

# COVER SHEET

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S.E.C Registration No.

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| A | N | D | W | I | L | C | O | N | H | O | M | E | E | S | S | E | N | T | I | A | L | S |

(Company's Full name)

|   |   |    |   |   |   |   |   |   |   |   |   |   |    |   |   |    |   |   |   |  |  |
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| U | G | O  | N | G | N | O | R | T | E | Q | U | E | Z  | O | N | C  | I | T | Y |  |  |

(Principal Office)

**Atty. Sheila Pasicolan - Camerino**  
Contact Person

**(02) 8634-8387**  
Tel. No.

## PRELIMINARY INFORMATION STATEMENT

|  |  |           |  |
|--|--|-----------|--|
|  |  | 2 0 - I S |  |
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FORM TYPE

Secondary License, (if applicable type)

**M S R D**  
Dept. requiring this doc

**N/A**  
Amended Articles number

|                    |          |         |
|--------------------|----------|---------|
|                    |          |         |
| Total stockholders | Domestic | Foreign |

To be accomplished by SEC personnel concerned

|             |     |
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|             |     |
| File Number | LCU |

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| Document I.D. | Cashier |

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:  
[  ] Preliminary Information Statement  
[  ] Definitive Information Statement
2. Name of Registrant as specified in its charter:  
WILCON DEPOT, INC.
3. Province, country or other jurisdiction of incorporation or organization  
QUEZON CITY, PHILIPPINES
4. SEC Identification Number  
CS201524712
5. BIR Tax Identification Code  
009-192-878
6. Address of principal office: 90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE,  
QUEZON CITY  
Postal Code: 1110
7. Registrant's telephone number, including area code: (02) 8634 8387
8. Date, time and place of the meeting of security holders  
20 June 2022, 9:00 AM, principal office via Remote Communication
9. Approximate date on which the Information Statement is first to be sent or given to security holders:  
26 May 2022
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

| Title of Each Class | Number of Shares of Common Stock<br>Outstanding or Amount of Debt Outstanding |
|---------------------|---|
| COMMON SHARES       | 4,099,724,116   |
12. Are any or all of registrant's securities listed in a Stock Exchange?  
Yes  No

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

The class of securities listed therein: COMMON SHARES

## NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

20 June 2022

Notice is hereby given that the Annual Meeting of the Stockholders of WILCON DEPOT, INC. (the "Company") will be held on 20 June 2022 at 9:00 am via remote communication.

The agenda of the meeting are as follows:

1. Call to Order
2. Certification of Notice and Determination of Quorum
3. Approval of the Minutes of the Annual Meeting of the Stockholders held on 21 June 2021
4. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2021
5. Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year
6. Election of Board of Directors
7. Appointment of External Auditor
8. Consideration of such other matters as may properly come before the meeting.
9. Adjournment

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

In order to ensure the safety and welfare of the stockholders, directors and officers of the Company during this pandemic, the Board on 23 February 2022 and pursuant to SEC rules approved the 2022 Annual Stockholders' Meeting of the Company to be conducted via online and voting to be in absentia.

Only stockholders of record as at the close of business on 26 May 2022 are entitled to notice, participate and vote at the meeting. The Stock and Transfer Books of the Company will be closed from 27 May 2022 to 20 June 2022.

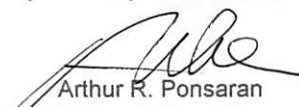
Stockholders who wish to participate in the meeting must register from 8 am of 1 June 2022 until 5 pm of 15 June 2022 through <https://investor.wilcon.com.ph/asm/>. During the registration, stockholders will be required to provide personal data for verification and validation purposes. The personal data collected, processed and retained by the Company shall be used for purposes of stockholders' participation in the Annual Stockholders' Meeting. The Privacy Notice of the Company is available on <https://investor.wilcon.com.ph/asm/>.

Stockholders who have successfully registered will receive an email confirmation. Validation of the information submitted shall be made within three (3) business days from registration. Once validated, stockholders will receive an email directing them to the voting in absentia platform. Stockholders must cast their votes until 5 pm of 17 June 2022. Instructions on how to join the online meeting shall also be sent to the registered email of the stockholders. Detailed instructions and procedures for registration, voting and participation as well as the Definitive Information Statement of the Company are uploaded on <https://investor.wilcon.com.ph/asm/>.

Stockholders may also opt to submit their proxies. A sample of proxy form can be downloaded at <https://investor.wilcon.com.ph/asm/>. For a corporation, its proxy form must be accompanied by a corporate secretary's sworn certification setting the corporate officer's authority to represent the corporation in the meeting. Proxy forms need not be notarized. Deadline for the submission of proxies will be until 5 pm of 17 June 2022 and should be emailed to [wilcon\\_asm@wilcon.com.ph](mailto:wilcon_asm@wilcon.com.ph) or submitted to the Office of the Asst. Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City. Proxy forms will be validated on 17 June 2022 at 6 pm.

For any questions or concerns please email [wilcon\\_asm@wilcon.com.ph](mailto:wilcon_asm@wilcon.com.ph). The proceedings of the meeting will be recorded.

By Authority of the Chairman



Arthur R. Ponsaran  
Corporate Secretary

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*We are not soliciting your proxy. However, if you would be unable to attend the online meeting, you may accomplish the enclosed proxy form and email the same to [wilcon\\_asm@wilcon.com.ph](mailto:wilcon_asm@wilcon.com.ph) or submit to the Office of the Asst. Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City, Metro Manila, Philippines on or before 17 June 2022 at 5 pm. Thank you.*

## **BRIEF DISCUSSION OF THE AGENDA FOR STOCKHOLDERS’ APPROVAL**

### **Approval of the Minutes of the Annual Meeting of the Stockholders held on 21 June 2021.**

The minutes of the annual stockholders’ meeting held on 21 June 2021 is available on <https://investor.wilcon.com.ph/asm/>.

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

### **Presentation and Approval of 2021 Annual Report and Audited Financial Statements**

The audited financial statements as of 31 December 2021 (AFS) will be presented for approval by the stockholders. Prior thereto, the President-CEO, Ms. Lorraine Belo-Cincochan, will deliver a report to the stockholders on the performance of the company in 2021 and the outlook for 2022.

The AFS will be embodied in the Information Statement and will be made available on <https://investor.wilcon.com.ph/asm/>.

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

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

Ratification by the stockholders will be sought for all the acts and the resolutions of the Board of Directors and Management taken or adopted since the Annual Stockholders’ Meeting on 21 June 2021 to date. The acts and resolutions of the Board and the Management include the approval of contracts, agreements, and transaction entered during the same period, projects and investments, treasury matters and acts and resolutions covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange and are uploaded on <https://investor.wilcon.com.ph/asm/>.

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

### **Election of Board of Directors**

In accordance with the amended by-laws, the Revised Corporate Governance Manual, and pertinent SEC rules, any stockholder, including minority stockholders, may submit to the Nomination Committee nominations to the Board by 6 June 2022. The Nomination Committee will determine whether the nominees for directors, including the nominees for independent directors, have all the qualifications and none of the disqualifications to serve as members of the Board before submitting the nominees for election by the stockholders. The profiles of the nominees to the Board will be provided in the Information Statement and in the company website for examination by the stockholders.

