOT 506B BRGY. BOLONG OESTE, STA. BARBARA, ILOILO
47	OPOL, MISAMIS ORIENTAL	D51	ZONE 2A BRGY. BARRA, OPOL, MISAMIS ORIENTAL
48	STO. TOMAS, BATANGAS	D52	MAHARLIKA HIGHWAY, BRGY. STA. ANASTACIA, STO. TOMAS, BATANGAS
49	ANTIPOLO II	D53	LOT 2-A BRGY. SAN ISIDRO CIRCUMFERENTIAL RD. ANTIPOLO CITY
50	IGUIG, CAGAYAN	D56	BRGY. BAYO, IGUIG, CAGAYAN VALLEY RD.
51	ALIMALL	HO2	LG003/LG004 LOWER GRD FLR. ALIMALL II, ARANETA CENTER, SOCORRO, D3, CUBAO, QUEZON CITY
52	WCC	HO3	ANCHOR 1, 121 VISAYAS AVE., BAHAY TORO, QUEZON CITY
53	STA. MESA	HO5	425 PIÑA AVE., BRGY. 585 ZONE 057, SAMPALOC, MANILA
54	MINDANAO AVE.	HO6	L-5 B-7 MINDANAO AVE., BAHAY TORO I, QUEZON CITY
55	MUÑOZ	HO7	1066 EDSA, BAHAY TORO, QUEZON CITY
56	PASAY	HO8	16 C JOSE ST. COR. EDSA, MALIBAY, PASAY CITY
57	ILOILO	HO9	GROUND FLOOR UNIT A25-A26, FESTIVE WALK MALL, ILOILO BUSINESS PARK, MANDURRIAO , ILOILO CITY

ANNEX E

Unaudited Interim Financial
Statements as of 30 June 2020

COVER SHEET

C	S	2	0	1	5	2	4	7	1	2
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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) 8634-8387
 Tel. No.

Month

Day

1 7 - Q
 FORM TYPE

Month

Date

(Annual Meeting)

Secondary License, (if applicable type)

Dept. requiring this doc

N/A
 Amended Articles number

Total stockholders

<input type="text"/>	<input type="text"/>
Domestic	Foreign

 To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

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STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended June 30, 2020

2. Commission identification number CS201524712

3. BIR Tax Identification No 009-192-878

4. Exact name of issuer as specified in its charter

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

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

QUEZON CITY, PHILIPPINES

6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Postal Code

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

8. Issuer's telephone number, including area code: (02) 8634 8387

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

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

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

COMMON SHARES	4,099,724,116
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11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

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

PHILIPPINES STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

Yes [] No []

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

Yes [] No []

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited interim financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at June 30, 2020 and December 31, 2019 and for the six-month periods ended June 30, 2020 and 2019, are filed as part of this form 17-Q.

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

Results of Operations for the Six Months Ended June 30, 2020

On March 16, 2020, the Philippine government put the whole island of Luzon on enhanced community quarantine (ECQ) after the first community quarantine (CQ) measure, implemented two days prior, failed to keep the general public home. While under the CQ order the hardware/home improvement retail sector was among the essential industries allowed to operate, under the ECQ, the sector was excluded. As a result, Wilcon Depot, Inc. (WDI or the Company) had to close all of its Luzon stores starting March 17, 2020.

The Company currently has 46 out of 60 branches in Luzon, contributing 84.0% of the Company's total net sales for 2020, prior to the ECQ announcement.

In view mainly of the temporary closure of the majority of the stores of the Company from March 17 to May 15, 2020 resulting in a decrease in net sales, net income declined by 64.6% or ₱642 million to ₱352 million for the first half of 2020, from the ₱995 million reported during the same period in 2019.

Net Sales

The Company's net sales for the six-month period ended June 30, 2020 amounted to ₱9,040 million, 23.2% or ₱2,738 million lower than the ₱11,778 million generated during the same period in 2019. Comparable sales performance dropped to negative 28.3% as a result of the temporary closure of stores in Luzon and some stores in Visayas and Mindanao from March 17 to May 15, 2020 during the quarantine period. Wilcon stores in Luzon accounted for 84.0% of revenues in 2020 pre-ECQ. Out of the Company's 60 branches, 46 are located in Luzon and of the 53 stores aged one year or older as of June 30, 2020, 40 branches are in Luzon.

Sales from the depots contributed the majority of total net sales comprising 96.6% or ₱8,736 million for the period, lower by 22.5% or ₱2,541 million from the ₱11,277 million net sales for the six-month period of 2019. The depot's same store sales dropped to negative 27.8% since 34 out of the 46 depots aged one year or older are in Luzon.

The smaller format "Home Essentials", recorded net sales of ₱215 million accounting for 2.4% of net sales, likewise reported a downswing of 34.7% or ₱114 million by the end of the first half from the prior year's ₱329 million. Six out of seven Home Essentials branches are in Luzon and all are over one year old.

The remaining 1.0% was accounted for by project sales, amounting to ₱89 million, decreasing by 48.3% or ₱83 million from the 2019 first half level.

During the period, the Company opened three new depots in Daraga, Albay, San Jose and Calumpit in Bulacan bringing the total number of stores to 60 (53 depots and 7 home essentials) by the end of first half 2020.

Gross Profit

Gross profit for the period reached ₱3,122 million, resulting in a gross profit margin of 34.5% for the period ended June 30, 2020. For the same period in 2019, gross profit totaled ₱3,813 million for a gross profit margin of 32.4%. The hike was brought about by the increasing margin and expanding contribution of in-house and exclusive products to total net sales. Sales of exclusive and in-house products accounted for 51.2% of total net sales for the period versus 49.0% in the first half of 2019. The gross profit margin of non-exclusive products also increased as the Company was able to avail of both volume and cash discounts.

Operating Expenses

Operating expenses increased to ₱2,602 million for the period, up 3.1% or ₱79 million from the prior period's ₱2,523 million. The increase is attributable mainly to expansion-related expenses, depreciation and amortization of new stores and the adoption of Philippine Financial Reporting Standard (PFRS) 16, Leases of new lease contracts subsequent to June 30, 2019 offset by the decrease in utilities, trucking and outsourced services during the quarantine period. Depreciation and amortization recorded the highest increase at 105.5% or ₱440 million as a result of the continuous addition of the company-owned store buildings and the re-classification of part of rent expense to depreciation. Non-PFRS 16 related rent expense dropped by 85.9% or ₱222 million to ₱37 million.

Interest Expense

Interest expense increased to ₱206 million for the period from the prior year's first half level of ₱123 million, representing non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

Other Income (Charges)

Other income (charges) for the six months ended June 30, 2020 totaled ₱174 million, down by 22.3% or ₱50 million from the ₱223 million recorded in first half 2019 mainly due to the decrease in interest income offset by increases in rent and net other income. Other income consists of: 1) Rent and net other income from trade and other suppliers amounting to ₱135 million, down by 3.6% or ₱5 million from 2019 representing net charges for the lease of bill boards, gondola lights, end caps, etc. and their share of various operational and promotional/marketing expenses and other non-merchandise sales related income; 2) Interest income of ₱39 million which decreased from the prior period balance of ₱84 million as the IPO proceeds continue to be deployed for expansion purposes.

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

EBITDA for the first half of 2020 reached ₱1,510 million, or 16.7% of net sales. EBITDA for the half of 2019 is reported at ₱1,846 million, or 15.7% of net sales.

EBIT for the first half of 2020 is ₱654 million or 7.2% of net sales, while for the first half of 2019 amounted to ₱1,430 million, or 12.1% of net sales, respectively.

Income Tax Expense

The Company's income tax expense decreased by 66.1% or ₱262 million to end at ₱134 million, versus the ₱396 million incurred during the same period last year in view of lower taxable income.

Financial Condition

June 30, 2020 versus December 31, 2019

Assets

WDI's total assets declined by ₱872 million or 3.3% from ₱26,237 million balance as at December 31, 2019 to close at ₱25,365 million as at June 30, 2020. The decrease was due mainly to the payment of dividends, lease, trade and other payables and income tax partially offset by additional inventories and capital expenditures related to store network expansion.

