

COVER SHEET

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S.E.C Registration No.

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(Company's Full name)

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(Principal Office)

Atty. Sheila Pasicolan - Camerino

Contact Person

(02) 8634-8387

Tel. No.

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Month

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Day

1	7	-	Q
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FORM TYPE

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Month

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Date

(Annual Meeting)

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

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File Number

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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 September 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
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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 condensed financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS as at September 30, 2020 and December 31, 2019 and for the nine-month periods ended September 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 Nine Months Ended September 30, 2020 and September 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 47 out of 61 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 42.6% or ₱658 million to ₱886 million for the nine-month period of 2020, from the ₱1,544 million reported during the same period in 2019.

Net Sales

The Company recorded net sales of ₱15,789 million for the nine-month period ended September 30, 2020, a decrease of 12.5% or ₱2,247 million from the ₱18,035 million for the same period in 2019. Comparable sales performance dropped to negative 18.3% 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 61 branches, 47 are located in Luzon and of the 56 stores aged one year or older as of September 30, 2020, 42 branches are in Luzon.

Sales from the depot-format stores contributed the majority of total net sales comprising 96.9% or ₱15,300 million for the period, down by 11.5% or ₱1,984 million from the ₱17,284 million net sales for the nine-month period of 2019. The depot's same store sales dropped by negative 17.6%.

The smaller format "Home Essentials", recording net sales of ₱359 million accounting for 2.3% of net sales, likewise reported a downswing of 26.9% or ₱132 million as at September 30, 2020 from the prior year's ₱492 million. Same store sales for the format declined by 26.9% as six out of the seven Home Essentials are located in Metro Manila.

The remaining 0.8% was accounted for by project sales or sales to major developers, amounting to ₱129 million, decreasing by 50.3% or ₱130 million from the 2019 nine-month level.

As of September 30, 2020, the Company has opened four new depots, all located in Luzon bringing the total number of stores to 61 (54 depots and 7 home essentials).

Gross Profit

Gross profit closed at ₱5,436 million, resulting in a gross profit margin of 34.4% for the period ended September 30, 2020. For the same period in 2019, gross profit totaled ₱5,912 million for a gross profit margin of 32.8%. 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 51.4% of total net sales for the period versus 49.2% in the same period in 2019.

Operating Expenses

Operating expenses increased to ₱4,113 million for the period, up 5.2% or ₱203 million from the prior period's ₱3,910 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 September 30, 2019 offset by the decrease in utilities, trucking, outsourced services and advertising expense during the quarantine period. Depreciation and amortization recorded the highest increase at 72.7% or ₱553 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 75.3% or ₱220 million to ₱72 million.

Interest Expense

Interest expense increased to ₱317 million for the period from the prior year's nine-month period of ₱208 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 nine months ended September 30, 2020 amounted to ₱243 million, down by 26.5% or ₱88 million from the ₱330 million generated for the same period in 2019 mainly due to the decrease in interest income, rent income and net other income. Other income consists of: 1) Rent and net other income from trade and other suppliers amounting to ₱196 million, down by 7.0% or ₱15 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 ₱46 million which decreased from the prior period balance of ₱119 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 as of September 30, 2020 reached ₱2,833 million, or 17.9% of net sales. EBITDA as of September 30, 2019 is reported at ₱2,974 million, or 16.5% of net sales.

EBIT for the nine-month of 2020 is ₱1,519 million or 9.6% of net sales, while for the same period of 2019 amounted to ₱2,213 million, or 12.3% of net sales, respectively.

Income Tax Expense

The Company's income tax expense decreased by 37.4% or ₱217 million to end at ₱363 million, versus the ₱580 million incurred during the same period last year in view of lower taxable income.

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

Assets

WDI's total assets grew by 1.1% or ₱299 million from ₱26,237 million balance as at December 31, 2019 to close at ₱26,536 million as at September 30, 2020. The increase was due mainly to capital expenditures related to store network expansion and right of use asset for new leases partially offset by the payment of dividends, lease, trade and other payables and income tax and decrease in inventories.

Current Assets

Aggregate cash and short-term investments increased by ₱1,529 million or 73.6% from ₱2,079 million at the close of 2019 to ₱3,608 million as at September 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 ₱392 million as at September 30, 2020, 10.8% or ₱47 million lower than the ₱440 million balance as at December 31, 2019. The decrease was mainly due to decrease in trade receivables partially offset with the increase in advances made to suppliers.

Merchandise inventories totaling ₱9,234 million make up the bulk of current assets, accounting for 66.3% of total current assets as at September 30, 2020. This represents a 3.0% or ₱284 million decrease versus the 2019 ending balance of ₱9,518 million.

Noncurrent assets

The Company's noncurrent assets totaled ₱12,600 million, 12.3% or ₱1,385 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 ₱7,158 million as at close of the period, lower by 1.1% or ₱79 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 partially offset by the increase in lease liability in relation to new leases.

Non-current liabilities totaled ₱4,577 million, up by ₱238 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 ₱11,735 million as at September 30, 2020, ₱159 million or 1.4% higher than the balance of ₱11,576 million at the end of 2019.

Equity

Total equity amounted to ₱14,802 million, comprised of capital stock of ₱4,100 million, additional paid-in capital of ₱5,374 million, retained earnings of ₱5,272 million, and other comprehensive income (loss) of ₱56 million as at September 30, 2020. Total equity as at December 31, 2019, meanwhile totaled ₱14,662 million. The 1.0% increase in the equity balance is attributed to the net income earned for the period of ₱886 million partially offset by the declaration of dividends of ₱738 million.