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

**Appointment of External Auditor**

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

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

**Other Matters**

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

**Adjournment**

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

**PROXY**

**KNOW ALL MEN BY THESE PRESENTS:**

The undersigned, stockholder of **WILCON DEPOT, INC.** do hereby constitute and appoint \_\_\_\_\_ as my attorney-in-fact and proxy, to attend and represent me at the Annual Stockholders' Meeting of **WILCON DEPOT, INC.** on **20 June 2022**, and thereat to vote upon all shares of stock owned by me on the following agenda items as I have indicated below and any and all business that may come before said meeting. If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of the Management. Management recommends a "FOR ALL" vote for proposal 4, and a "FOR" vote for proposals 1 to 3 as well as for proposal 5.

| ITEM NO. | SUBJECT MATTER   | ACTION          |                          |                  |
|----------|--|-----------------|--------------------------|------------------|
|          |  | For             | Against                  | Abstain          |
| 1        | <ul style="list-style-type: none"> <li>Approval of Minutes of Previous Meeting</li> </ul>  |                 |                          |                  |
| 2        | <ul style="list-style-type: none"> <li>Approval of 2021 Annual Report and AFS</li> </ul>   |                 |                          |                  |
| 3        | <ul style="list-style-type: none"> <li>Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year</li> </ul>  |                 |                          |                  |
| 4        | <ul style="list-style-type: none"> <li>Election of Directors</li> </ul>  | <b>FOR ALL*</b> | <b>WITHHOLD FOR ALL*</b> | <b>EXCEPTION</b> |
|          | <p>*All nominees listed below</p> <ol style="list-style-type: none"> <li>Bertram B. Lim (Independent)</li> <li>Ricardo S. Pascua (Independent)</li> <li>Rolando S. Narciso (Independent)</li> <li>Delfin L. Warren (Independent)</li> <li>Lorraine Belo-Cincochan</li> <li>Mark Andrew Y. Belo</li> <li>Careen Y. Belo</li> </ol> <p>Note:</p> <p>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</p> |                 |                          |                  |
|          |  | <b>For</b>      | <b>Against</b>           | <b>Abstain</b>   |
| 5        | <ul style="list-style-type: none"> <li>Appointment of Reyes Tacandong &amp; Co. as external auditor</li> </ul>   |                 |                          |                  |

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

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

IN WITNESS WHEREOF, the undersigned has executed this PROXY this \_\_\_\_ of \_\_\_\_\_ 2022 in \_\_\_\_\_.

\_\_\_\_\_  
Name and Signature of Stockholder/Authorized Signatory

Witnessed by: \_\_\_\_\_

**PART I.**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

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

The Annual Stockholders' Meeting of Wilcon Depot, Inc. for the year 2022, has the following details:

Date: 20 June 2022

Time: 9:00 am

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

**via Remote Communication**

The approximate date on which this Information Statement and accompanying Proxy Forms shall be first sent or given to the stockholders is on 26 May 2022 in accordance with the by-laws of the Company and the Securities and Regulation Code.

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

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

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

**Atty. Sheila P. Pasicolan-Camerino  
Asst. Corporate Secretary  
90 E. Rodriguez Jr. Avenue, Ugong Norte  
Quezon City  
Tel. No. (02) 8634-8387  
Email: [compliance\\_wdi@wilcon.com.ph](mailto:compliance_wdi@wilcon.com.ph)**

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

**Item 2. Dissenters' Right of Appraisal**

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

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

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

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

#### Item 4. **Voting Securities and Principal Holders Thereof**

- (a) The Corporation has 4,099,724,116 outstanding shares as of 30 April 2022.
- (b) All stockholders of record as of 26 May 2022 are entitled to notice and to vote at Corporation's Annual Stockholders' Meeting on 20 June 2022.
- (c) Section 2.8, Article II of the Amended By-Laws of the Corporation states that, for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or to receive payment of any dividend, or of making a determination of stockholders for any other purpose, the Board of Directors may provide that the stock and transfer books be closed for a stated period, but not to exceed, in any case, twenty-five (25) days. If the stock and transfer books be closed for the purpose of determining stockholders entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceding such meeting. In lieu of closing and transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of stockholders. Such date shall in no case be more than twenty-five days prior to the date on which the particular action requiring such determination of stockholders is to be taken, except in instances where applicable rules and regulations provide otherwise.

#### **Election of Directors**

Section 2.7, Article II of the Amended By-Laws of the Corporation states that at all meetings of stockholders, a stockholder may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in –fact through remote communication or in absentia in accordance with the procedures prescribed by the Corporation and relevant laws and regulations. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary.

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

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

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

#### **Security Ownership of Certain Record and Beneficial Owners and Management**

Security Ownership of Certain Record and Beneficial Owners of more than 5% of the Corporation's voting securities as of 30 April 2022 as follows:



| Title of Class | Name and addresses of record owners and relationship with the Corporation                         | Name of beneficial owner and relationship with record owner   | Citizenship    | Number of shares held | % to Total Outstanding |
|----------------|---|---|----------------|-----------------------|------------------------|
| Common         | Wilcon Corporation<br>90 E. Rodriguez Jr. Ave., Ugong Norte, Quezon City<br>Stockholder of Record | William T. Belo<br>Chairman<br>Mark Andrew Y. Belo<br>President-CEO<br>Lorraine Belo-Cincochan<br>Treasurer-CFO<br>Careen Y. Belo<br>Stockholder<br>Rosy C. Belo<br>Stockholder<br>Alfredo P. Javellana II<br>Stockholder<br>Roberto T. Borromeo<br>Stockholder<br>Octacube, Inc.<br>Stockholder<br>Lentus Lenis, Inc.<br>Stockholder<br>Multus Lucrum, Inc.<br>Stockholder<br>Liam Ros Holdings, Inc.<br>Stockholder<br>Loquor Locutus, Inc.,<br>Stockholder | Filipino       | 2,680,317,916         | 65.378%                |
| Common         | PCD Nominee Corporation<br>Stockholder of Record  | PDTC Participants and their clients   | Non Filipino - | 728,994,638           | 17.782%                |
| Common         | PCD Nominee Corporation<br>Stockholder of Record  | PDTC Participants and their clients   | Filipino       | 686,546,612           | 16.746%                |

Security ownership of directors and executive officers as of 30 April 2022 is as follows:

#### Directors

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

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

### Executive Officers

| Title Class | of Beneficial Owner            | Position                  | Citizenship | Amount & nature of beneficial ownership | Direct (D) or Indirect (I) | % to Total Outstanding |
|-------------|--------------------------------|---------------------------|-------------|---|----------------------------|------------------------|
| Common      | William T. Belo                | Chairman Emeritus         | Filipino    | 5,099,995                               | D                          | 0.12%                  |
| Common      | Arthur R. Ponsaran             | Corporate Secretary       | Filipino    | 10,000                                  | (I)                        | 0.00%                  |
| Common      | Sheila P. Pasicolan - Camerino | Asst. Corporate Secretary | Filipino    | 19,900                                  | D                          | 0.00%                  |
| Common      | Rosemarie B. Ong               | SEVP-COO                  | Filipino    | 1,069,401                               | D                          | 0.03%                  |
| Common      | Eden M. Godino                 | VP-Product Development    | Filipino    | 267,500                                 | D                          | 0.00%                  |
| Common      | Grace A. Tiong                 | VP-Human Resources        | Filipino    | 148,700                                 | D                          | 0.00%                  |
| Common      | Michael D. Tiong               | VP-Global Sourcing        | Filipino    | 148,700                                 | D                          | 0.00%                  |
| N/A         | Mary Jean G. Alger             | VP – Investor Relations   | Filipino    | 0                                       | N/A                        | 0                      |
| N/A         | Lauro D.G Francisco            | Chief Audit Executive     | Filipino    | 0                                       | N/A                        | 0                      |
| Common      | Keith S. Chan                  | VP – IT                   | Filipino    | 3,000                                   | D                          | 0.00%                  |

### Voting trust holders of 5% or more

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

### Changes in control

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

### Foreign ownership as of 30 April 2022

Total number of foreign ownership as of 30 April 2022 is 729,644,648 common shares or 17.7974%.

### Item 5. Directors and Executive Officers

The following are the incumbent directors of the Company:

| Name                    | Age | Nationality | Position  | Date of First Election | No. of Years as Director |
|-------------------------|-----|-------------|---|------------------------|--------------------------|
| Bertram B. Lim          | 84  | Filipino    | Chairman of the Board/Independent Director      | 22 May 2017            | 5                        |
| Lorraine Belo-Cincochan | 43  | Filipino    | Director, President and Chief Executive Officer | 30 March 2016          | 6                        |
| Mark Andrew Y. Belo     | 40  | Filipino    | Director and Treasurer                          | 30 March 2016          | 6                        |
| Careen Y. Belo          | 38  | Filipino    | Director, Chief Product Officer, CIO and CRO    | 30 March 2016          | 6                        |
| Rolando S. Narciso      | 76  | Filipino    | Independent Director                            | 13 September 2016      | 6                        |
| Ricardo S. Pascua       | 73  | Filipino    | Independent Director                            | 13 September 2016      | 6                        |
| Delfin L. Warren        | 72  | Filipino    | Independent Director                            | 22 May 2017            | 5                        |

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

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

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

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

**Lorraine Belo-Cincochan** is a Director, President and the Chief Executive Officer of Wilcon Depot, Inc. She has held various positions in the family business starting out as a trainee under her father who was then president of Wilcon. In 2000, she headed the company's IT department that resulted in the beginnings of the company's digital transformation journey of Wilcon's key processes. From 2003 to 2005, she was assigned to manage the daily operations of the first ever large format Wilcon Depot branch as a Manager-trainee where she gained real world experience in retail operations. She was then appointed as Executive Vice President for Operations in 2005 and in 2006 became the Company's Executive Financial Officer, holding the position until March, 2016. In 2018, she was recognized as one of the 2018 Forbes Asia Emergent Women Honorees.