Current Assets

Aggregate cash and short-term investments increased by ₱753 million or 36.2% from ₱2,079 million at the close of 2019 to ₱2,831 million as at June 30, 2020, traceable primarily due to maturity of the retail treasury bonds holdings of the Company, partially offset by payment of dividends, lease, trade and other payables and income tax.

Trade and other receivables totaled ₱465 million as at June 30, 2020, 5.8% or ₱25 million higher than the ₱440 million balance as at December 31, 2019. The increase was mainly due to increase in advances made to suppliers partially offset by decrease in trade receivables.

Merchandise inventories totaling ₱9,707 million make up the bulk of current assets, accounting for 70.9% of total current assets as at June 30, 2020. This represents a 2.0% or ₱190 million jump over the ending 2019 balance of ₱9,518 million to support the requirements of the new store openings and increased contribution of in-house and exclusive products.

Noncurrent assets

The Company's noncurrent assets reached ₱11,668 million, 4.0% or ₱453 million higher than the ₱11,215 million balance as at December 31, 2019 in view mainly of the continued construction of new company-owned store buildings and recognition of right of use assets on those new stores under PFRS 16.

Liabilities

Current liabilities amounted to ₱6,552 million as at close of the period, lower by 9.5% or ₱685 million from the ₱7,236 million balance as at December 31, 2019. The decrease was due mainly to the settlement of trade and other payables and income tax.

Non-current liabilities totaled ₱4,542 million, up by ₱203 million from the December 31, 2019 balance of ₱4,339 million. The increase was mainly due to lease liabilities in relation to PFRS 16 for new stores.

Total liabilities amounted to ₱11,094 million as at June 30, 2020, ₱481 million or 4.2% lower than the balance of ₱11,576 million at the end of 2019.

Equity

Total equity amounted to ₱14,271 million, comprised of capital stock of ₱4,100 million, additional paid-in capital of ₱5,374 million, retained earnings of ₱4,739 million, and other comprehensive income (loss) of ₱58 million as at June 30, 2020. Total equity as at December 31, 2019, meanwhile totaled ₱14,662 million. The 2.7% decrease in the equity balance is primarily due to the declaration of dividends of ₱738 million partly offset by the net income earned for the period of ₱352 million.

PART II--OTHER INFORMATION

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

SIGNATURES

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

WILCON DEPOT, INC.
Issuer

29 July 2020
Date

By:



LORRAINE BELO – CINCOCHAN
President – CEO



MARK ANDREW Y. BELO
Treasurer

WILCON DEPOT, INC.

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

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

Unaudited Interim Financial Statements

As at June 30, 2020 and December 31, 2019 and

For the Six-Month Periods Ended June 30, 2020 and 2019

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

UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
AS AT JUNE 30, 2020 AND DECEMBER 31, 2019

	Note	2020 Unaudited	2019 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱2,424,300,901	₱1,462,042,311
Short-term investments	6	406,798,804	616,490,311
Investment in retail treasury bond	6	–	2,253,523,133
Trade and other receivables	7	465,385,290	439,901,662
Merchandise inventories	8	9,707,179,115	9,517,537,128
Other current assets	9	693,631,720	732,935,532
Total Current Assets		13,697,295,830	15,022,430,077
Noncurrent Assets			
Property and equipment	10	5,471,133,079	4,981,367,129
Right-of-use assets	11	5,326,060,288	5,260,470,198
Net deferred tax assets	19	376,067,521	333,740,211
Other noncurrent assets	12	494,404,791	639,043,835
Total Noncurrent Assets		11,667,665,679	11,214,621,373
		₱25,364,961,509	₱26,237,051,450
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	₱5,120,934,868	₱5,530,142,228
Current portion of lease liabilities	11	1,417,095,062	1,423,074,043
Income tax payable		13,733,235	283,254,451
Total Current Liabilities		6,551,763,165	7,236,470,722
Noncurrent Liabilities			
Long-term debt	14	20,000	20,000
Lease liabilities - net of current portion	11	4,287,330,774	4,063,408,162
Net retirement liability	15	254,979,148	275,650,904
Total Noncurrent Liabilities		4,542,329,922	4,339,079,066
Total Liabilities		11,094,093,087	11,575,549,788
Equity			
Capital stock	16	4,099,724,116	4,099,724,116
Additional paid-in capital		5,373,738,427	5,373,738,427
Other comprehensive income		58,233,152	63,275,338
Retained earnings		4,739,172,727	5,124,763,781
Total Equity		14,270,868,422	14,661,501,662
		₱25,364,961,509	₱26,237,051,450

See accompanying Unaudited Interim 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)

UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
AND FOR THE THREE-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2020	2019	2020	2019
NET SALES		₱9,039,952,851	₱11,778,210,886	₱3,449,051,311	₱6,044,070,462
COST OF SALES	8	(5,918,369,274)	(7,965,217,859)	(2,218,295,108)	(4,064,719,529)
GROSS INCOME		3,121,583,577	3,812,993,027	1,230,756,203	1,979,350,933
OPERATING EXPENSES	17	(2,602,338,023)	(2,523,102,550)	(1,169,609,179)	(1,326,583,353)
INTEREST EXPENSE	14	(206,295,572)	(122,854,596)	(104,127,073)	(69,757,070)
OTHER INCOME - Net	18	173,697,867	223,433,397	71,793,508	114,356,591
INCOME BEFORE INCOME TAX		486,647,849	1,390,469,278	28,813,459	697,367,101
INCOME TAX EXPENSE (BENEFIT)	19				
Current		175,825,068	414,354,707	24,371,264	205,955,460
Deferred		(41,536,506)	(18,437,371)	(19,424,195)	(19,508,297)
		134,288,562	395,917,336	4,947,069	186,447,163
NET INCOME		352,359,287	994,551,942	23,866,390	510,919,938
OTHER COMPREHENSIVE INCOME (LOSS)					
<i>Item not to be reclassified to profit or loss -</i> Remeasurement gain (loss) on retirement liability, net of deferred income tax	15	(1,845,210)	3,072,107	(1,845,210)	509,686
<i>Item to be reclassified to profit or loss -</i> Unrealized gain (loss) on fair value changes of financial asset	6	(3,196,976)	42,149,877	(414,346)	(1,173,735)
		(5,042,186)	45,221,984	(2,259,556)	(664,049)
TOTAL COMPREHENSIVE INCOME		₱347,317,101	₱1,039,773,926	₱21,606,834	₱510,255,889
BASIC AND DILUTIVE EARNINGS PER SHARE	22	₱0.09	₱0.24	₱0.01	₱0.12

See accompanying Unaudited Interim 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)

UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

	Note	Unaudited	
		2020	2019
CAPITAL STOCK	16	₱4,099,724,116	₱4,099,724,116
ADDITIONAL PAID-IN CAPITAL		5,373,738,427	5,373,738,427
OTHER COMPREHENSIVE INCOME			
Cumulative Remeasurement Gain on Retirement Liability	15		
Balance at beginning of period		59,752,205	176,180,964
Remeasurement gain (loss) net of deferred income tax		(1,845,210)	3,072,107
Balance at end of period		57,906,995	179,253,071
Cumulative Unrealized Gain (Loss) on Fair Value Changes of Investment in Financial Asset			
Balance at beginning of period		3,523,133	(93,278,894)
Unrealized gain (loss)	6	(3,196,976)	42,149,877
Balance at end of period		326,157	(51,129,017)
		58,233,152	128,124,054
RETAINED EARNINGS			
Balance at beginning of period		5,124,763,781	3,656,104,636
Net income		352,359,287	994,551,942
Cash dividends	16	(737,950,341)	(655,955,859)
Balance at end of period		4,739,172,727	3,994,700,719
		₱14,270,868,422	₱13,596,287,316

See accompanying Notes to Unaudited Interim Financial Statements.