Key Financial Performance Indicators

Key Performance Indicators	2020	2019
Sales	15,788,831,499	18,035,339,505
EBIT ¹	1,519,137,066	2,212,761,196
EBITDA ²	2,833,470,757	2,973,874,001
EBIT Margin ³	9.62%	12.27%
Current Ratio ⁴	1.95	2.20
Debt to Equity Ratio ⁵	0.79	0.71
Interest Coverage Ratio ⁶	4.8	10.6

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 September 30, 2020 and December 31, 2019

1. Aggregate cash and short-term investments increased by ₱1,529 million or 73.6% from ₱2,079 million at the close of 2019 to ₱3,608 million as at September 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 ₱392 million as at September 30, 2020, 10.8% or ₱47 million lower than the ₱440 million balance as at December 31, 2019. The decrease was mainly due to decrease in trade receivables partially offset with the increase in advances made to suppliers.
3. Property and equipment increased by ₱1,230 million or 24.7% from ₱4,981 million at the close of 2019 to ₱6,211 million as at September 30, 2020 due mainly to capital expenditures related to store network expansion.
4. Net deferred tax assets increased by ₱64 million or 19.0% from ₱334 million at the close of 2019 to ₱397 million as at September 30, 2020 due mainly to the tax effect of temporary differences on net lease rental payments.

5. Other noncurrent assets decreased by ₱114 million or 17.8% from ₱639 million at the close of 2019 to ₱525 million as at September 30, 2020 due mainly to decrease in advances to contractors.
6. Lease liability including non-current portion increased by ₱461 million or 8.4% from ₱5,486 million at the close of 2019 to ₱5,947 as at September 30, 2020 due to lease liabilities in relation to PFRS 16 for new leases.
7. Net retirement liability decreased by ₱16 million or 5.9% from ₱276 million at the close of 2019 to ₱259 million as at September 30, 2020 due mainly to contributions to the plan assets in 2020.
8. Other comprehensive income decreased by ₱7 million or 11.8 % from ₱63 million at the close of 2019 to ₱56 million as at September 30, 2020 due to reversal of unrealized gain upon maturity of investment in retail treasury bond and remeasurement loss on retirement liability.

Income Statement Items

1. Net sales for the nine-month period ended September 30, 2020 amounted to ₱15,789 million, 12.5% or ₱2,247 million lower than the ₱18,035 million generated during the same period in 2019 mainly due to comparable sales performance drop to negative 18.3% 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 decreased by 8.1% to ₱5,436 million for the period from the ₱5,912 million level for the same period in 2019, corresponding to the decrease in sales in existing stores during the ECQ period.
3. Operating expenses increased to ₱4,113 million for the period, up 5.2% or ₱203 million from the prior period's ₱3,910 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 September 30, 2019 offset by the decrease in utilities, trucking, outsourced services and advertising expense during the quarantine period. Depreciation and amortization recorded the highest increase at 72.7% or ₱553 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 75.3% or ₱220 million to ₱72 million.
4. Interest expense increased to ₱317 million for the period from the prior year's first nine-month period of ₱208 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.
5. Other income (charges) for the nine months ended September 30, 2020 totaled ₱243 million, down by 26.5% or ₱88 million from the ₱330 million recorded in the same period of 2019 mainly due to the decrease in interest income, rent income and net other income.
6. The Company's income tax expense decreased by 37.4% or ₱217 million to end at ₱363 million, versus the ₱580 million incurred during the same period last year in view of lower taxable income.
7. 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 42.6% or ₱658 million to ₱886 million for the nine-month of 2020, from the ₱1,544 million reported during the same period in 2019.

PART II--OTHER INFORMATION

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

SIGNATURES

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

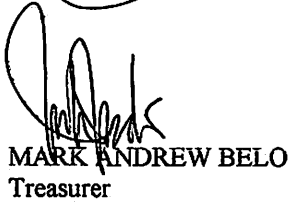
October 30, 2020

WILCON DEPOT, INC.

By:



LORRAINE BELO-CINCOCHAN
President - CEO



MARK ANDREW 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 September 30, 2020 and December 31, 2019 and
For the Nine-Month Periods Ended September 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 SEPTEMBER 30, 2020 AND DECEMBER 31, 2019

	Note	2020 Unaudited	2019 Audited
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱1,575,516,803	₱1,462,042,311
Short-term investments	6	2,032,403,264	616,490,311
Investment in retail treasury bond	6	–	2,253,523,133
Trade and other receivables	7	392,401,663	439,901,662
Merchandise inventories	8	9,233,534,231	9,517,537,128
Other current assets	9	703,051,609	732,935,532
Total Current Assets		13,936,907,570	15,022,430,077
Noncurrent Assets			
Property and equipment	10	6,211,279,293	4,981,367,129
Right-of-use assets	11	5,465,769,579	5,260,470,198
Net deferred tax assets	19	397,255,934	333,740,211
Other noncurrent assets	12	525,279,826	639,043,835
Total Noncurrent Assets		12,599,584,632	11,214,621,373
		₱26,536,492,202	₱26,237,051,450
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	₱5,285,262,091	₱5,530,142,228
Current portion of lease liabilities	11	1,629,164,267	1,423,074,043
Income tax payable		243,178,450	283,254,451
Total Current Liabilities		7,157,604,808	7,236,470,722
Noncurrent Liabilities			
Long-term debt	14	20,000	20,000
Lease liabilities - net of current portion	11	4,317,835,443	4,063,408,162
Net retirement liability	15	259,405,765	275,650,904
Total Noncurrent Liabilities		4,577,261,208	4,339,079,066
Total Liabilities		11,734,866,016	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		55,777,910	63,275,338
Retained earnings		5,272,385,733	5,124,763,781
Total Equity		14,801,626,186	14,661,501,662
		₱26,536,492,202	₱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 NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019
AND FOR THE THREE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