**Mark Andrew Y. Belo** is a Director and EVP - Treasurer of the Company and the President and Chief Executive Officer of WC from March 2016 to the present. He served as the Chief Financial Officer of the Company from 2016 to March 2019. Under WC, he was Assistant Vice-President for Business Development from 2015 to March 2016 and Executive Project Management Head from January 2013 to March 2015. He was also assigned in various positions under Wilcon Builders Supply, Inc. from July 2004 to August 2007. He is currently the President of Coral-Agri Venture Farm Inc. He graduated from the University of Asia & the Pacific in 2004 with a Bachelor's Degree in Industrial Economics.

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

#### **Nomination and Election of Independent Directors:**

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

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

#### **Independent Directors**

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

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

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

Officer from 1989 to 1995 and concurrently from 1989 was a Director of Refractories Corp. of the Phils. and Semirara Coal Corp. up to 1994; and Integrated Air Corp. up to 1993. From 1974 to 1988, he held various positions in National Steel and other subsidiaries of the National Development Company. He also held various positions in the Esso (now Exxon) Group of Companies in the Philippines and abroad from 1967 to 1974. He is a member of professional organizations such as the Financial Executives Institute and the Management Association of the Philippines. He obtained his Master in Business Management and Bachelor of Science in Business Administration degrees from the Ateneo de Manila University in 1967 and 1965, respectively.

**Delfin “Jing” L. Warren**, is an Independent Director of the Company since May 2017. He is the founder, main principal, and current Chairman of the IISA Group, a leading loyalty management company in the country. He was the former CEO of PT Darya-Varia Laboratoria, a major publicly listed pharmaceutical company in Indonesia under the First Pacific Group. He also held senior positions in various international companies such as First Pacific Commodities Holdings, Ltd., The Hibernia Bank of San Francisco, PT Indo Ayala Leasing (Indonesia), and Bancom Philippine Holdings, Inc. Jing obtained his Bachelor of Science in Chemical Engineering degree at De La Salle College, Manila in 1971. He was a former member of the Board of Trustees of De La Salle University and a former president of the De La Salle Alumni Association.

As of April 30, 2022, the following are the executive officers of the Company:

| Name                       | Age | Nationality | Position  |
|----------------------------|-----|-------------|---|
| William T. Belo            | 75  | Filipino    | Chairman Emeritus   |
| Arthur R. Ponsaran         | 78  | Filipino    | Corporate Secretary   |
| Sheila Pasicolan- Camerino | 34  | Filipino    | Asst. Corporate Secretary/AVP-Corporate Lawyer/Compliance Officer |
| Rosemarie B. Ong           | 62  | Filipino    | SEVP-COO  |
| Eden M. Godino             | 44  | Filipino    | Vice President - Product Development                              |
| Grace A. Tiong             | 47  | Filipino    | Vice President - Human Resources                                  |
| Michael D. Tiong           | 47  | Filipino    | Vice President – Global Sourcing                                  |
| Mary Jean G. Alger         | 50  | Filipino    | Vice President – Investor Relations                               |
| Lauro D.G Francisco        | 56  | Filipino    | Chief Audit Executive   |
| Keith S. Chan              | 60  | Filipino    | VP - IT   |

**William T. Belo** is the Chairman Emeritus of the Company. He is the founder of the Wilcon business and brand. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 including the parent, WC. Currently, he is involved in other business undertakings and serves as Director of Markeenlo Realty Inc., Lomarkeen Realty Inc.; the Chairman of Coral-Agri Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. In 2018, he was recognized as an Outstanding Thomasian Engineer, awarded as one of the People of the Year by People Asia and Patriarch of Home Building Retail by the Philippine Retailers Association. In 2019, he was given the UST Engineering Alumni Association Inc. Presidential Award and was recognized as The Manila Times Man of the Year of the Asia Leaders. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

**Arthur R. Ponsaran**, is the Corporate Secretary of the Company and of WC. He is a CPA-Lawyer with over 25 years' experience in corporate law, taxation, finance and related fields. He is the Managing Partner of Corporate Counsels, Philippines - Law Office and Director/Corporate Secretary of various corporate clients. He obtained his LLB from the University of the Philippines, BSBA from

the University of the East and completed the MDP Program at the AIM. He is a member of the Philippine Institute of Certified Public Accountants, Integrated Bar of the Philippines, Philippine Bar Association and the New York (USA) Bar.

**Sheila P. Pasicolan-Camerino** is the Assistant Vice President - Corporate Lawyer of the Company and the Assistant Corporate Secretary of the Company and WC. In 2020, she was appointed Compliance Officer of the Company. She joined the Company in January 2016 after serving as a Senior Associate in Sycip Gorres Velayo and Co. from November 2014 to December 2015. Prior to her admission to the Philippine Bar in 2015, she served as a legal intern at the Office of the Solicitor General in 2013 and a technical assistant in the Office of the Presidential Assistant for Education of the Office of the President of the Philippines from 2009 to 2010. She completed Bachelor of Arts in History from the University of the Philippines – Diliman (Cum Laude) and took up a Master's Degree in Philippine Studies in the same university. Atty. Pasicolan-Camerino completed her Bachelor of Laws at San Beda University – Mendiola in 2014.

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

**Eden M. Godino** is the Vice President of Product Development. She joined the department in 2007, initially as the Asst. Vice President and was appointed in her present position in 2011. Ms. Godino joined Wilcon in 1997 and was assigned in Accounting, Purchasing and later went on to become a Depot Manager in 2004, a position she held for three years prior to her promotion to AVP in Product Development in 2007. She graduated with a Bachelor of Science degree in Accountancy from the University of the Assumption in 1997 and obtained a short course diploma program from the De La Salle College of St. Benilde on Supply Chain Management major in Purchasing and Logistics Operations with merit award in 2015. She also has a Master's degree in Business Administration from Manuel L. Quezon University obtained in 2021 and she recently completed her Executive Development Program on Supply Chain Management from the Ateneo De Manila University Graduate School of Business and a recipient of the Director's Award for Academic Excellence.

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

**Michael D. Tiong** is the Vice President for Global Sourcing. Prior to his appointment as Vice President in July 2016, he handled Sales and Operations as an Asst. Vice President since October 2009. Mr. Tiong joined Wilcon as a Salesman in 2000 and became Asst. Depot Manager in 2003 until 2009, when he was promoted to Asst. Vice President for Operations. Mr. Tiong took up Bachelor of Science in Architecture at the Far Eastern University in 1992.

**Mary Jean G. Alger** is the Vice President for Investor Relations. Prior to officially joining Wilcon, she was part of the advisory team for the public listing of the Company. She started her career with Petron Corporation in 1991 as a Credit Analyst. Concurrent to her various positions in different companies

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

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

**Keith S. Chan**, is the Vice President for IT. He is concurrently a Director of the Business Continuity Association of the Philippines (BCMAP) from 2016 to present and a certified Associate Business Continuity Professional (ABCP) from the Disaster Recovery Institute, International (DRII). He was First Vice President for Information Technology, IT Head and Vice Chairman of the IT Steering Committee at the Philippine Business Bank from January 2003 until his retirement in July 2015. He was also involved in an advisory capacity for the Zesto Group of Companies in the airline, hotel and convenience store IT operations. In May 2000 he managed a US internet service provider franchise start up, Quik Internet, in the Philippines as the Chief Operating Officer of Q Communications Corporation. From 1991 to 1996, he was the Assistant Vice President for Management Information System of Guoco Holdings Phils., Inc., a member of the Hong Leong Group of Malaysia. In 1986, he joined a computer service start-up company, Dataworld Computer Corporation, as Vice President for Application Development and became Executive Vice President. As a business management degree holder, he started his career as a banker in Equitable Banking Corporation in 1982 and held finance positions in Seaoil Petroleum Corporation in 1997. He graduated with a Masters of Business Management from the Asian Institute of Management in 1986 and had further studies in a Master's program in Computer Science from the Ateneo de Manila University. He finished his bachelor's degree in Business Management from the Ateneo de Manila University in 1982.