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

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

		Unaudited	
	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱486,647,849	₱1,390,469,278
Adjustments for:			
Depreciation and amortization	10	856,470,921	416,675,727
Interest expense	14	206,295,572	122,854,596
Interest income	5	(39,019,612)	(83,735,082)
Retirement benefits	15	16,746,495	19,096,595
Provision for expected credit losses on receivables	7	4,612,063	7,673,566
Gain on disposal of fixed asset	10	(54,911)	–
Operating income before working capital changes		1,531,698,377	1,873,034,680
Decrease (increase) in:			
Merchandise inventories		(189,641,987)	(432,821,434)
Trade and other receivables		(47,085,566)	(157,222,394)
Other current assets		17,762,349	(43,069,961)
Other noncurrent assets		(1,058,849)	(25,275,919)
Increase (decrease) in trade and other payables		(409,207,308)	138,487,556
Net cash generated from operations		902,467,016	1,353,132,528
Income tax paid		(431,262,410)	(375,638,216)
Contributions to retirement plan	15	(38,895,156)	(16,192,264)
Retirement benefits paid	15	(1,159,107)	(509,939)
Interest received from cash in banks		907,311	683,371
Net cash provided by operating activities		432,057,654	961,475,480
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	10	(808,323,411)	(1,199,534,997)
Computer software	12	(19,306,588)	(11,576,077)
Net proceeds from sale of investment in retail treasury bonds		2,250,000,000	–
Decrease (increase) in:			
Short-term investments		210,017,665	–
Advances to contractors		160,255,753	(96,353,314)
Interest received from investments		55,102,175	81,433,594
Net cash provided by (used in) investing activities		1,847,745,594	(1,226,030,794)

(Forward)

		Unaudited	
	Note	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividend	16	(₱737,950,341)	(₱655,955,859)
Lease liabilities	11	(579,593,959)	(268,904,542)
Interest on long-term debt	14	(358)	(590)
Net cash used in financing activities		(1,317,544,658)	(924,860,991)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		962,258,590	(1,189,416,305)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,462,042,311	2,842,073,524
CASH AND CASH EQUIVALENTS AT END OF PERIOD		₱2,424,300,901	₱1,652,657,219

See accompanying Notes to Unaudited Interim Financial Statements.

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

NOTES TO 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, 2017, the 1,393,906,200 common shares of the Company were listed in the Philippine Stock Exchange (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 16).

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

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

The 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 investment in retail treasury bond (RTB) 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 measurement date. The Company uses valuation

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

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

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

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

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

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

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

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

- Note 6, *Investments*
- Note 24, *Fair Value of Financial Instruments*

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS effective January 1, 2020.

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.
- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of “material” and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is “material” if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS, did not have a material effect on the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

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 fair value through other comprehensive income (financial asset at FVOCI). The classification of financial asset largely depends on the Company’s business model and its contractual cash flow characteristics.

As at June 30, 2020 and December 31, 2019, the Company does not have financial assets measured at FVPL. The Company has no FVOCI as at June 30, 2020.

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 June 30, 2020 and December 31, 2019, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to suppliers, and officers and employees), 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.

Cash and cash equivalents, include cash on hand, cash in banks and money market placements. 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 Assets at FVOCI. Financial assets at FVOCI which pertain to debt instrument, is 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, 2019, this category includes investment in RTB.

Impairment. 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.

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 and (b) financial liabilities at FVPL.

As at June 30, 2020 and December 31, 2019, 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 June 30, 2020 and December 31, 2019, the long-term debt, lease liabilities and trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue) are included in this category.

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.

Merchandise Inventories

Merchandise inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the moving 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 charged to cost of sales at the period in which it occurred. 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 deferred input value-added tax (VAT), materials and supplies, prepaid expenses, input VAT, 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.

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.

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

Deferred Input VAT. 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 subsequently. 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.

Property and Equipment

Property and equipment, excluding construction in progress, 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:

<u>Asset Type</u>	<u>Number of Years</u>
Buildings and improvements	20 or term of lease, whichever is shorter
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.

In 2019, the Company changed the estimated useful lives of buildings and leasehold improvements covered with lease agreements with related parties and third parties on land, buildings and retail and office units from 20 years to 15 years and from five to three years, respectively, to align with the lease terms for land, buildings and retail and office units of 15 years and three years (as amended for certain lease agreements).

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 advances to contractors, security deposits, computer software, electricity deposits and refundable cash bonds. Other noncurrent assets, except computer software, qualify as financial assets and are disclosed under financial instruments.

Advances to Contractors. Advances to contractors represent advance payments made in relation to purchase of materials and services for the construction of stores and are carried at cost less any impairment in value. These will be applied against future billings.

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 annually. 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.

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 year. A reversal of an impairment loss is recognized immediately in profit or loss.

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 cumulative unrealized gain (loss) on fair value changes of investment in RTB 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.

Revenue within the scope of PFRS 15 is recognized as follows:

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.

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.

Revenue outside scope of PFRS 15 is recognized as follows:

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

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

Cost and Expense Recognition

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

Operating Expenses. Operating expenses constitute cost of administering the business and cost incurred to sell and market the goods. These include advertising and freight and handling, among others. Operating expenses are expensed as incurred.

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

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 net 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 Company as a Lessee.

Right-of-Use (ROU) Assets. ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- restoration costs

The ROU assets are measured subsequently at cost less amortization and any impairment losses. Additionally, the cost is subsequently adjusted for any remeasurement of the lease liabilities resulting from reassessments or lease modifications.

Lease Liabilities. Lease liabilities are measured at the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

After the initial recognition, the measurement of a lease liability is affected by:

- accruing interest on the lease liability
- lease payments made
- remeasurements reflecting any reassessment or lease modifications

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise an extension or termination option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis of accounting as rent expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

The Company as a Lessor.

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 of accounting 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 components of the Company; (b) whose operating results are regularly reviewed by the Company's senior management, its chief operating decision maker, to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

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

Provisions

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

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

Contingencies

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

Events after the Reporting Date

Events after the reporting date that provide additional information about the Company's financial position at the end of the reporting d (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 Ability to Continue as a Going Concern. The management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Company is not aware of any material uncertainties that may cast significant doubts upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

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 Classification of Financial Assets. Classification of financial assets depends on the results of the business model test and sole payment of principal and interest (SPPI) test performed by the Company.

The Company exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives. Below are the key factors considered by the Company in its business model assessment:

- Specific business objectives in holding the financial assets,
- Policies in managing the risks of the financial assets,
- Expected frequency, value and timing of sales, and
- Key performance indicators of the financial assets.

The Company also determines whether the contractual terms of debt instruments classified and measured as financial assets at amortized cost give rise to specified dates to cash flows that are solely payments for principal and interest, with interest representing time value of money and credit risk associated with the outstanding principal amount. Any other contractual term that changes the timing or amount of cash flows does not meet the SPPI test.

Determining the Classification of Lease Arrangements and Appropriate Lease Term and Discount Rates. The Company, as a lessee, has various lease agreements with related parties and third parties for land, buildings, retail and office units, computer software and transportation equipment.

The Company has exercised significant judgment in determining the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or in any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Starting January 1, 2019, all the existing leases of the Company, except for short-term lease on transportation equipment and leases on land and buildings with less than 12 months term at transition, qualified as leases under PFRS 16.

Lease liabilities and ROU assets were recognized for the remaining lease agreements. Payments of lease liabilities are allocated over the principal liability and finance costs. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of liability for each year. The ROU assets are amortized over the lease term on a straight-line basis.

The leases on land, buildings, retail and office units and computer software are renewable upon mutual agreement by both parties (as amended for certain lease agreements) to be covered by a separate and new lease agreement. Accordingly, the renewal option was not considered in the lease term for purposes of the adoption of PFRS 16.

Significant management judgment was likewise exercised by the Company in determining the discount rate, whether implicit rate, if readily available or incremental rate, to be used in calculating the present value of ROU assets and lease liabilities. The discount rate ranges from 5.5% to 8.1% from

January 1, 2020 to June 30, 2020 and 5.59% to 7.28% from January 1, 2019 to December 31, 2019, which are the incremental borrowing rates as obtained from the banks.

Reassessments are made on a continuing basis whether changes should be reflected on the amount of lease liabilities due to circumstances affecting lease payments and discount rates.