	Note	Unaudited			
		For the Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2020	2019	2020	2019
NET SALES		₱15,788,831,499	₱18,035,339,505	₱6,748,878,648	₱6,257,128,619
COST OF SALES	8	(10,352,846,089)	(12,123,377,519)	(4,434,476,815)	(4,158,159,659)
GROSS INCOME		5,435,985,410	5,911,961,986	2,314,401,833	2,098,968,960
OPERATING EXPENSES	17	(4,112,990,759)	(3,910,079,278)	(1,510,652,737)	(1,386,976,728)
INTEREST EXPENSE	14	(316,543,555)	(207,865,265)	(110,247,983)	(85,010,669)
OTHER INCOME - Net	18	242,600,414	330,244,524	68,902,546	106,811,126
INCOME BEFORE INCOME TAX		1,249,051,510	2,124,261,967	762,403,659	733,792,689
INCOME TAX EXPENSE (BENEFIT)	19				
Current		425,291,670	628,007,167	247,299,235	213,652,459
Deferred		(61,812,453)	(47,567,105)	(18,108,580)	(29,129,734)
		363,479,217	580,440,062	229,190,655	184,522,725
NET INCOME		885,572,293	1,543,821,905	533,213,004	549,269,964
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	(3,974,295)	99,392,905	(2,129,086)	57,243,028
<i>Item to be reclassified to profit or loss -</i> Unrealized gain (loss) on fair value changes of financial asset	6	(3,523,133)	2,790,057	(326,157)	(282,051)
		(7,497,428)	102,182,962	(2,455,243)	56,960,977
TOTAL COMPREHENSIVE INCOME		₱878,074,865	₱1,646,004,867	₱530,757,761	₱606,230,941
BASIC AND DILUTIVE EARNINGS PER SHARE	22	₱0.22	₱0.38	₱0.13	₱0.13

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 NINE-MONTH PERIODS ENDED SEPTEMBER 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		(3,974,295)	2,790,057
Balance at end of period		55,777,910	178,971,021
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	(3,523,133)	99,392,906
Balance at end of period		–	6,114,012
		55,777,910	185,085,033
RETAINED EARNINGS			
Balance at beginning of period		5,124,763,781	3,656,104,636
Net income		885,572,293	1,543,821,905
Cash dividends	16	(737,950,341)	(655,955,859)
Balance at end of period		5,272,385,733	4,543,970,682
		₱14,801,626,186	₱14,202,518,258

See accompanying Notes to Unaudited Interim Financial Statements.

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

UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
FOR THE NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2020 AND 2019

		Unaudited	
	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱1,249,051,510	₱2,124,261,967
Adjustments for:			
Depreciation and amortization	10	1,314,333,691	761,112,805
Interest expense	14	316,543,555	211,448,363
Interest income	5	(46,457,999)	(119,366,036)
Retirement benefits	15	25,356,116	29,682,309
Provision for expected credit losses on receivables	7	15,656,895	12,101,534
Gain on disposal of fixed asset	10	(54,911)	–
Operating income before working capital changes		2,874,428,857	3,019,240,942
Decrease (increase) in:			
Merchandise inventories		284,002,897	(1,185,883,226)
Trade and other receivables		13,411,557	(106,477,786)
Other current assets		(14,670,035)	(129,512,492)
Other noncurrent assets		(6,941,650)	(46,639,886)
Increase (decrease) in trade and other payables		(244,880,110)	1,025,884,727
Net cash generated from operations		2,905,351,516	2,576,612,279
Income tax paid		(444,995,645)	(567,428,253)
Contributions to retirement plan	15	(46,119,712)	(16,192,264)
Retirement benefits paid	15	(1,159,107)	(1,584,356)
Interest received from cash in banks		1,339,376	1,006,533
Net cash provided by operating activities		2,414,416,428	1,992,413,939
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment	10	(1,725,584,296)	(2,016,168,910)
Computer software	12	(29,994,829)	(15,655,026)
Net proceeds from sale of investment in retail treasury bonds		2,250,000,000	250,000,000
Decrease (increase) in:			
Short-term investments		(1,415,912,953)	(408,190,000)
Available-for-sale financial assets		–	120,308,665
Advances to contractors		143,627,680	(182,278,862)
Interest received from investments		63,550,170	–
Net cash provided by (used in) investing activities		(714,314,228)	(2,251,984,133)

(Forward)

		Unaudited	
	Note	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividend	16	(P737,950,341)	(P655,955,859)
Lease liabilities	11	(848,676,849)	(562,270,776)
Interest on long-term debt	14	(518)	(871)
Net cash used in financing activities		(1,586,627,708)	(1,218,227,506)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		113,474,492	(1,477,797,700)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		1,462,042,311	2,842,073,524
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	P1,575,516,803	P1,364,275,824

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 September 30, 2020 and December 31, 2019, the Company does not have financial assets measured at FVPL. The Company has no FVOCI as at September 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 September 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 September 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 September 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 September 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 ₱316.5 million and ₱207.9 million the nine-month periods ended September 30, 2020 and 2019, respectively and ₱110.2 million and ₱85.0 million for the three-month periods ended September 30, 2020 and 2019, respectively (see Note 11).