### **Significant Employees**

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

### **Family Relationship**

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

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

### **Involvement in Legal Proceedings**

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

### Certain Relationship and Related Party Transactions

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

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

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

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

### Resignation of Directors

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

### **Item 6. Compensation of Directors and Executive Officers**

#### Executive Compensation

Below is the total annual compensation of the top 5 officers and other officers of the company for the year 2020, 2021 and projected compensation for 2022.

#### **2020**

| <b>Key Management Officers</b>   | <b>Year</b> | <b>Compensation</b> | <b>Bonuses</b> |
|--|-------------|---------------------|----------------|
| <b>Top 5 Officers</b><br>William T. Belo<br>Lorraine C. Belo-Cincochan<br>Mark Andrew Y. Belo<br>Careen Y. Belo<br>Rosemarie Bosch-Ong | 2020        | P44M                | P21M           |
| Other officers as a group  | 2020        | P75M                | P5M            |

#### **2021**

| <b>Key Management Officers</b>   | <b>Year</b> | <b>Compensation</b> | <b>Bonuses</b> |
|--|-------------|---------------------|----------------|
| <b>Top 5 Officers</b><br>William T. Belo<br>Lorraine C. Belo-Cincochan<br>Mark Andrew Y. Belo<br>Careen Y. Belo<br>Rosemarie Bosch-Ong | 2021        | P48M                | P73M           |



|                           |      |      |     |
|---------------------------|------|------|-----|
| Other officers as a group | 2021 | P84M | P5M |
|---------------------------|------|------|-----|

### Projected for 2022

| Key Management Officers   | Year | Compensation | Bonuses |
|---|------|--------------|---------|
| Top 5 Officers<br>William T. Belo<br>Lorraine C. Belo-Cincochan<br>Mark Andrew Y. Belo<br>Careen Y. Belo<br>Rosemarie Bosch-Ong | 2022 | P51M         | P49M    |
| Other officers as a group   | 2022 | P81M         | P6M     |

### Compensation of Director

#### Standard Arrangements

All directors attending physically in a board meeting receive a per diem of Forty Thousand Pesos (P40,000.00) per meeting.

#### Other arrangements

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

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

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

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

#### Warrants and Options

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

#### Item 7. Independent Public Accountants

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

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

#### Audit Fee

| Name of auditor       | Audit Fee            |
|-----------------------|----------------------|
| Reyes Tacandong & Co. | P2,000,000.00 (2019) |

|                       |                      |
|-----------------------|----------------------|
| Reyes Tacandong & Co. | ₱2,000,000.00 (2020) |
| Reyes Tacandong & Co. | ₱2,000,000.00 (2021) |

The aggregate fees billed by Reyes Tacandong & Co, for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings (quarterly reports) was ₱2,000,000.00 for the years 2019 to 2021.

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

#### **Item 8. Compensation Plans**

There is no other type of compensation plan as of this date and for the Annual Stockholders' Meeting on 20 June 2022 there will be no compensation plan that will be taken up.

### **C. ISSUANCE AND EXCHANGE OF SECURITIES**

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

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

#### **Item 10. Modification or Exchange of Securities**

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

#### **Item 11. Financial and Other Information**

The Company incorporated by reference the following:

1. 17-A (Annual Report), attached as Annex "A"
2. 2021 Audited Financial Statements, attached as Annex "B"
3. Certification of Independent Directors and Corporate Secretary, attached as Annex "C"
4. 2021 Sustainability Report, attached as Annex "D"
5. Q1 2022 Financial Statements, attached as Annex "E"

#### **Item 12. Mergers, Consolidations, Acquisitions and Similar Matters**

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

#### **Item 13. Acquisition or Disposition of Property**

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

#### **Item 14. Restatement of Accounts**

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

### **D. OTHER MATTERS**

#### **Item 15. Action with Respect to Reports**

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

1. Approval of the Minutes of the Annual Meeting of the Stockholders held on 21 June 2020
2. Presentation and Approval of Annual Report and Financial Statements as of 31 December 2021.

3. Ratification of all Acts and Resolutions of the Board of Directors and Management during the Preceding Year.
4. Election of Board of Directors
5. Appointment of External Auditor

**Item 16. Matters Not Required to be Submitted**

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

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

There are no matters or actions to be taken up in relation to the amendment of charters, bylaws or other documents.

**Item 18. Other Proposed Action**

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

**Item 19. Voting Procedures**

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

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

**PART II.**

**INFORMATION REQUIRED IN A PROXY FORM  
(This form shall be prepared in accordance with paragraph (5) of SRC Rule 20)**

**Item 1. Instructions**

Proxy forms must be properly signed, dated and returned by the stockholder on or before 17 June 2022. It is not required to be notarized. Proxy forms shall be emailed to [wilcon\\_asm@wilcon.com.ph](mailto:wilcon_asm@wilcon.com.ph) or delivered to the Office of the Asst. Corporate Secretary at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City and must be accompanied by a corresponding secretary's certificate confirming the authority of the person executing the proxy and for proxies of beneficial owners or of those shares lodged with the Philippine Depository & Trust Corp, a certification from their respective brokers must be submitted. Proxy forms shall be validated on 17 June 2022 at 6 pm. Validated proxies will be voted at the meeting in accordance with the instructions of the stockholders.

**Item 2. Revocability of Proxy**

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

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Quezon City on 11 May 2022.

WILCON DEPOT, INC.

By:



ATTY. ARTHUR R. PONSARAN  
Corporate Secretary

QUEZON CITY MAY 11 2022

SUBSCRIBED AND SWORN TO before me in \_\_\_\_\_ this \_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_, Affiant exhibited to me his Passport No. P7038917A issued by DFA NCR South on 04 May 2018 valid until 03 May 2028.

Doc. No. 68 ;  
Page No. 15 ;  
Book No. XVI ;  
Series of 2022.

Atty. RIZAL JOSE F. VALMORES  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2022  
JPM MATTER NO. NP-099  
PTR NO. 2480530 / 01-3-22 / Q.C.  
IBF NO. 174175 / 01-03-22 / Q.C.  
ROLL NO. 28435  
MCLE NO. VI-0022267  
Add.: Room 201 Margarita Bldg. No. 28  
Matalino St. cor. Masikap Ext., Central Dist., Q.C.

## MANAGEMENT REPORT

### Business and General Information

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

The Company's retailing business, which it acquired and inherited from WC, has been in existence for 44 years. The business, founded by Mr. William T. Belo, opened its first store in 1977, carrying a variety of local brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, and hardware and tools. Mr. Belo gradually expanded the pioneer Wilcon branch as business picked up. He opened three more branches with an average area of 2,400 sqm from 1989 to 1995. In 2002, the first store outside of Metro Manila was established in Davao City.

The first depot format store was opened in 2003, in Las Piñas. At 10,000 sqm, the Depot format was larger than their previous 5 stores, which had an average size of 4,223 sqm. Its product selection was more comprehensive and included more international brands and new product lines and categories such as furniture, furnishings and houseware, paints, and building materials, among others. Over the next 13 years, operations rapidly expanded with the opening of 27 more Depot format stores around the country.

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

### Corporate Restructuring

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

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

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

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

### Bankruptcy, Receivership or Similar Proceedings

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

### Products / Business Lines

The Company caters to the fast-growing segment of middle to high-income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. The Company's complete spectrum of product offerings includes local and

international brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, hardware and tools, furniture, furnishings and houseware, paints, appliances and building materials, among others.

#### *Product Categories*

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

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

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

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

The Company carries over 1,600 brands across the different product categories translating to 60,000 stock keeping units (SKUs) as at December 31, 2021. The Company further classifies these brands as: (i) in-house brands owned by the Company and exclusive international brands that are solely distributed by the Company, and (ii) other locally procured local and international brands that are not exclusively distributed by the Company.

#### *Store Formats*

The Company operates 73 stores nationwide, as of December 31, 2021, and offers its products via two retail formats, namely the Depot store format and Home Essentials store format.

- *Depots.* The Company conducts its operations primarily through a format under the name "Wilcon Depot". As of December 31, 2021, the depot format accounted for 97.4% or ₱26,792 Million of the Company's net sales. Each Depot format store carries 40,000 to 60,000 SKUs and offers a broad variety of large-scale home and construction supply products. The net selling space of the Company's depot stores ranges from 2,800 sqm to 16,100 sqm, with an average gross floor area of 9,410 sqm. As of December 31, 2021, the Company has 65 depots located in

all the major cities across the Philippines. Project sales or sales to major property developers, on the other hand, accounted for 0.7% or ₱192 Million of total net sales of the Company.