Interest expense on lease liabilities amounted to ₱206.3 million and ₱122.9 million the six-month periods ended June 30, 2020 and 2019, respectively and ₱104.1 million and ₱69.8 million for the three-month periods ended June 30, 2020 and 2019, respectively (see Note 11).

Amortization on ROU assets amounted to ₱533.1 million and ₱234.5 million for the six-month periods ended June 30, 2020 and 2019, respectively and ₱262.1 million and ₱147.1 million while for the three-month periods ended June 30, 2020 and 2019, respectively (see Note 11).

As at June 30, 2020 and December 31, 2019, ROU assets amounted to ₱5,326.1 million and ₱5,704.4 million, respectively (see Note 11).

As at June 30, 2020 and December 31, 2019, lease liabilities amounted to ₱5,260.5 million and ₱5,486.5 million, respectively (see Note 11).

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 ₱8.8 million, ₱16.3 million for the six-month periods ended June 30, 2020 and 2019, respectively and ₱2.4 and ₱7.8 million for the three-month periods ended June 30, 2020 and 2019, respectively (see Note 11).

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 or claims under these lawsuits 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 Investment in RTB. 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.

The Company's investment was valued using the active quoted price. The investment has matured on April 11, 2020, proceeds from maturity amounted to ₱2,269.1 million. Interest income earned amounting to ₱20.0 million (see Note 6).

Assessing Impairment of Trade and Other Receivables. Starting 2018, the Company adopted the simplified approach in measuring ECL based on lifetime expected credit losses on its trade receivables. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Net provision for expected credit losses recognized as at June 30, 2020 and 2019 amounted to ₱4.6 million and ₱7.7 million, respectively and ₱7.2 million and ₱5.8 million for the six-month periods ended June 30, 2020 and 2019, respectively (see Note 7). Based on management assessment the allowance for expected credit losses as of the six-month periods ended June 30, 2020 is sufficient. The Company will continue to reassess the provision of this measurement throughout the end of the current year.

The carrying amount of trade and other receivables (excluding advances to suppliers and officers and employees) amounted to ₱ 315.4 million and ₱ 383.0 million as at June 30, 2020 and December 31, 2019, respectively (see Note 7). Allowance for expected credit losses amounted to ₱79.8 million and ₱75.2 million as at June 30, 2020 and December 31, 2019, respectively (see Note 7).

Assessing Estimated Impairment Losses on Other Financial Assets 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 expected credit losses on other financial assets at amortized cost were recognized for the six-month periods ended June 30, 2020 and 2019 and also, no provision recognized for the three-month periods ended June 30, 2020 and 2019.

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

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Security deposits	12	₱145,583,928	₱141,734,449
Electricity deposits	12	52,502,620	47,922,896
Container deposits	9	8,010,715	8,010,715
		₱206,097,263	₱197,668,060

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 expected credit losses as at June 30, 2020 and December 31, 2019 (see Note 12).

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 amount of merchandise inventories amounted to ₱9,707.2 million and ₱9,517.5 million as at June 30, 2020 and December 31, 2019, respectively (see Note 8). Net reversal of allowance for inventory write-down and losses is ₱33.3 million as at December 31, 2019 (see Note 8). Allowance for inventory write-down and losses amounted to ₱97.5 million as at June 30, 2020 and December 31, 2019 (see Note 8). The Company's inventories are non-perishable. Hence, based on management assessment, existing allowance for inventory obsolescence is sufficient as of the six-month period ended June 30, 2020. The Company will continue to reassess this estimate throughout the end of the current year.

Estimating Useful Lives of Property, Plant 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.

In 2019, the Company changed the estimated useful lives of buildings and leasehold improvements covered with lease agreements with related parties and third parties on land, buildings and retail and office units from 20 years to 15 years and from five to three years, respectively, to align with the lease terms for land, buildings and retail and office units of 15 years and three years (as amended for certain lease agreements). The change in estimate is effective January 1, 2019. The effect of the change in estimated useful lives of buildings and leasehold improvements resulted to an increase in depreciation and amortization by ₱28.8 million as at June 30, 2019.

There is no change in estimated useful lives of other items of property and equipment and computer software in 2020 and 2019. The carrying amount of depreciable property and equipment and computer software follows:

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Property and equipment*	10	₱4,936,922,883	₱4,227,821,977
Computer software	12	100,840,332	86,282,472
		₱5,037,763,215	₱4,314,104,449

*Excluding construction in progress amounting to ₱534.2 million and ₱753.5 million as at June 30, 2020 and December 31, 2019, 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 2020 and 2019.

Determining Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the assumptions determined by management and used by the actuary in calculating such amounts. These assumptions are described in Note 15 to the 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 ₱255.0 million and ₱275.7 million as at June 30, 2020 and December 31, 2019, respectively (see Note 15).

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

Deferred tax assets (gross) amounted to ₱380.5 million and ₱338.2 million as at June 30, 2020 and December 31, 2019, respectively (see Note 19).

4. 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 16).

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 ₱914.1 million and ₱1,400.7 million as at June 30, 2020 and December 31, 2019, respectively, and are maintained in various current and savings accounts, cash equivalents and investment in RTB.

Details are as follows:

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Cash and cash equivalents	₱938,255,868	₱37,372,360
Advances from various regular bank accounts	(24,192,527)	(886,703,388)
Investment in RTB (at face value)	-	2,250,000,000
	₱914,063,341	₱1,400,668,972

The fair value of investment in RTB amounted to 2,253.5 million as at December 31, 2019 (see Note 6).

The remaining investment in retail treasury bond amounting to ₱2,250.0 million matured on April 11, 2020. The proceeds, which amounted to ₱2,269.1 million, were used to reimburse the funds from regular bank accounts. The remaining amount were reinvested in short-term money market placements. Interest income amounted to ₱20.0 million for the six-month periods ended June 30, 2020 (see Note 6).

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

5. Cash and Cash Equivalents

This account consists of:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	₱7,511,970	₱8,779,283
Cash in banks	1,015,538,931	1,453,263,028
Cash equivalents	1,401,250,000	–
	₱2,424,300,901	₱1,462,042,311

Cash in banks earn interest at prevailing bank deposit rates. Cash Equivalents represent money market placements with interest ranging from 1.88% to 2.50%.

Details of interest income are as follows:

	Note	Unaudited			
		For the Six-Month Periods		For the Three-Month Periods	
		Ended June 30		Ended June 30	
		2020	2019	2020	2019
Investment in RTB	6	₱20,049,607	₱56,184,167	₱2,125,000	₱28,134,167
Cash and cash equivalents		10,075,057	27,550,915	9,679,655	5,643,593
Short-term investments	6	8,894,948	–	516,635	–
	18	₱39,019,612	₱83,735,082	₱12,321,290	₱33,777,760

6. Investments

Short-term Investments

Short-term investments amounting to ₱406.8 million and ₱616.5 million as at June 30, 2020 and December 31, 2019, respectively, represent money market placements, which bear interest from 2.5% to 4.00%.

Interest income from these investments amounted to ₱8.9 million and ₱0.5 million for the six-month period and three-month period ended June 30, 2020, respectively.

Investment in RTB

As at December 31, 2019, investment in RTB amounting ₱2,253.5 million is classified as financial asset at FVOCI. The investment bears an annual interest of 4.25% and the maturity was on April 11, 2020. Accordingly, the investment is classified as current asset as at December 31, 2019.

The proceeds from the maturity of the investment including interest earned amounted to ₱2,269.1 million which is equal to the maturity value of the investment. Interest income earned from this investment amounted to ₱ 20.0 million and ₱ 56.2 million for the six-month periods ended June 30, 2020 and 2019, respectively and ₱2.1 million and ₱28.1 million for the three-month periods ended June 30, 2020 and 2019, respectively (see Note 5).

7. Trade and Other Receivables

Details of this account are as follows:

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade:			
Third parties		₱279,269,542	₱366,209,326
Related parties	21	1,770,809	1,589,088
Advances to suppliers		134,401,890	44,311,064
Advances to officers and employees		15,591,682	12,630,795
Accrued interest		2,874,619	19,864,492
Rent receivables	11	5,821,501	6,055,351
Others		105,485,212	64,459,448
		545,215,255	515,119,564
Allowance for expected credit losses		(79,829,965)	(75,217,902)
		₱465,385,290	₱439,901,662

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

Advances to suppliers pertain to advance payments on purchases of trade and nontrade goods and services.