Amortization on ROU assets amounted to ₱811.5 million and ₱475.1 million for the nine-month periods ended September 30, 2020 and 2019, respectively and ₱278.4 million and ₱240.5 million for the three-month periods ended September 30, 2020 and 2019, respectively (see Note 11).

As at September 30, 2020 and December 31, 2019, ROU assets amounted to ₱5,465.8 million and ₱5,260.5 million, respectively (see Note 11).

As at September 30, 2020 and December 31, 2019, lease liabilities amounted to ₱5,947 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 ₱22.1 million and ₱23.3 million for the nine-month periods ended September 30, 2020 and 2019, respectively and ₱13.3 and ₱7.0 million for the three-month periods ended September 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 September 30, 2020 and 2019 amounted to ₱15.6 million and ₱5.3 million, respectively and ₱11.0 million and (₱2.3) million for the three-month periods ended September 30, 2020 and 2019, respectively (see Note 7). Based on management assessment the allowance for expected credit losses as of the nine-month periods ended September 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 ₱309.0 million and ₱383.0 million as at September 30, 2020 and December 31, 2019, respectively (see Note 7). Allowance for expected credit losses amounted to ₱90.9 million and ₱75.2 million as at September 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 nine-month periods ended September 30, 2020 and 2019.

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

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Security deposits	12	₱ 149,962,666	₱141,734,449
Electricity deposits	12	53,726,220	47,922,896
Container deposits	9	8,010,715	8,010,715
		₱211,699,601	₱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 September 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 ₱9,233.5 million and ₱9,517.5 million as at September 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 September 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 nine-month period ended September 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 ₱40.0 million as at September 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	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Property and equipment*	10	₱5,033,384,371	₱4,227,821,977
Computer software	12	109,204,492	86,282,472
		₱5,142,588,863	₱4,314,104,449

*Excluding construction in progress amounting to ₱1,177.9 million and ₱753.5 million as at September 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 ₱259.4 million and ₱275.7 million as at September 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 ₱401.7 million and ₱338.2 million as at September 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 ₱215.1 million and ₱1,400.7 million as at September 30, 2020 and December 31, 2019, respectively, and are maintained in various current and savings accounts and cash equivalents.

Details are as follows:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash and cash equivalents	₱1,103,880,054	₱37,372,360
Advances from various regular bank accounts	(888,730,367)	(886,703,388)
Investment in RTB (at face value)	-	2,250,000,000
	₱215,149,687	₱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 nine-month periods ended September 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 2021.

5. Cash and Cash Equivalents

This account consists of:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cash on hand	₱8,904,666	₱8,779,283
Cash in banks	1,011,612,137	1,453,263,028
Cash equivalents	555,000,000	-
	₱1,575,516,803	₱1,462,042,311

Cash in banks earn interest at prevailing bank deposit rates. Cash Equivalents represent money market placements with interest ranging from 1.15% to 2.0%.

Details of interest income are as follows:

	Note	Unaudited			
		For the Nine-month Periods		For the Three-Month Periods	
		Ended September 30		Ended September 30	
		2020	2019	2020	2019
Investment in RTB	6	₱20,049,607	₱81,442,152	₱-	₱25,257,986
Cash and cash equivalents		11,640,640	35,765,012	1,565,583	8,214,096
Short-term investments	6	14,767,752	2,158,872	5,872,804	2,158,872
	18	₱46,457,999	₱119,366,036	₱7,438,387	₱35,630,954

6. Investments

Short-term Investments

Short-term investments amounting to ₱2,032.4 million and ₱616.5 million as at September 30, 2020 and December 31, 2019, respectively, represent money market placements, which bear interest from 1.15% to 4.00%.

Interest income from these investments amounted to ₱14.7 million and ₱2.2 million for the nine-month period September 30, 2020, respectively and ₱5.9 million and ₱2.2 million three-month period ended September 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.

Unrealized gain (loss) on fair value changes of investment in RTB amounted to (₱3.5) million and ₱96.8 million as at September 30, 2020 and December 31, 2019, respectively

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 ₱81.4 million for the nine-month periods ended September 30, 2020 and 2019, respectively and nil and ₱25.3 million for the three-month periods ended September 30, 2019, respectively (see Note 5).

7. Trade and Other Receivables

Details of this account are as follows:

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade:			
Third parties		₱304,711,101	₱366,209,326
Related parties	21	1,605,323	1,589,088
Advances to suppliers		67,163,299	44,311,064
Advances to officers and employees		16,266,572	12,630,795
Rent receivables	11	9,985,942	6,055,351
Accrued interest		1,432,944	19,864,492
Others		82,111,279	64,459,448
		483,276,460	515,119,564
Allowance for expected credit losses		(90,874,797)	(75,217,902)
		₱392,401,663	₱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, short-term investments and Investment in RTB.