- *Home Essentials*. The Company also operates a smaller format known as “Wilson Home Essentials”. The Home Essentials format was launched in 2009 as a community store-type outlet aimed at customers who require easy access to a basic range of tools and materials for simple housing repair and maintenance. Home Essentials stores range in size from 740 sqm to 2,800 sqm with an average gross floor area of 1,411 sqm. As of December 31, 2021, the Company has 3 mall-based Home Essentials stores and 5 stand-alone branches for a total of 8 Home Essentials stores. Net sales generated by Home Essentials accounted for 1.9% or ₱530 Million of total net sales.

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

Owing to the significantly higher store count and total selling area of depots versus home essentials, majority of the Company’s revenues or 97.4% comprised of net sales generated from the depot-format stores, 0.7% for the project sales while the remaining 1.9% was contributed by the home essential format store.

#### Distribution Methods of Products

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

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

| <b>Store format</b>          | <b>Region</b> | <b>Number of stores</b> |
|------------------------------|---------------|-------------------------|
| <b>Depot</b>                 | Metro Manila  | 12                      |
|                              | Luzon         | 35                      |
|                              | Visayas       | 9                       |
|                              | Mindanao      | 9                       |
| <b>Total Depot</b>           |               | <b>65</b>               |
| <b>Home Essentials</b>       | Metro Manila  | 6                       |
|                              | Luzon         | 1                       |
|                              | Visayas       |                         |
| <b>Total Home Essentials</b> |               | <b>8</b>                |
| <b>TOTAL</b>                 |               | <b>73</b>               |

The Company outsources various logistics and distribution functions to third parties, which the Company believes allows it to expand its store network rapidly while lowering its operating costs.

Replenishment of the Company’s inventory is provided through direct store deliveries from suppliers for urgent requirements or deliveries to the Company’s warehouses for regular restocking.

#### **Legal Proceedings**

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



None of the members of the Board of Directors and executive officers of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

### **Operational and Financial Information**

Wilcon Depot, Inc.'s common shares have been trading in the Philippine Stock Exchange (PSE) starting March 31, 2017. The high and low market prices of the Company's shares for each quarter of 2019, 2020 and 2021 as reported by the PSE are shown below:

| <b>2019</b>                   | <b>High</b> | <b>Low</b> |
|-------------------------------|-------------|------------|
| <b>4<sup>th</sup> quarter</b> | 19.00       | 16.00      |
| <b>3<sup>rd</sup> quarter</b> | 17.28       | 15.02      |
| <b>2<sup>nd</sup> quarter</b> | 17.50       | 15.18      |
| <b>1<sup>st</sup> Quarter</b> | 16.08       | 12.66      |

| <b>2020</b>                   | <b>High</b> | <b>Low</b> |
|-------------------------------|-------------|------------|
| <b>4<sup>th</sup> quarter</b> | 18.22       | 14.26      |
| <b>3<sup>rd</sup> quarter</b> | 16.66       | 14.52      |
| <b>2<sup>nd</sup> quarter</b> | 16.74       | 12.48      |
| <b>1<sup>st</sup> Quarter</b> | 19.00       | 10.50      |

| <b>2021</b>                   | <b>High</b> | <b>Low</b> |
|-------------------------------|-------------|------------|
| <b>4<sup>th</sup> quarter</b> | 40.00       | 27.55      |
| <b>3<sup>rd</sup> quarter</b> | 30.20       | 27.50      |
| <b>2<sup>nd</sup> quarter</b> | 20.30       | 16.90      |
| <b>1<sup>st</sup> Quarter</b> | 18.52       | 16.36      |

The market capitalization of the Company's common shares at the end of 2021 based on the closing market price of ₱30.50 per share totaled to ₱125 Billion.

### **Stockholders**

The total number of issued and outstanding common shares of the Company as of 30 April 2022 is 4,099,724,116 and total number of stockholders as of 30 April 2022 is 162 (composed of PCD Nominees and accounts with the Stock Transfer Agent).

**List of Top 20 Stockholders as of 30 April 2022 from Stock Transfer Agent**

|    | STOCKHOLDER'S NAME  | HOLDINGS      | PERCENTAGE |
|----|---|---------------|------------|
| 1  | WILCON CORPORATION  | 2,680,317,916 | 65.378     |
| 2  | PCD NOMINEE CORPORATION (NON-FILIPINO)                                | 728,994,638   | 17.782     |
| 3  | PCD NOMINEE CORPORATION (FILIPINO)                                    | 686,546,612   | 16.746     |
| 4  | BERCK Y. CHENG OR ALVIN Y. CHENG OR DIANA Y. CHENG OR CHERYL Y. CHENG | 1,980,000     | 0.048      |
| 5  | NIKHIEL R. GENOMAL OR ANJU C. GENOMAL                                 | 1,000,000     | 0.024      |
| 6  | TIMOTHY JAMES VORBACH   | 650,000       | 0.016      |
| 7  | ELLIS C. MAGUAN &/OR MINGMING C. MAGUAN                               | 150,000       | 0.004      |
| 8  | MING MING C. MAGUAN OR ELLIS C. MAGUAN                                | 20,000        | 0.000      |
| 9  | JOEL M. BANACO  | 15,000        | 0.000      |
| 10 | RAMCOR5 PROPERTIES, INC.  | 10,000        | 0.000      |
| 11 | MARY JOY MENDOZA GALAMAY  | 6,000         | 0.000      |
| 12 | ALMA BELLA PIL ALBERASTINE  | 5,000         | 0.000      |
| 13 | CHRISTINE F. HERRERA  | 5,000         | 0.000      |
| 14 | VERONICA AGUILAR PEDRASA  | 5,000         | 0.000      |
| 15 | DOREEN FATIMA SANOSA PENILLA  | 4,000         | 0.000      |
| 16 | DIVINE JESSET RAMOS SANTOS  | 4,000         | 0.000      |
| 17 | MYRA P. VILLANUEVA  | 4,000         | 0.000      |
| 18 | ADORA BRIGETTE N. CANLAS  | 2,800         | 0.000      |
| 19 | OFELIA R. BLANCO  | 2,000         | 0.000      |
| 20 | GABRIELLE CLAUDIA F. HERRERA  | 1,000         | 0.000      |

**Dividends**

The Company has the following dividend history:

| Date Approved     | Record Date    | Payment Date   | Amount   |
|-------------------|----------------|----------------|--|
| March 6, 2019     | March 22, 2019 | April 16, 2019 | PhP0.11 regular<br>PhP0.05 special<br><b>PhP0.16 total</b> |
| February 24, 2020 | March 20, 2020 | April 16, 2020 | PhP0.12 regular<br>PhP0.06 special<br><b>PhP0.18 total</b> |
| February 24, 2021 | March 19, 2021 | April 16, 2021 | PhP0.10 regular<br>PhP0.02 special<br><b>PhP0.12 total</b> |
| February 24, 2021 | March 18, 2022 | April 12, 2022 | PhP0.15 regular<br>PhP0.06 special<br><b>PhP0.21 total</b> |

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

## **Securities Sold**

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

## **Discussion on Compliance with Leading Practice on Corporate Governance**

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

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

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

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

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

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

On 7 August 2019, in compliance with SEC Memorandum Circular No. 10 Series of 2019, Rules on Material Related Party Transactions for Publicly Listed Companies, the Board approved its Material Related Party Transactions Policy and accordingly revised its Related Party Transactions Committee Charter.

On May 6, 2020, the Board of Directors of the Corporation approved the amendments to its Corporate Governance Manual in compliance with the Revised Corporation Code and related issuances. The Board also approved the amendments to the By-laws of the Corporation in compliance with the Revised Corporation Code. The amendments to the By-laws were then ratified by the stockholders during the annual stockholders' meeting held on September 21, 2020. The Securities and Exchange Commission approved the said amendments on March 2, 2021.

The Company will submit its Integrated Annual Corporate Governance Report (I-ACGR) for the year ended December 31, 2021 on or before May 30, 2022, in compliance with SEC Memorandum Circular No.15, Series of 2017.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Results of Operations for the Three-month Periods Ended March 31, 2022 and 2021**

The Company recorded net income of ₱851 million for the three-month period of 2022, up by 41% or ₱246 million from the ₱604 million reported during the same period in 2021 with net margins of 11.1% and 9.1%, respectively. The increase was mainly driven by the hike in net sales and the expansion in the gross profit margin partly offset by the increase in operating expenses and income tax expense.