Advances to officers and employees are noninterest-bearing advances and are normally settled through salary deduction. This account also includes cash advances to employees and officers for store operations which are for liquidation.

Accrued interest pertains to interest receivable on the Company's cash equivalents and short-term investments.

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.

Aging of trade and other receivables are as follows:

<i>Amounts in Millions</i>	As at June 30, 2020 (Unaudited)				
	Total	Neither Past Due Nor Impaired	Less Than On Year	One Year and Over	Past Due and Impaired
Trade:					
Third parties	₱279.2	₱135.4	₱54.1	₱89.3	₱0.4
Related parties	1.8	1.3	0.3	0.2	–
	281.0	136.7	54.4	89.5	0.4
Advances to suppliers	134.4	134.4	–	–	–
Accrued interest	2.9	2.9	–	–	–
Advances to officers and employees	15.6	15.6	–	–	–
Rental	5.8	4.4	0.9	0.5	–
Others	105.5	77.5	6.7	21.2	0.1
	545.2	371.5	62.0	111.2	0.5
Allowance for impairment losses	(79.8)	(20.7)	(32.9)	(25.7)	(0.5)
	₱465.4	₱350.8	₱29.1	₱85.5	₱–

<i>Amounts in Millions</i>	As at December 31, 2019 (Audited)				
	Total	Neither Past Due Nor Impaired	Less Than On Year	One Year and Over	Past Due and Impaired
Trade:					
Third parties	₱366.2	₱296.8	₱22.4	₱47.0	₱–
Related parties	1.6	0.7	0.2	0.3	0.4
	367.8	297.5	22.6	47.3	0.4
Advances to suppliers	44.3	44.3	–	–	–
Accrued interest	19.9	19.9	–	–	–
Advances to officers and employees	12.6	12.6	–	–	–
Rental	6.1	5.1	0.6	0.4	–
Others	64.4	51.3	6.2	6.8	0.1
	515.1	430.7	29.4	54.5	0.5
Allowance for impairment losses	(75.2)	(2.3)	(21.4)	(51.0)	(0.5)
	₱439.9	₱428.4	₱8.0	₱3.5	₱–

Movements of allowance for expected credit losses on receivables are as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱75,217,902	₱63,449,396
Provision	4,612,063	11,768,506
Balance at end of period	₱79,829,965	₱75,217,902

Based on management assessment, the allowance for expected credit losses as of the six-month period ended June 30, 2020 is sufficient.

8. Merchandise Inventories

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At cost	₱9,657,126,505	₱9,449,683,308
At NRV	50,052,610	67,853,820
	₱9,707,179,115	₱9,517,537,128

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 ₱147.5 million and ₱165.3 million as at June 30, 2020 and December 31, 2019, respectively.

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Beginning of period	₱97,489,151	₱130,826,546
Reversal	-	(33,337,395)
Balance at end of period	₱97,489,151	₱97,489,151

Based on management assessment, existing allowance for inventory obsolescence is sufficient as of the six-month period ended June 30, 2020.

Inventories charged to cost of sales amounted to ₱5,918.4 million and ₱7,965.2 million for the six-month periods ended June 30, 2020 and 2019, respectively and ₱2,218.3 million and ₱4,064.7 million for the three-month periods ended June 30, 2020 and 2019, respectively, including any provision or reversal of allowance for inventory write-down and losses.

9. Other Current Assets

Details of this account are as follows:

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current deferred input VAT	₱263,433,189	₱391,159,640
Prepaid expenses	178,316,816	123,573,994
Materials and supplies	166,194,437	159,906,892
Input VAT	77,676,563	50,284,291
Container deposits	8,010,715	8,010,715
	₱693,631,720	₱732,935,532

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

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

Materials and supplies pertain to consumable 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:

	June 30, 2020 (Unaudited)					Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	
Cost						
Balance at beginning of period	₱3,263,751,108	₱1,167,464,751	₱480,512,334	₱41,686,017	₱753,545,152	₱5,706,959,362
Additions	–	99,514,459	–	1,558,034	707,450,918	808,523,411
Reclassification	787,117,942	4,092,889	135,575,043	–	(926,785,874)	–
Disposal	–	–	–	(223,214)	–	(223,214)
Balance at end of period	4,050,869,050	1,271,072,099	616,087,377	43,020,837	534,210,196	6,515,259,559
Accumulated Depreciation and Amortization						
Balance at beginning of period	217,915,439	404,754,613	87,460,251	15,461,930	–	725,592,233
Depreciation and amortization	114,857,495	116,759,335	82,724,886	4,270,656	–	318,612,372
Disposal	–	–	–	(78,125)	–	(78,125)
Balance at end of period	332,772,934	521,513,948	170,185,137	19,654,461	–	1,044,126,480
Carrying Value	₱3,718,096,116	₱749,558,151	₱445,902,240	₱23,366,376	₱534,210,196	₱5,471,133,079

	December 31, 2019 (Audited)					Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	
Cost						
Balance at beginning of year	₱1,843,096,812	₱704,127,389	₱121,409,402	₱36,078,694	₱383,780,960	₱3,088,493,257
Additions	–	293,363,348	1,941,856	5,607,323	2,317,553,578	2,618,466,105
Reclassification	1,420,654,296	169,974,014	357,161,076	–	(1,947,789,386)	–
Balance at end of year	3,263,751,108	1,167,464,751	480,512,334	41,686,017	753,545,152	5,706,959,362
Accumulated Depreciation and Amortization						
Balance at beginning of year	47,962,174	240,786,447	24,978,726	7,605,070	–	321,332,417
Depreciation and amortization	169,953,265	163,968,166	62,481,525	7,856,860	–	404,259,816
Balance at end of year	217,915,439	404,754,613	87,460,251	15,461,930	–	725,592,233
Carrying Value	₱3,045,835,669	₱762,710,138	₱393,052,083	₱26,224,087	₱753,545,152	₱4,981,367,129

Carrying amount of the fixed asset disposed amounted to ₱145,089. Gain on disposal of fixed asset amounted to ₱54,911.

Construction in progress pertains to costs incurred for constructing new stores in various strategic locations within the Philippines and are expected to be completed in 2020.

Depreciation and amortization are summarized below:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2020	2019	2020	2019
ROU assets	11	₱533,109,821	₱234,542,476	₱262,096,268	₱147,141,380
Property and equipment		318,612,372	177,207,396	165,273,069	88,281,830
Computer software	12	4,748,728	4,925,855	2,322,606	2,523,304
	17	₱856,470,921	₱416,675,727	₱429,691,943	₱237,946,514

11. Lease Commitments

The Company as a Lessee

The Company has various lease agreements with related parties and third parties for the use of land, buildings, retail and office units, transportation equipment and computer software for a period of one to 15 years. These leases are renewable upon mutual agreement by both parties (as amended for certain lease agreements) to be covered by a separate and new lease agreement. The annual rent is subject to escalation of 5%.

Security deposits amounted to ₱145.6 million and ₱141.7 million as at June 30, 2020 and December 31, 2019, respectively (see Note 12). Accrued rent and advance rent amounted to ₱143.9 million and ₱54.9 million as at December 31, 2018, these were reclassified as part of ROU assets upon the adoption of PFRS 16 during the year 2019.

Amounts recognized in profit and loss:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2020	2019	2020	2019
Amortization on ROU assets	10	₱533,109,821	₱234,542,476	₱262,096,268	₱147,141,380
Interest on lease liabilities	14	206,295,266	122,854,007	104,127,001	69,756,770
Rent expense	17	36,544,372	258,505,128	20,220,708	114,266,623
		₱775,949,459	₱615,901,611	₱386,443,977	₱331,164,773

Rent expense in 2019 pertains to short-term lease on transportation equipment and leases on land and buildings with less than 12 months term at transition.