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 September 30, 2020 (Unaudited)				
	Total	Neither Past Due Nor Impaired	Less Than One Year	One Year to Less Than Three Years	More Than Three Years
Trade:					
Third parties	₱304.7	₱63.5	₱141.6	₱42.9	₱56.7
Related parties	1.6	0.5	0.9	0.2	–
	306.3	64.0	142.5	43.1	56.7
Advances to suppliers	67.2	67.2	–	–	–
Advances to officers and employees	16.3	16.3	–	–	–
Rental	10.0	8.9	0.6	0.5	–
Accrued interest	1.4	1.4	–	–	–
Others	82.1	20.0	38.1	18.9	5.1
	483.3	177.8	181.2	62.5	61.8
Allowance for impairment losses	(90.9)	–	(14.4)	(16.5)	(60.0)
	₱392.4	₱177.8	₱166.8	₱46.0	₱1.8

<i>Amounts in Millions</i>	As at December 31, 2019 (Audited)				
	Total	Neither Past Due Nor Impaired	Less Than One Year	One Year to Less Than Three Years	More Than Three Years
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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱75,217,902	₱63,449,396
Provision	15,656,895	11,768,506
Balance at end of period	₱90,874,797	₱75,217,902

Based on management assessment, the allowance for expected credit losses as of the nine-month period ended September 30, 2020 is sufficient.

8. Merchandise Inventories

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
At cost	₱9,198,249,931	₱9,449,683,308
At NRV	35,284,300	67,853,820
	₱9,233,534,231	₱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 ₱132.8 million and ₱165.3 million as at September 30, 2020 and December 31, 2019, respectively.

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

	September 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 nine-month period ended September 30, 2020.

Inventories charged to cost of sales amounted to ₱10,352.8 million and ₱12,123.4 million for the nine-month periods ended September 30, 2020 and 2019, respectively and ₱4,434.5 million and ₱4,158.2 million for the three-month periods ended September 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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Current deferred input VAT	₱339,542,666	₱391,159,640
Materials and supplies	195,275,862	159,906,892
Prepaid expenses	160,222,366	123,573,994
Container deposits	8,010,715	8,010,715
Input VAT	-	50,284,291
	₱703,051,609	₱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:

	September 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	–	144,378,527	–	4,933,034	1,576,472,735	1,725,784,296
Reclassification	835,683,498	44,109,845	272,329,622	–	(1,152,122,965)	–
Disposal	–	–	–	(223,214)	–	(223,214)
Balance at end of period	4,099,434,606	1,355,953,123	752,841,956	46,395,837	1,177,894,922	7,432,520,444
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	183,874,523	177,501,048	127,817,274	6,534,198	–	495,727,043
Disposal	–	–	–	(78,125)	–	(78,125)
Balance at end of period	401,789,962	582,255,661	215,277,525	21,918,003	–	1,221,241,151
Carrying Value	₱3,697,644,644	₱773,697,462	₱537,564,431	₱24,477,834	₱1,177,894,922	₱6,211,279,293

	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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2020	2019	2020	2019
ROU assets	11	₱811,533,839	₱475,076,502	₱278,424,019	₱240,534,024
Property and equipment		495,727,043	280,435,052	177,114,671	103,227,657
Computer software	12	7,072,809	5,601,251	2,324,081	675,396
	17	₱1,314,333,691	₱761,112,805	₱457,862,771	₱344,437,077

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 ₱150.0 million and ₱141.7 million as at September 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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2020	2019	2020	2019
Amortization on ROU assets	10	₱811,533,839	₱475,076,502	₱278,424,019	₱240,534,024
Interest on lease liabilities	14	316,543,066	207,864,400	110,247,800	85,010,392
Rent expense	17	72,332,658	292,701,663	35,788,286	34,196,535
		₱1,200,409,563	₱975,642,565	₱424,460,105	₱359,740,951

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:

September 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	495,650,921	618,496,484	14,211,484	46,674,809	-	1,175,033,698
Remeasurements	(69,566,897)	(73,677,817)	(7,040,595)	(7,915,169)	-	(158,200,478)
Balance as at end of period	3,906,213,269	2,611,665,921	354,339,041	87,502,302	38,914,064	6,998,634,597
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	10 213,970,310	486,026,840	70,834,641	27,730,693	12,971,355	811,533,839
Balances as at end of the period	426,610,357	892,791,569	121,086,528	62,110,070	30,266,494	1,532,865,018
Carrying Value	3 ₱3,479,602,912	₱1,718,874,352	₱233,252,513	₱25,392,232	₱8,647,570	₱5,465,769,579

December 31, 2019 (Audited)						
Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Balances as at January 1, 2019	₱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 during the period	(212,640,047)	(406,764,729)	(50,251,887)	(34,379,377)	(17,295,139)	(721,331,179)
Carrying Value	3 ₱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	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of the period	3 ₱5,486,482,205	₱2,559,379,229
Additions	1,150,851,766	3,450,951,018
Payments	(848,676,849)	(824,218,626)
Interest expense	316,543,066	300,370,584
Remeasurement	(158,200,478)	-
	3 5,946,999,710	5,486,482,205
Current portion	1,629,164,267	1,423,074,043
Noncurrent portion	₱4,317,835,443	₱4,063,408,162

Total cash outflows for the payment of lease liabilities amounted to ₱ 848.8 million and ₱824.2 million as at September 30,2020 and December 31, 2019, respectively.