#### ***Net Sales***

Net sales for the three-month period ended March 31, 2022, amounted to ₱7,652 million, an increase of 14.6% or ₱976 million from the same period last year. Comparable sales grew 8.6% despite the heightened mobility restrictions imposed in January 2022 due to the Covid-19 Omicron variant surge as foot traffic quickly recovered in February and continued to ramp up in March when restrictions were eased.

The Company opened one new depot in March 2022 in Antipolo, bringing to 74 the total number of branches.

On a per format basis, sales from the depot-format stores, which comprised 97.5% of total net sales, grew by 15.0% or ₱972 million to ₱7,460 million from the ₱6,488 million net sales for the three-month period of 2021. Comparable sales growth (same store sales growth) reached 8.8%, contributing 94.6% of the total net sales increase of the format. Meanwhile, sales from new depots in 2022 comprised 5.4% of the format's net sales growth.

The smaller format "Home Essentials" recorded net sales of ₱138 million, a 1.3% or ₱2 million decline year-on-year, traced mainly to the substantial drop in foot traffic during the Covid-19 Omicron variant surge in January 2022. The format's contribution to total net sales continued its steady slide reducing further to 1.8% for the quarter from 2.1% for the same period in 2021. All Home Essentials have been operating for more than a year.

The remaining 0.7% of total net sales was accounted for by project sales or sales to major developers, amounting to ₱53 million, increasing by 11.3% or ₱5 million year-on-year.

#### ***Gross Profit***

Gross profit grew by 21.1% or ₱510 million from the 2021 first quarter level of ₱2,421 million to close at ₱2,932 million for the period for a gross profit margin of 38.3%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 200 basis points year-on-year. The improvement in gross profit margin is traced mainly to higher gross profit margin rates of both exclusive/in-house and non-exclusive brands and the increased contribution of the exclusive and in-house brands to total net sales to 51.2% from 49.4% in the same period in 2021.

#### ***Operating Expenses***

Operating expenses increased to ₱1,766 million for the period, up 13.8% or ₱214 million from the prior year's ₱1,552 million. The increase is attributable mainly to expansion-related expenses particularly in outsourced services, trucking, utilities, salaries, depreciation and amortization.

#### ***Interest Expense***

Interest expense increased by 2.4% or ₱3 million, to total ₱119 million for the period from the prior year's three-month period of ₱116 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### **Other Income (Charges)**

Other income (charges) for the three-month period ended March 31, 2022 amounted to ₱87 million up by 26.4% or ₱18 million from the ₱69 million generated in the same period in 2021.

Supplier support and other fees, delivery fees and other customer charges and rent income totaled ₱84 million, up 42.7% or ₱25 million year-on-year due to increased collection and higher volume of business. Meanwhile, non-operating interest income and net realized foreign exchange gain declined by ₱7 million mainly due to lower investible funds.

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

Adjusting the 2022 and 2021 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA as of March 31, 2022 reached ₱1,396 million, or 18.2% of net sales, rising by 35.5% from the ₱1,031 million, or 15.4% of net sales, recorded as of March 31, 2021.
- 2) EBIT for the three-month of 2022 is ₱1,132 million or 14.8% of net sales, growing by 39.0% from ₱814 million, or 12.2% of net sales, year-on-year.

The growth in both EBITDA and EBIT was driven by the improved sales performance and expansion in gross profit margin partly offset by the increase in operating expenses.

### **Income Tax Expense**

The Company's income tax expense increased by 29.9% or ₱65 million to end at ₱283 million in the three-month period of 2022 from the ₱218 million incurred during the same period last year. The increase is due mainly to higher taxable income.

### **Financial Condition as at March 31, 2022**

#### **Liquidity**

Improved operating performance for the three-months ended March 31, 2022 yielded substantial operating cash flows, which provided additional liquidity for the Company to be able to pursue its store network expansion and other planned capital expenditure even as the IPO proceeds were fully deployed in March, 2021. Current ratio slightly declined from 1.94:1.00 to 1.88:1.00.

Cash and cash equivalents and short-term investments totaled ₱2,523 million, a 7.7% or ₱181 million increase from the balance as at December 31, 2021.

#### **Capital Expenditure**

For the quarter, the Company's capital expenditure totaled ₱741 million, the bulk of which was spent on the construction of new stores and warehouses.

#### **Capital Resources**

The Company continues to have easy access to the debt markets for both its working capital and long-term funding requirements having remained bank debt-free and with preferential lines with the Philippines' top banks.

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases. The company has no existing lease or other contracts with material contingent liability that will adversely affect the company's operations or the implementation of its strategic initiatives.

## Key Financial Performance Indicators

| Key Performance Indicators   | As at<br>March 31, 2022 | As at<br>March 31, 2021    |
|--|-------------------------|----------------------------|
| Sales  | 7,651,657,039           | 6,675,771,804              |
| EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense <sup>1</sup>                        | 1,131,613,525           | 813,919,893                |
| EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>2</sup> | 1,396,098,118           | 1,030,628,891              |
| EBIT Margin - Treating Interest on Lease Liability as Rent Expense <sup>3</sup>                            | 14.8%                   | 12.2%                      |
| EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>4</sup>      | 18.2%                   | 15.4%                      |
|  | As at<br>March 31, 2022 | As at<br>December 31, 2021 |
| Return on Equity Ratio <sup>5</sup>  | 4.88%                   | 14.66%                     |
| Current Ratio <sup>6</sup>   | 1.88                    | 1.94                       |
| Debt to Equity Ratio <sup>7</sup>  | 0.88                    | 0.85                       |

1 *Income before tax add net interest expense less lease interest expense*

2 *Income before tax add net interest expense and depreciation and amortization less lease interest expense and depreciation on ROU assets*

3 *EBIT / Net Sales*

4 *EBITDA / Net Sales*

5 *Net Income / Total Equity*

6 *Current Assets / Current Liabilities*

7 *Total Liabilities / Total Equity*

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

### **Statement of Financial Position as at March 31, 2022 and December 31, 2021**

- Aggregate cash and short-term investments increased by ₱181 million or 7.7% from ₱2,342 million at the close of 2021 to ₱2,523 million as at March 31, 2022, traceable primarily to net cash flow provided by operating activities partly offset by payment made for capital expenditures and leases.
- Trade and other receivables totaled ₱231 million as at March 31, 2022, 38.8% or ₱65 million higher than the ₱166 million balance as at December 31, 2021. The increase was mainly due to trade receivables.
- Advance payments to suppliers for merchandise ordered decreased by 82.3% or ₱1,556 million from ₱1,891 million at the close of 2021 to ₱335 million as at March 31, 2022 due to receipt of merchandise inventories during the quarter.
- Merchandise Inventories increased by ₱1,159 million or 9.8% from ₱11,876 million at the close of 2021 to ₱13,035 million as at March 31, 2022 due mainly to purchases.
- Other Current Assets increased by ₱73 million or 7.9% from ₱913 million at the close of 2021 to ₱985 million as at March 31, 2022 due mainly to prepayments and input tax from purchases.
- Property and equipment increased by ₱476 million or 6.0% from ₱7,942 million at the close of 2021 to ₱8,418 million as at March 31, 2022 due mainly to capital expenditures related to store network expansion.

7. Net deferred tax assets increased by ₱21 million or 5.6% from ₱375 million at the close of 2021 to ₱396 million as at March 31, 2022 due to the impact of PFRS16 accounting and additional allowance for inventory obsolescence.

### **Income Statement Items**

1. Net sales for the three-month period ended March 31, 2022 amounted to ₱7,652 million, 14.6% or ₱976 million higher than the ₱6,676 million generated during the same period in 2021.
2. Gross profit increased by 21.1% to ₱2,932 million for the period from the ₱2,421 million for the same period in 2021, mainly driven by the increase in sales and gross profit margin.
3. Operating expenses increased to ₱1,766 million for the period, up 13.8% or ₱214 million from the prior year's ₱1,552 million. The increase is attributable mainly to expansion-related expenses particularly in outsourced services, trucking, utilities, salaries, depreciation and amortization.
4. Other income (charges) for the three-month period ended March 31, 2022 amounted to ₱87 million up by 26.4% or ₱18 million from the ₱69 million generated in the same period in 2021 due to increase in supplier support, delivery charges and other fees.
5. The Company's income tax expense increased by 29.9% or ₱65 million to end at ₱283 million in the three-month period of 2022 from the ₱218 million incurred during the same period last year. The increase is due mainly to higher taxable income.