Movements in ROU assets are presented below:

June 30, 2020 (Unaudited)							
	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Cost							
Balances as at January 1, 2020		₱3,480,129,245	₱2,066,847,254	₱347,168,152	₱48,742,662	38,914,064	₱5,981,801,377
Additions		397,131,830	295,850,030	-	68,724,083	-	761,705,943
Remeasurements		(69,566,897)	(81,831,008)	(7,040,595)	(4,567,532)	-	(163,006,032)
Balance as at end of period		3,807,694,178	2,280,866,276	340,127,557	112,899,213	38,914,064	6,580,501,288
Amortization							
Balances as at January 1, 2020		212,640,047	406,764,729	50,251,887	34,379,377	17,295,139	721,331,179
Amortization during the period	10	136,396,006	324,687,519	46,682,499	16,696,227	8,647,570	533,109,821
Balances as at end of the period		349,036,053	731,452,248	96,934,386	51,075,604	25,942,709	1,254,441,000
Carrying Value	2	₱3,458,658,125	₱1,549,414,028	₱243,193,171	₱61,823,609	₱12,971,355	₱5,326,060,288

December 31, 2019 (Audited)							
	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Balances as at January 1, 2019	2	₱2,051,625,685	₱337,213,138	₱32,754,890	₱48,742,662	₱-	₱2,470,336,375
Additions		1,428,503,560	1,729,634,116	314,413,262	-	38,914,064	3,511,465,002
Amortization		(212,640,047)	(406,764,729)	(50,251,887)	(34,379,377)	(17,295,139)	(721,331,179)
Balances as at end of year	2	₱3,267,489,198	₱1,660,082,525	₱296,916,265	₱14,363,285	₱21,618,925	₱5,260,470,198

Movements in the lease liabilities are presented below:

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	2	₱5,486,482,205	₱2,559,379,229
Additions		754,248,356	3,450,951,018
Payments		(579,593,959)	(824,218,626)
Interest expense		206,295,266	300,370,584
Remeasurement		(163,006,032)	-
	2	5,704,425,836	5,486,482,205
Current portion		1,417,095,062	1,423,074,043
Noncurrent portion		₱4,287,330,774	₱4,063,408,162

Total cash outflows for the payment of lease liabilities amounted to ₱ 579.6 million and ₱824.2 million as at June 30,2020 and December 31, 2019, respectively.

As at June 30, 2020, the future undiscounted minimum lease payments under non-cancellable leases are as follows:

	Unaudited June 30 2020
Less than one year	₱1,043,440,600
Between one and five years	3,066,612,576
More than five years	4,729,573,045
Balance at end of year	₱8,839,626,221

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 ₱8.8 million and ₱16.3 million for the six-month periods ended June 30, 2020 and 2019, respectively and ₱2.4 million and ₱7.8 million for the three-month periods ended June 30, 2020 and 2019, respectively (see Note 18).

Rent receivables amounted to ₱5.8 million and ₱6.1 million as at June 30, 2020 and December 31, 2019, respectively (see Note 7).

12. Other Noncurrent Assets

Details of this account are as follows:

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to contractors		₱147,608,115	₱307,863,868
Security deposits	11	145,583,928	141,734,449
Computer software		100,840,332	86,282,472
Electricity deposits		52,502,620	47,922,896
Noncurrent deferred input VAT		47,869,796	55,240,150
		₱494,404,791	₱639,043,835

Advances to contractors pertain to payments for purchase of materials and services for the constructions of assets to be classified as property and equipment. The advances will be applied against the future billings of the contractors.

Movements of computer software are as follow:

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost			
Balance at beginning of period		₱103,690,309	₱73,355,365
Additions		19,306,588	30,334,944
Balance at end of period		122,996,897	103,690,309
Accumulated Amortization			
Balance at beginning of period		17,407,837	9,823,672
Amortization	10	4,748,728	7,584,165
Balance at end of period		22,156,565	17,407,837
Carrying Amount		₱100,840,332	₱86,282,472

Electricity deposits pertain to noninterest-bearing refundable deposits to various electric companies. These are to 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 June 30, 2020 and December 31, 2019, the refund of cash bonds is still pending with the BOC. Consequently, this has been fully provided with allowance.

13. Trade and Other Payables

Details of this account are as follows:

	Note	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade:			
Third parties		₱3,731,570,629	₱4,437,057,093
Related parties	21	241,811,579	145,381,226
Nontrade:			
Third parties		464,648,203	346,644,283
Related parties	21	30,463,110	6,808,036
Advances from customers		286,137,708	244,015,413
Accrued expenses:			
Outside services		140,604,057	101,888,443
Utilities		14,959,494	27,639,785
Salaries and wages		14,210,042	27,420,742
Rent		370,908	–
Others		32,702,688	13,999,561
Others		163,456,450	179,287,646
		₱5,120,934,868	₱5,530,142,228

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

Advances from customers pertain to payments and deposits made by the customers, which are to be applied against future purchases.

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

14. Long-term Debt

Long-term debt amounting to ₱20,000 represent loans maturing in August 2021 and bears interest ranging from 2.25% to 6.0% in 2020 and 2019.

Details of interest expense follows:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2020	2019	2020	2019
Lease liabilities	11	₱206,295,266	₱122,854,007	₱104,127,001	₱69,756,770
Long-term debt		306	589	72	300
		₱206,295,572	₱122,854,596	₱104,127,073	₱69,757,070

As at June 30, 2020 and December 31, 2019, certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million (see Note 21).

The maturities of the long-term debts as at June 30, 2020 are in two years.

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

	June 30, 2020 (Unaudited)		December 31, 2019 (Audited)	
	Long-term Debt	Accrued Interest	Long-term Debt	Accrued Interest
Balance at beginning of period	₱20,000	₱29	₱20,000	₱35
Payments	–	(358)	–	(1,178)
Interest expense	–	306	–	1,114
Balance at end of period	₱20,000	(₱23)	₱20,000	(₱29)

There are no noncash transactions arising from these liabilities.

15. Retirement Plan

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 liabilities and the amount of contributions. The latest actuarial valuation report was dated as at December 31, 2019.

Details of retirement benefits recognized in profit or loss are as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2020	2019	2020	2019
Current service cost	₱10,805,529	₱15,912,663	₱6,411,501	₱9,069,694
Interest expense	8,568,366	5,380,048	3,564,106	2,340,826
Interest income	(2,627,402)	(2,196,116)	(1,092,896)	(955,517)
	₱16,746,493	₱19,096,595	₱8,882,711	₱10,455,003

The cumulative remeasurement gain recognized in other comprehensive income follows:

	June 30, 2020 (Unaudited)		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 18)	Net
	Balance at beginning of period	₱85,360,293	(₱25,608,088)
Remeasurement loss	(2,636,013)	790,803	(1,845,210)
Balance at end of period	₱82,724,280	(₱24,817,285)	₱57,906,995

	December 31, 2019 (Audited)		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 18)	Net
	Balance at beginning of year	₱251,687,091	(₱75,506,127)
Remeasurement loss	(166,326,798)	49,898,039	(116,428,759)
Balance at end of year	₱85,360,293	(₱25,608,088)	₱59,752,205

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of define benefit obligation	₱415,772,664	₱397,557,876
Fair value of plan assets	(160,793,516)	(121,906,972)
	₱254,979,148	₱275,650,904

The present value of the retirement liability was 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.