As at September 30, 2020, the future undiscounted minimum lease payments under non-cancellable leases are as follows:

Less than one year	₱1,228,327,964
Between one and five years	2,646,413,850
More than five years	5,205,536,234
Balance at end of year	₱9,080,278,048

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 ₱22.1 million and ₱23.3 million for the nine-month periods ended September 30, 2020 and 2019, respectively and ₱13.3 million and ₱7.0 million for the three-month periods ended September 30, 2020 and 2019, respectively (see Note 18).

Rent receivables amounted to ₱10.0 million and ₱6.1 million as at September 30, 2020 and December 31, 2019, respectively (see Note 7).

12. Other Noncurrent Assets

Details of this account are as follows:

	Note	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Advances to contractors		₱164,236,188	₱307,863,868
Security deposits	11	149,962,666	141,734,449
Computer software		109,204,492	86,282,472
Electricity deposits		53,726,220	47,922,896
Noncurrent deferred input VAT		48,150,260	55,240,150
		₱525,279,826	₱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	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Cost			
Balance at beginning of period		₱103,690,309	₱73,355,365
Additions		29,994,829	30,334,944
Balance at end of period		133,685,138	103,690,309
Accumulated Amortization			
Balance at beginning of period		17,407,837	9,823,672
Amortization	10	7,072,809	7,584,165
Balance at end of period		24,480,646	17,407,837
Carrying Amount		₱109,204,492	₱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 September 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	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Trade:			
Third parties		₱3,778,684,059	₱4,437,057,093
Related parties	21	218,950,401	145,381,226
Nontrade:			
Third parties		389,429,368	346,644,283
Related parties	21	3,185,286	6,808,036
Advances from customers		287,774,078	244,015,413
Accrued expenses:			
Outside services		129,018,083	101,888,443
Utilities		34,759,917	27,639,785
Salaries and wages		34,761,350	27,420,742
Others		210,241,292	13,999,561
Others		198,458,257	179,287,646
		₱5,285,262,091	₱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 4.0 % in 2020 and 2019.

Details of interest expense follows:

	Note	Unaudited			
		For the Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2020	2019	2020	2019
Lease liabilities	11	₱316,543,066	₱207,864,400	₱110,247,800	₱85,010,392
Long-term debt		489	865	183	277
		₱316,543,555	₱207,865,265	₱110,247,983	₱85,010,669

As at September 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 September 30, 2020 are in two years.

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

	September 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	—	(518)	—	(1,178)
Interest expense	—	489	—	1,114
Balance at end of period	₱20,000	₱—	₱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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2020	2019	2020	2019
Current service cost	₱16,741,336	₱24,985,460	₱5,935,808	₱9,072,798
Interest expense	12,424,678	7,879,464	3,856,311	2,499,416
Interest income	(3,809,898)	(3,216,368)	(1,182,498)	(1,020,252)
	₱25,356,116	₱29,648,556	₱8,609,621	₱10,551,962

The cumulative remeasurement gain recognized in other comprehensive income follows:

	September 30, 2020 (Unaudited)		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 19)	Net
	Balance at beginning of period	₱85,360,293	(₱25,608,088)
Remeasurement loss	(5,677,564)	1,703,269	(3,974,295)
Balance at end of period	₱79,682,729	(₱23,904,819)	₱55,777,910

	December 31, 2019 (Audited)		
	Cumulative Remeasurement Gain	Deferred Tax (see Note 19)	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:

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Present value of define benefit obligation	₱425,564,783	₱397,557,876
Fair value of plan assets	(166,159,018)	(121,906,972)
	₱259,405,765	₱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:

	September 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
Current service cost	16,741,336	15,323,307
Interest expense	12,424,678	15,068,537
Benefits paid	(1,159,107)	(1,584,356)
Balance at end of period	₱425,564,783	₱397,557,876

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Balance at beginning of period	₱121,906,972	₱81,685,536
Contributions	46,119,712	32,192,264
Interest income	3,809,898	7,303,309
Remeasurement gain (loss)	(5,677,564)	2,310,219
Benefits paid	-	(1,584,356)
Balance at end of period	₱166,159,018	₱121,906,972

Details of plan assets are as follows:

Unit Investment trust funds	99.73%
Others	0.27%
	100.00%

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Discount rate	3.88%	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 September 30, 2020, the expected future benefits payments are as follows:

Year	Amount
2020	₱53,618,348
2021	8,452,300
2022	14,328,739
2023	5,122,153
2024	9,792,966
2025 to 2029	80,812,027
	₱172,126,533

16. Equity

Details of capital stock as at September 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 September 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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2020	2019	2020	2019
Depreciation and amortization	10	₱1,314,333,691	₱761,112,805	₱457,862,771	₱344,437,077
Salaries, wages and employee benefits		807,053,113	724,525,441	289,992,123	268,625,026
Outsourced services		634,939,662	688,355,393	230,461,816	245,616,336
Trucking services		313,653,040	400,430,770	117,942,039	134,147,052
Utilities		306,436,712	384,336,707	134,179,878	134,711,461
Taxes and licenses		216,747,887	182,691,640	84,527,642	65,738,352
Credit card charges		123,655,032	148,561,174	50,652,058	52,761,683
Donations and contributions		71,962,937	14,060,755	75,461	1,162,336
Rent	11	72,332,658	292,701,663	35,788,286	34,196,535
Supplies		67,595,404	73,666,997	34,350,386	22,447,547
Repairs and maintenance		59,401,604	69,966,711	27,766,569	25,107,932
Advertising and promotions		31,771,267	72,521,214	9,694,122	28,850,743
Postage, telephone and telegraph		24,671,543	26,285,086	8,537,759	9,310,263
Transportation and travel		10,396,878	15,656,692	3,337,389	4,653,902
Professional Fees		6,798,962	6,438,656	2,295,006	2,388,741
Others		51,240,369	48,767,574	23,189,432	12,821,742
		₱4,112,990,759	₱3,910,079,278	₱1,510,652,737	₱1,386,976,728