### **Results of Operations for year Ended December 31, 2021 compared with the year ended December 31, 2020**

The Company recorded net income of ₱2,561 million for the year 2021, up by 76.8% or ₱1,113 million from the ₱1,449 million reported in 2020 with net margins of 9.3% and 6.4%, respectively. The increase was mainly driven by the hike in net sales and the expansion in the gross profit margin partly offset by the increase in operating expenses and income tax expense.

#### ***Net Sales***

Net sales for the year 2021, amounted to ₱27,513 million, an increase of 21.6% or ₱4,884 million from last year. The increase was driven by comparable sales, which grew by 12.1% traced mainly to the increase in the number of transactions particularly in branches located in Luzon.

In March 2020, at the outset of the pandemic, all Luzon branches were closed for two months in compliance with the quarantine rules imposed by the Philippine government to control the spread of the Covid-19 disease. In 2021, except for sporadic one-day closure of a few stores in view of typhoons or localized pandemic-related lockdowns, all branches remained operational throughout the year despite surges in Covid-19 cases and imposition of stricter quarantine measures. All stores remained open when stricter quarantine measures were imposed particularly in Metro Manila, nearby provinces and bigger cities in Visayas and Mindanao from the last week of March until the end of April and from August to mid-October.

The balance of the increase was contributed by below one-year sales of new stores. The Company opened ten (10) new branches in 2021, nine (9) depot format stores and one (1) smaller format, Home Essentials.

On a per format basis, sales from the depot-format stores, which comprised 97.4% of total net sales, grew by 22.1% or ₱4,851 million to ₱26,792 million from the ₱21,941 million net sales in 2020. Comparable sales growth (same store sales growth) reached 12.3%, contributing 91.9% of the total net sales increase of the format. Meanwhile, sales from new depots comprised 8.1% of the format's net sales growth.

The smaller format "Home Essentials", recording net sales of ₱530 million accounting for 1.9% of total net sales, likewise reported a total and comparable sales growth of 3.8% as at December 31, 2021 from the prior year's ₱510 million. The latest Home Essentials branch was opened in the fourth quarter of 2021.

The remaining 0.7% of total net sales was accounted for by project sales or sales to major developers, amounting to ₱192 million, increasing by 7.9% or ₱14 million year-on-year.

### **Gross Profit**

Gross profit grew by 32.0% or ₱2,494 million from the 2020 level of ₱7,782 million to close at ₱10,276 million for the year for a gross profit margin of 37.3%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 296 basis points year-on-year. The improvement in gross profit margin is traced mainly to changes in product mix within the exclusive and in-house brands classification, which resulted in a higher overall margin for the class, partly offset by the drop in their contribution to total net sales to 49.5% from 50.9% in the same period in 2020.

### **Operating Expenses**

Operating expenses increased to ₱6,732 million for the year, up 17.3% or ₱994 million from the prior year's ₱5,738 million. The increase is attributable mainly to expansion-related expenses particularly in salaries, trucking, utilities, outsourced services, depreciation and amortization partially offset by the decrease in donations. Non-PFRS 16 related rent expense increased by 25.9% or ₱30 million to ₱147 million mainly due to lease term changes and increase in the variable component of the leases.

### **Interest Expense**

Interest expense increased by 9.6% or ₱41 million, to total ₱470 million for the year from the prior year's ₱429 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### **Other Income (Charges)**

Other income (charges) for the year ended December 31, 2021 amounted to ₱351 million, decreased by 19.4% or ₱85 million from prior year's ₱435 million. Other income consists of:

- 1) Rent concession in 2020 from lessors related to leases of land and buildings resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱101 million upon applying the practical expedient of PFRS 16;
- 2) Interest income of ₱29 million, which decreased from the prior period balance of ₱55 million as investible funds particularly from IPO proceeds continued to be deployed for store network expansion. The IPO proceeds were fully utilized as at December 31, 2021;
- 3) Rent income of ₱61 million, rose by 42.6% or ₱18 million year-on-year in view of new contracts and the continued collection of rent as all branches remained open through all the quarantine phases imposed during the year; and
- 4) Net other income from trade and other suppliers amounting to ₱259 million, up by 9.5% or ₱22.6 million from 2020. Net other income is comprised of share of various operational and promotional/marketing expenses of suppliers and other non-merchandise sales related income.

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

Adjusting the 2021 and 2020 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:



- 1) EBITDA as of December 31, 2021 reached ₱4,339 million, or 15.8% of net sales, rising by 61.1% from the ₱2,694 million, or 11.9% of net sales, recorded as of December 31, 2020.
- 2) EBIT for the year 2021 is ₱3,396 million or 12.3% of net sales, growing by 70.2% from ₱1,995 million, or 8.8% of net sales, year-on-year.

The growth in both EBITDA and EBIT was driven by the improved sales performance and expansion in gross profit margin partly offset by the increase in operating expenses.

### ***Income Tax Expense***

The Company's income tax expense increased by 43.6% or ₱262 million to end at ₱863 million in 2021 from the ₱601 million incurred during the same period last year. The increase is attributed to:

- 1) Higher taxable income in 2021 partly offset by the lower income tax rate of 25% from the previous 30%;
- 2) A one-time recognition of a net tax expense as a result of the downward adjustment in the deferred tax asset balance as of December 31, 2020 to reflect the decrease in the corporate income tax rate from 30% to 25% approved in March 2021 but retroactive from July 1, 2020.

### **Financial Condition as at December 31, 2021**

#### ***Liquidity***

Cash and cash equivalents and short-term investments totaled ₱2,342 million, 49.2% or ₱2,269 million drop from the balance as at December 31, 2020 as the Company continued to construct new store buildings and warehouses. Nonetheless, current ratio improved from 1.89:1.00 to 1.94:1.00.

#### ***Capital Expenditure***

The Company's capital expenditure totaled ₱2,161 million during the year 2021, the bulk of which was spent on the construction of new stores and warehouses.

#### ***Capital Resources***

The Company continue to have easy access to the debt markets for both its working capital and long-term funding requirements having remained bank debt-free and with preferential lines with the Philippines' top banks.

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases. The company has no existing lease or other contracts with material contingent liability that will adversely affect the company's operations or the implementation of its strategic initiatives.

### **Key Financial Performance Indicators**

| <b>Key Performance Indicators</b>  | <b>As at<br/>December 31, 2021</b> | <b>As at<br/>December 31, 2020</b> |
|--|------------------------------------|------------------------------------|
| Sales  | 27,513,328,310                     | 22,628,883,188                     |
| EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense <sup>1</sup>                        | 3,396,006,908                      | 1,994,872,196                      |
| EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>2</sup> | 4,339,174,272                      | 2,694,079,493                      |
| EBIT Margin - Treating Interest on Lease Liability as Rent Expense <sup>3</sup>                            | 12.34%                             | 8.82%                              |
| EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>4</sup>      | 15.77%                             | 11.91%                             |
| Return on Equity Ratio <sup>5</sup>  | 14.66%                             | 9.46%                              |

|                                   |      |      |
|-----------------------------------|------|------|
| Current Ratio <sup>6</sup>        | 1.94 | 1.89 |
| Debt to Equity Ratio <sup>7</sup> | 0.85 | 0.84 |

- 1 *Income before tax add net interest expense less lease interest expense*
- 2 *Income before tax add net interest expense and depreciation and amortization less lease interest expense and depreciation on ROU assets*
- 3 *EBIT / Net Sales*
- 4 *EBITDA / Net Sales*
- 5 *Net Income / Total Equity*
- 6 *Current Assets / Current Liabilities*
- 7 *Total Liabilities / Total Equity*