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱397,557,876	₱200,113,371
Remeasurement (gain) loss:		
Changes in financial assumptions	-	105,304,194
Changes in demographic assumptions	-	(13,660,769)
Experience	-	76,993,592
Interest expense	8,568,366	15,068,537
Current service cost	10,805,529	15,323,307
Benefits paid	(1,159,107)	(1,584,356)
Balance at end of period	₱415,772,664	₱397,557,876

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱121,906,972	₱81,685,536
Contributions	38,895,156	32,192,264
Interest income	2,627,402	7,303,309
Remeasurement gain (loss)	(2,636,014)	2,310,219
Benefits paid	-	(1,584,356)
Balance at end of period	₱160,793,516	₱121,906,972

Details of plan assets are as follows:

Unit investment trust funds	99.99%
Others	0.01%
	100.00%

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Discount rate	3.59%	5.22%
Annual salary increase rate	4.00%	4.00%

Sensitivity analysis on retirement liabilities is as follows:

	Basis Points	Amount
Discount rate	+100	(₱51,572,343)
	-100	63,344,032
Salary rate	+100	63,491,149
	-100	(52,573,369)
Turnover rate	-	120,333,261

As at June 30, 2020, the expected future benefits payments are as follows:

Year	Amount
2020	₱53,978,602
2021	8,452,300
2022	14,328,739
2023	5,122,153
2024	9,792,966
2025 to 2029	80,812,027
	₱172,486,787

16. Equity

Details of capital stock as at June 30, 2020 and December 31, 2019 are as follow:

	Number of Shares	Amount
Authorized - at ₱1 a share	5,000,000,000	₱5,000,000,000
Issued and outstanding	4,099,724,116	₱4,099,724,116

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 Notes 1 and 4). Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million. Net additional paid-in capital amounted to ₱5,373.7 million.

As at June 30, 2020 and December 31, 2019, the Company has 4,099,724,116 listed shares.

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 12, 2019 and payment date of April 16, 2019.

On February 24 2020, the Company's BOD approved the declaration of regular cash dividend of ₱0.12 per share and a special cash dividend of ₱0.06 per share or a total of ₱0.18 per share, an amount equivalent to ₱738 million to stockholders on record date of March 20, 2020 and payment date of April 16, 2020.

17. Operating Expenses

Details of this account are as follows:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2020	2019	2020	2019
Depreciation and amortization	10	₱856,470,921	₱416,675,727	₱429,691,943	₱237,946,514
Salaries, wages and employee benefits		517,060,990	455,900,415	244,364,713	247,989,156
Outsourced services		404,477,846	442,739,057	156,016,120	232,357,740
Trucking services		195,711,002	266,283,718	57,443,891	140,197,529
Utilities		172,256,835	249,625,247	67,657,916	137,320,241
Taxes and licenses		132,220,244	116,953,289	66,600,821	60,477,551
Credit card charges		73,002,974	95,799,491	24,343,299	48,822,439
Donations and contributions		71,887,476	12,898,419	41,704,249	6,659,960
Rent	11	36,544,372	258,505,128	20,220,708	114,266,623
Supplies		33,245,019	51,219,450	12,768,063	18,177,203
Repairs and maintenance		31,635,036	44,858,778	12,433,304	24,256,698
Advertising and promotions		22,077,145	43,670,471	6,687,445	23,833,045
Postage, telephone and telegraph		16,133,784	16,974,823	7,511,677	8,121,949
Transportation and travel		7,059,489	11,002,790	775,197	6,954,975
Professional Fees		4,503,956	4,049,915	2,166,537	1,739,841
Others		28,050,934	35,945,832	19,223,296	17,461,889
		₱2,602,338,023	₱2,523,102,550	₱1,169,609,179	₱1,326,583,353

Other expenses include professional fees, director's fees, fuel and oil, net provision for impairment losses on receivables and other operating costs.

18. Other Income

Details of this account are as follow:

	Note	Unaudited			
		For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
		2020	2019	2020	2019
Interest	5	₱39,019,612	₱83,735,082	₱12,321,290	₱33,777,760
Rent	11	8,810,000	16,348,071	2,416,500	7,803,071
Others - net		125,868,255	123,350,244	57,055,718	72,775,760
		₱173,697,867	₱223,433,397	₱71,793,508	₱114,356,591

Interest income arises from investment in retail treasury bond, short-term investments and cash in banks.

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

Other include amount 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. It also includes amounts charged to customers such as delivery fees and other charges.

19. Income Tax

The current income tax expense represents regular corporate income tax.

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

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2020	2019	2020	2019
Income tax expense at statutory rate	₱145,994,355	₱417,140,783	₱8,643,435	₱209,210,130
Income tax effects of:				
Interest income already subjected to final tax	(11,705,884)	(25,120,525)	(3,696,387)	(10,133,329)
Nondeductible expenses	91	3,897,078	21	(12,629,638)
	₱134,288,562	₱395,917,336	₱4,947,069	₱186,447,163

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

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets:		
Net lease rental payments	₱150,296,152	₱104,722,881
Retirement liability	78,815,196	85,153,278
Advance rent	49,065,950	48,730,906
Allowance for inventory write-down and losses	29,246,745	29,246,745
Allowance for impairment of refundable cash bonds	25,022,980	25,022,980
Unearned revenue from loyalty program	24,020,149	22,638,569
Allowance for impairment losses on receivables	24,005,170	22,621,551
Unrealized foreign exchange loss	56,043	64,165
	380,528,385	338,201,075
Deferred tax liability:		
Prepaid taxes	(4,460,864)	(4,460,864)
	(4,460,864)	(4,460,864)
	₱376,067,521	₱333,740,211

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

		June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Through profit or loss		₱400,884,805	₱359,348,299
Through other comprehensive income	15	(24,817,284)	(25,608,088)
		₱376,067,521	₱333,740,211

20. Commitments and Contingencies

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 June 30, 2020 and December 31, 2019.

21. Related Party Transactions and Balances

The Company has an approval policy on material Related Party Transactions (RPT) wherein all individual material RPT shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material RPT. In case that a majority of the independent director's vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

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

Related Party	Year	For the Six-month Periods Ended June (Unaudited)		As at June 30, 2020 (Unaudited) and December 31, 2019 (Audited)	
		Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	2020	426,716	₱364,052,864	₱218,525,261	₱871,953
	2019	175,289	390,529,458	218,990,105	1,721,366
Entities under Common Control	2020	14,930,067	666,024,368	148,575,420	275,427,005
	2019	13,881,675	624,364,378	114,456,988	151,805,162
Stockholders	2020	392,592	11,546,718	8,952,768	13,068
	2019	427,678	8,220,027	8,786,372	10,031
	2020	₱15,749,375	₱1,041,623,950	₱376,053,449	₱276,312,026
	2019	14,484,642	1,023,113,863	342,233,465	153,536,559

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱34.6 million and ₱25.8 million as at June 30, 2020 and December 31, 2019, respectively (see Note 7) and security deposits and advance rent (included as part of "ROU asset" and "Other noncurrent assets") aggregating ₱341.5 million and ₱316.4 million as at June 30, 2020 and December 31, 2019, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2020 and 2019.

Amounts owed to related parties consist of trade and other payables aggregating ₱276.3 million and ₱153.5 million as at June 30, 2020 and December 31, 2019, respectively (see Note 13).

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

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

Purchases of goods and services from related parties aggregated ₱316.6 million and ₱365.5 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Sale of goods and services to related parties aggregated ₱15.7 million and ₱14.5 million for the six-month periods ended June 30, 2020 and 2019, respectively.

- b. Reimbursement of certain expenses mainly pertain to taxes, power and electricity, water, postage, telephone and telegraph. Reimbursement of certain expenses from related parties amounted to ₱58.3 million and ₱28.5 million for the six-month periods ended June 30, 2020 and 2019, respectively.

- c. Lease agreements with the Parent Company and related parties for the use of land, buildings, computer software for a period of three (3) to fifteen (15) years (see Note 11).

Interest expense from related parties amounted ₱194.1 million and ₱122.9 million while amortization of ROU asset amounted to ₱ 472.6 million and ₱ 234.5 million for the six-month periods ended June 30, 2020 and 2019, respectively.

Rent expense from related parties amounted to nil for the six-month periods ended June 30, 2020. It is presented under amortization of ROU and interest expense of Lease liability in compliance with PFRS 16. Rent expense from related parties amounted to ₱271.7 million for the six-month periods ended June 30, 2019.

Total lease payments for the six-month periods ended June 30, 2020 and 2019, amounted to ₱514.0 and ₱497.8 million, respectively.

- d. As at June 30, 2020 and December 31, 2019, certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million (see Note 14).