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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
		2020	2019	2020	2019
Interest	5	₱46,457,999	₱119,366,036	₱7,438,387	₱35,630,954
Rent	11	22,127,385	23,323,971	13,317,385	6,975,900
Others - net		174,015,030	187,554,517	48,146,774	64,204,272
		₱242,600,414	₱330,244,524	₱68,902,546	₱106,811,126

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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2020	2019	2020	2019
Income tax expense at statutory rate	₱374,715,453	₱637,278,590	₱228,721,098	₱220,137,807
Income tax effects of:				
Interest income already subjected to final tax	(13,937,400)	(35,809,811)	(2,231,515)	(10,689,286)
Nondeductible expenses	2,701,164	3,619,008	2,701,072	(278,071)
Offer and other deductible expenses	-	(24,647,725)	-	(24,647,725)
	₱363,479,217	₱580,440,062	₱229,190,655	₱184,522,725

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

	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Deferred tax assets:		
Net lease rental payments	₱161,950,279	₱104,722,881
Retirement liability	80,074,902	85,153,278
Advance rent	52,915,850	48,730,906
Allowance for inventory write-down and losses	29,246,745	29,246,745
Allowance for impairment losses on receivables	27,318,619	22,621,551
Unearned revenue from loyalty program	25,069,537	22,638,569
Allowance for impairment of refundable cash bonds	25,022,980	25,022,980
Unrealized foreign exchange loss	117,886	64,165
	401,716,798	338,201,075
Deferred tax liability:		
Prepaid taxes	(4,460,864)	(4,460,864)
	(4,460,864)	(4,460,864)
	₱397,255,934	₱333,740,211

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

		September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
Through profit or loss		₱421,160,753	₱359,348,299
Through other comprehensive income	15	(23,904,819)	(25,608,088)
		₱397,255,934	₱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 September 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 Nine-month Periods Ended September (Unaudited)		As at September 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	₱533,360	₱559,364,502	₱222,218,950	₱2,401,139
	2019	₱359,129	₱565,790,770	218,990,105	1,721,366
Entities under Common Control	2020	22,237,469	989,832,933	168,801,739	221,320,927
	2019	15,895,274	919,425,859	114,456,988	151,805,162
Stockholders	2020	474,193	19,551,335	8,842,367	13,068
	2019	503,236	12,466,329	8,786,372	10,031
	2020	₱23,245,022	₱1,568,748,770	₱399,863,056	₱223,735,134
	2019	16,757,639	1,497,682,958	342,233,465	153,536,559

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱37.9 million and ₱25.8 million as at September 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 ₱361.9 million and ₱316.4 million as at September 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 ₱223.7 million and ₱153.5 million as at September 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 ₱431.6 million and ₱541.6 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

Sale of goods and services to related parties aggregated ₱23.2 million and ₱16.8 million for the nine-month periods ended September 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 ₱93.9 million and ₱50.4 million for the nine-month periods ended September 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 ₱298.9 million and ₱207.3 million while amortization of ROU asset amounted to ₱ 733.8 million and ₱ 473.0 million for the nine-month periods ended September 30, 2020 and 2019, respectively.

Rent expense from related parties amounted to ₱10.5 million and ₱225.4 million for the nine-month periods ended September 30, 2020 and 2019, respectively. It is presented under amortization of ROU and interest expense of Lease liability in compliance with PFRS 16

Total lease payments for the nine-month periods ended September 30, 2020 and 2019, amounted to ₱762.4 million and ₱741.1 million, respectively.

- d. As at September 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 Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2020	2019	2020	2019
Short-term employee benefits	₱82,155,102	₱69,209,513	₱26,708,053	₱26,109,261
Retirement benefits	3,332,930	3,515,948	1,066,077	1,333,579
	₱85,488,032	₱72,725,461	₱27,774,130	₱27,442,840

22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	Unaudited			
	For the Nine-month Periods Ended September 30		For the Three-Month Periods Ended September 30	
	2020	2019	2020	2019
Net income	₱885,572,293	₱1,543,821,905	₱533,213,005	₱549,269,964
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
	₱0.22	₱0.38	₱0.13	₱0.13

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:

	September 30, 2020	December 31, 2019
	(Unaudited)	(Audited)
Total debt	₱11,734,866,016	₱11,575,549,788
Total equity	14,801,626,186	14,661,501,662
Debt-to-equity ratio	0.79:1	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.
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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 SEPTEMBER 30, 2020