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

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	₱55,447,050	₱43,100,252	₱29,791,625	₱19,508,121
Retirement benefits	2,266,853	2,182,369	1,332,374	997,454
	₱57,713,903	₱45,282,621	₱31,123,999	₱20,505,575

22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	Unaudited			
	For the Six-Month Periods Ended June 30		For the Three-Month Periods Ended June 30	
	2020	2019	2020	2019
Net income	₱352,359,287	₱994,551,942	₱23,866,390	₱510,919,938
Divided by the weighted average number of outstanding shares	4,099,724,116	4,099,724,116	4,099,724,116	4,099,724,116
	₱0.09	₱0.24	₱0.01	₱0.12

23. 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 and officers and employees), investment in RTB, security, electricity and container deposits, refundable cash bonds, trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue), lease liabilities and long-term debt. The main purpose of these financial instruments is to fund the Company's operations.

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

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

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

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

Interest Rate Risk. Interest rate risk pertains to the fluctuations in interest of cash in banks and cash equivalent, short-term investments and investment in RTB. 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.

Capital Management

The Company monitors its debt-to-equity ratio.

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

The debt-to-equity ratio is as follows:

	June 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Total debt	₱11,094,093,087	₱11,575,549,788
Total equity	14,270,868,422	14,661,501,662
Debt-to-equity ratio	0.78:1	0.79:1

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

24. Fair Value of Financial Instruments

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

Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables, Container Deposits, Refundable Cash Bonds, and Trade and Other Payables. The carrying amounts of cash and cash equivalents, short-term investments, trade and other receivables, container deposits, refundable cash bonds, 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.

Investment in RTB. The fair value of investment in RTB is estimated by reference to quoted bid price in an active market at the end of the reporting year 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.

Lease Liabilities. The carrying amount of lease liabilities approximate its fair value because the initial recognition of lease liability is based on the discounted value of lease rentals and expected payments at the end of the lease.

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 2020 and 2019, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE PERIOD ENDED JUNE 30, 2020

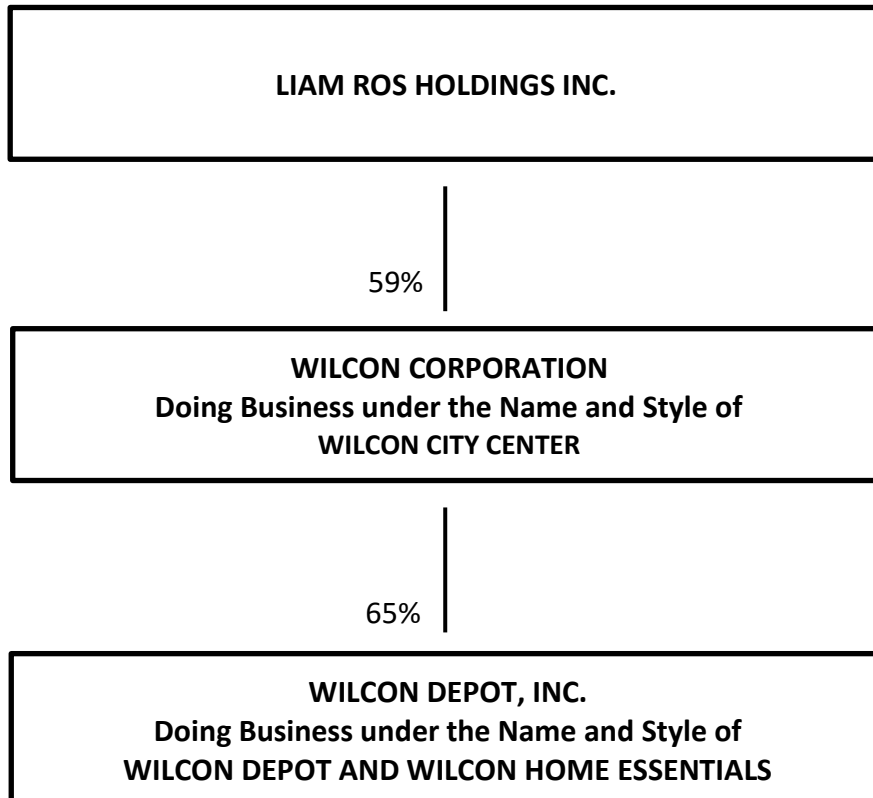
Retained earnings at beginning of period as shown in the financial statements	₱5,124,763,781
Net income during the period closed to retained earnings	352,359,287
Dividends declared during the period	(737,950,341)
Net deferred tax assets as at June 30, 2020	(376,067,521)
<hr/>	
Retained earnings as at end of period available for dividend declaration	₱4,363,105,206

Reconciliation

Retained earnings at end of period as shown in the financial statements	₱4,739,172,727
Net deferred tax assets as at June 30, 2020	(376,067,521)
<hr/>	
Retained earnings as at end of period available for dividend declaration	₱4,363,105,206

WILCON DEPOT, INC.
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CORPORATE STRUCTURE
AS AT JUNE 30, 2020



WILCON DEPOT, INC.
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(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 JUNE 30, 2020

	Allocation based on Prospectus	Allocation based on Actual Net Proceeds	Actual Disbursements
Gross Proceeds	₱7,039,226,310	₱7,039,226,310	₱7,039,226,310
Offer expenses	(289,132,001)	(289,897,803)	(289,897,803)
Net Proceeds	6,750,094,309	6,749,328,507	6,749,328,507
Use of the Proceeds			
Debt repayment	(428,100,000)	(428,100,000)	(428,100,000)
General corporate purposes	(200,000,000)	(200,000,000)	(200,000,000)
Store network expansion	(6,121,994,309)	(6,121,228,507)	(5,207,165,166)
	(6,750,094,309)	(6,749,328,507)	(5,835,265,166)
Unapplied Proceeds	₱-	₱-	₱914,063,341

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.

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SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
AS AT AND FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019, AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

Formula		June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Liquidity ratio				
Current ratio	Total Current Assets Divide by: Total Current Liabilities Current ratio	₱13,697,295,830 <u>6,551,763,165</u> 2.09	2.09 : 1	1.92:1 2.08 : 1
Acid test ratio	Total Current Assets Merchandise Inventories Other Current Assets Quick Assets Divide by: Total Current Liabilities Acid test ratio	₱13,697,295,830 (9,707,179,115) (693,631,720) 3,296,484,995 <u>6,551,763,165</u> 0.50	0.50 : 1	0.39:1 0.66 : 1
Solvency ratio				
Debt to equity ratio	Total Liabilities Divide by: Total Equity Debt to equity ratio	₱11,094,093,087 <u>14,270,868,422</u> 0.78	0.78 : 1	0.64:1 0.79: 1
Profitability ratio				
Return on assets	Net Income Divided by: Total Assets Return on assets	₱352,359,287 <u>25,364,961,509</u> 1.39%	1.39%	4.47% 8.10%
Return on equity	Net Income Divide by: Total Equity Return on equity	₱352,359,287 <u>14,270,868,422</u> 2.47%	2.47%	7.31% 14.49%
Book value per share	Total Equity Divide by: Number of outstanding shares	₱14,270,868,422 <u>4,099,724,116</u> ₱3.48	₱3.48	₱3.32 ₱3.58

	Formula		June 30, 2020 (Unaudited)	June 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Gross margin	Gross Profit Divide by: Net Sales	₱3,121,583,577 <u>9,039,952,851</u>	34.53%	32.37%	33.40%
		34.53%			
EBITDA margin	Income before Income Tax Add: Depreciation and Amortization Interest Expense Earnings Before Interest, Tax, Depreciation, and Amortization Divided by: Net Sales EBITDA margin	₱486,647,849 856,470,921 <u>167,275,960</u> 1,510,394,730 <u>9,039,952,851</u>	16.71%	15.68%	17.26%
		16.71%			
Net income margin	Net Income Divide by: Net Sales Net income margin	₱352,359,287 <u>9,039,952,851</u>	3.90%	8.44%	8.68%
		3.90%			

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SUPPLEMENTARY SCHEDULE OF ADOPTION OF
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS
JUNE 30, 2020

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			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	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	✓		
PFRS 16	Leases	✓		

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	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	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 Recognition of Financial Assets and Financial Liabilities	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
	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			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
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			✓