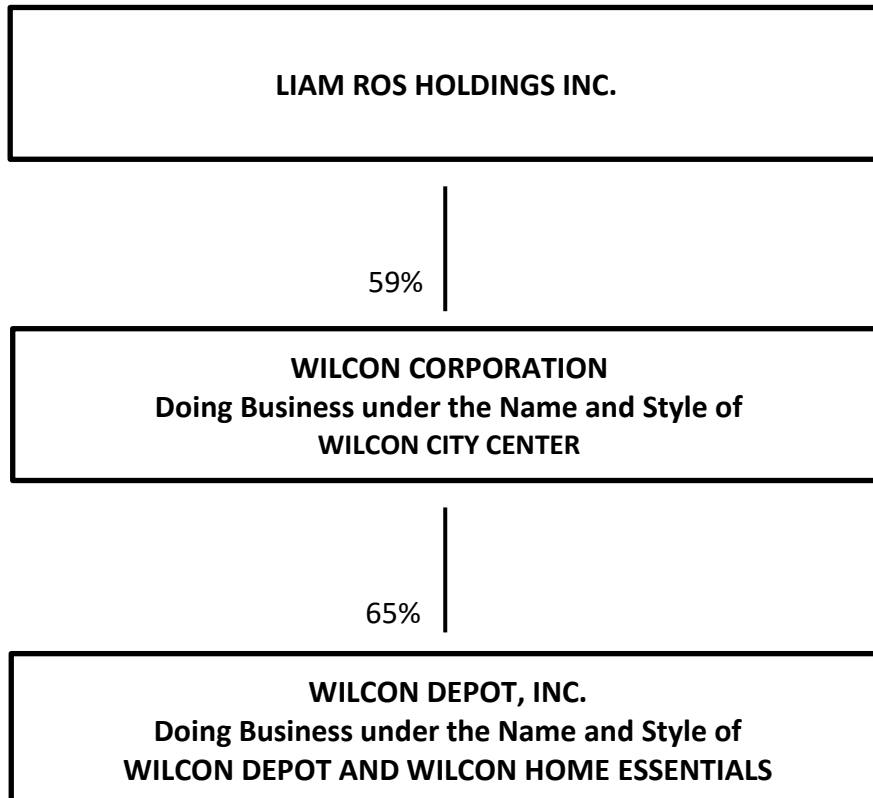
Retained earnings at beginning of period as shown in the financial statements	₱5,124,763,781
Net income during the period closed to retained earnings	885,572,293
Dividends declared during the period	(737,950,341)
Net deferred tax assets as at September 30, 2020	(397,255,934)
<hr/>	
Retained earnings as at end of period available for dividend declaration	₱4,875,129,799

Reconciliation

Retained earnings at end of period as shown in the financial statements	₱5,272,385,733
Net deferred tax assets as at September 30, 2020	(397,255,934)
<hr/>	
Retained earnings as at end of period available for dividend declaration	₱4,875,129,799

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CORPORATE STRUCTURE
AS AT SEPTEMBER 30, 2020



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

SUPPLEMENTARY SCHEDULE OF APPLICATION OF
PROCEEDS FROM INITIAL PUBLIC OFFERING
AS AT SEPTEMBER 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)	(5,906,078,820)
	(6,750,094,309)	(6,749,328,507)	(6,534,178,820)
Unapplied Proceeds	₱-	₱-	₱215,149,687

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 SEPTEMBER 30, 2020 AND 2019, AND
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2019

Formula	September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)	
Liquidity ratio				
Current ratio	Total Current Assets P13,936,907,570 Divide by: Total Current Liabilities 7,157,604,808 <u>1.95</u>	1.95 : 1	2.2:1	2.08 : 1
Acid test ratio	Total Current Assets P13,936,907,570 Merchandise Inventories (9,233,534,231) Other Current Assets (703,051,609) <u>Quick Assets</u> 4,000,321,730 Divide by: Total Current Liabilities 7,157,604,808 <u>Acid test ratio</u> 0.56	0.56 : 1	0.77:1	0.66 : 1
Solvency ratio				
Debt to equity ratio	Total Liabilities P11,734,866,016 Divide by: Total Equity 14,801,626,186 <u>Debt to equity ratio</u> 0.79	0.79 : 1	0.71:1	0.79: 1
Profitability ratio				
Return on assets	Net Income P885,572,293 Divided by: Total Assets 26,536,492,202 <u>Return on assets</u> 3.34%	3.34%	6.30%	8.10%
Return on equity	Net Income P885,572,293 Divide by: Total Equity 14,801,626,186 <u>Return on equity</u> 5.98%	5.98%	10.90%	14.49%
Book value per share	Total Equity P14,801,626,186 Divide by: Number of outstanding shares 4,099,724,116 <u>Book value per share</u> P3.61	P3.61	P3.46	P3.58

	Formula		September 30, 2020 (Unaudited)	September 30, 2019 (Unaudited)	December 31, 2019 (Audited)
Gross margin	Gross Profit Divide by: Net Sales	₱5,435,985,410 15,788,831,499 <u>34.43%</u>	34.43%	32.80%	33.40%
EBITDA margin	Income before Income Tax Add: Depreciation and Amortization Interest Expense- net Earnings Before Interest, Tax, Depreciation, and Amortization Divided by: Net Sales EBITDA margin	₱1,249,051,510 1,314,333,691 270,085,556 <u>2,833,470,757</u> 15,788,831,499 <u>17.95%</u>	17.95%	16.49%	17.26%
Net income margin	Net Income Divide by: Net Sales Net income margin	₱885,572,293 15,788,831,499 <u>5.61%</u>	5.61%	8.56%	8.68%

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