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

### **Statement of Financial Position as at December 31, 2021 and December 31, 2020**

1. Aggregate cash and short-term investments decreased by ₱2,269 million or 49.2% from ₱4,611 million at the close of 2020 to ₱2,342 million as at December 31, 2021, traceable primarily to advances made to suppliers, capital expenditure, payment of dividends, lease and income tax.
2. Trade and other receivables totaled ₱166 million as at December 31, 2021, 47.2% or ₱149 million lower than the ₱315 million balance as at December 31, 2020. The decrease was mainly due to the increased collection of trade receivables.
3. Advance payments to suppliers, comprising of advance payments to trade and non-trade suppliers, increased by ₱1,790 million or 1,770.8% from ₱101 million balance as at December 31, 2020. The increase was mainly due to the rise in advance payments on purchases of merchandise inventory.
4. Merchandise Inventories increased by ₱3,184 million or 36.6% from ₱8,692 million at the close of 2020 to ₱11,876 million as at December 31, 2021 due mainly to increase in purchases.
5. Other Current Assets increased by ₱242 million or 36.1% from ₱671 million at the close of 2020 to ₱913 million as at December 31, 2021 due mainly to prepayments, input tax from purchases and increase in supplies.
6. Property and equipment increased by ₱1,185 million or 17.5% from ₱6,757 million at the close of 2020 to ₱7,942 million as at December 31, 2021 due mainly to capital expenditures related to store network expansion.
7. Net deferred tax assets decreased by ₱40 million or 9.5% from ₱414 million at the close of 2020 to ₱375 million as at December 31, 2021 due mainly to the tax effect of the application of CREATE Law with new tax rate of 25%.
8. Other Noncurrent Assets increased by ₱28 million or 7.4% from ₱376 million at the close of 2020 to ₱404 million as at December 31, 2021 due mainly to licenses and software acquisition.
9. Current liabilities amounted to ₱8,880 million as at December 31, 2021, up by 16.5% or ₱1,258 million from the ₱7,621 million balance as at December 31, 2020. The increase was driven by trade and other payables and income tax payable.
10. Non-current liabilities totaled ₱5,979 million, higher by 13.1% or ₱693 million from the December 31, 2020 balance of ₱5,287 million. The increase was mainly due to additional lease liabilities recognized for new contracts.

## **Income Statement Items**

1. Net sales for the year ended December 31, 2021 amounted to ₱27,513 million, 21.6% or ₱4,884 million higher than the ₱22,629 million generated during the same period in 2020.
2. Gross profit increased by 32.0% to ₱10,276 million for the period from the ₱7,782 million level for the same period in 2020, mainly driven by the increase in sales and gross profit margin.
3. Operating expenses increased to ₱6,732 million for the year, up 17.3% or ₱994 million from the prior year's ₱5,738 million. The increase is attributable mainly to expansion-related expenses particularly in salaries, trucking, utilities, outsourced services, depreciation and amortization partially offset by the decrease in donations. Non-PFRS 16 related rent expense increased by 25.9% or ₱30 million to ₱147 million
4. Interest expense increased by 9.6% or ₱41 million, to total ₱470 million for the year from the prior year's ₱429 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.
5. The Company's income tax expense increased by 43.6% or ₱262 million to end at ₱863 million in 2021 from the ₱601 million incurred during the same period last year. The increase is due mainly to higher taxable income partly offset by the lower income tax rate. The retroactive application of the new corporate income tax rate also resulted in the recognition of a one-time tax expense to account for the revaluation of the deferred tax asset account.

## **Results of Operations for the quarter ended December 31, 2021 compared with quarter ended December 31, 2020**

### ***Net Sales***

The Company recorded net sales of ₱7,465 million for the three-month period ended December 31, 2021, 9.1% or ₱625 million higher than the ₱6,840 million for the same period in 2020. The increase is mainly due to new stores' sales. Comparable sales performance is almost flat at 0.8%.

Sales from the depot-format stores contributed the majority of total net sales comprising 97.2% or ₱7,256 million for the fourth quarter of 2021, up by 9.3% or ₱616 million from the ₱6,641 million net sales for the fourth quarter of 2020. The depot's same store sales growth is 0.7%.

The smaller format "Home Essentials", recording net sales of ₱139 million accounting for 1.9% of net sales, reported a decline of 7.8% or ₱12 million during the fourth quarter of 2021 from prior year's same period level of ₱151 million.

The remaining 0.9% was accounted for by project sales or sales to major developers, amounting to ₱70 million, increasing by 43.6% or ₱21 million from prior year's same period level of 2020 of ₱48 million.

The Company opened three (3) new depots located in Visayas and Mindanao and one (1) Home Essentials in Central Luzon during the quarter.

### ***Gross Profit***

Gross profit closed at ₱2,844 million, resulting in a gross profit margin of 38.1% for the fourth quarter of 2021 from the ₱2,346 million level during the same period in 2020. Sales of exclusive and in-house products accounted for 50.1% of total net sales for the period versus 49.8% in the same period in 2020.

### **Operating Expenses**

Operating expenses increased to ₱1,914 million during the fourth quarter of 2021, up 17.8% or ₱289 million from the ₱1,625 million during the same period in 2020. The increase is mainly expansion-related particularly in salaries, depreciation and amortization and outsourced services.

### **Interest Expense**

Interest expense during the fourth quarter of 2021 and 2020 amounted to ₱117 million and ₱112 million, respectively. The ₱5 million increase represents non-cash interest charged on leased liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### **Other income (Charges)**

Other income (charges) during the fourth quarter of 2021 amounted to ₱108 million, down by 43.9% or ₱85 million from the ₱193 million generated in 2020 due to the recognition of the rent concession obtained from lessors related to leases of land and buildings, which resulted in the reduction in lease liabilities amounting to ₱101 million in 2020. The decrease was partly offset by the increase in net other income.

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

Adjusting the 2021 and 2020 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense to exclude interest on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA for the quarter ended December 31, 2021 totaled ₱1,170 million, or 15.7% of net sales, up by 18.3% or ₱181.2 million from the 2020 balance of ₱989 million, or 14.5% of net sales.
- 2) EBIT for the fourth quarter of 2021 is ₱917 million or 12.3% of net sales, up by 15.7% or ₱124 million higher from the prior year's same period level of ₱792 million, or 11.6% of net sales

### **Income Tax Expense (Benefit)**

The Company's income tax expense decreased by 3.5% or ₱8.0 million to end at ₱229 million in 2021, versus ₱238 million incurred during 2020.

### **Income Statement for the quarter ended December 31, 2021 compared with quarter ended December 31, 2020**

1. Net sales for the fourth quarter ended December 31, 2021 amounted to ₱7,465 million, 9.1% or ₱625 million higher than the ₱6,840 million for the same period in 2020 mainly due to new stores' sales. Comparable sales performance is almost flat at 0.8%.
2. Gross profit increased by 21.2% to ₱2,844 million for the period from the ₱2,346 million level for the same period in 2020, driven by the increase in sales and the expansion in gross profit margin.
3. Operating expenses increased to ₱1,914 million for the period, up by 17.8% or ₱289 million from the prior period's ₱1,625 million. The increase is mainly expansion-related particularly in salaries, depreciation and amortization and outsourced services.
4. Interest expense increased to ₱117 million for the period, up by 4.5% or ₱5 million from the prior year's ₱112 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 period totaled ₱108 million, down by 43.9% or ₱85 million from the ₱193 million recorded in the same period of 2020 mainly due to the significant rent concession in 2020.

## **Results of Operations for the year ended December 31, 2020 compared with year ended December 31, 2019**

The Philippine government on March 16, 2020, to curb the spread of the corona virus, placed the whole island of Luzon on enhanced community quarantine (ECQ), which required businesses and offices to close except for hospitals and other medical services, supermarkets and food deliveries, and logistics support for medical and food supplies. The company had to close all of its 44 branches in Luzon out of 58 total WDI branches at that time. These branches contributed 84.0% of the Company's total net sales pre-ECQ.

The ECQ was lifted on May 16, 2020 and WDI re-opened all of its Luzon stores. The branches outside of Luzon, meanwhile, were voluntarily closed by the Company for a two-week period from March 30-31 to April 13-15, 2020 to re-orient and prepare the store operations for the new health and safety protocols. Up to the end of 2020, various regions were placed under different levels of quarantine depending on the trend of COVID-19 positive cases. Metro Manila with nearby provinces, for two weeks in August, 2020 was placed back in the second strictest level (MECQ) and while it has been placed under general community quarantine (GCQ) after, it has never graduated to the least strict, moderate GCQ (MGCQ).

The pandemic and the consequent quarantine measures have greatly impacted the Company's operations in 2020 with net sales decreasing by 7.5% or ₱1,847 million to ₱22,629 million, net income declined by 31.8% or ₱676 million to ₱1,449 million for the year ended December 31, 2020, from the ₱2,125 million reported in 2019.

### **Net Sales**

The Company generated net sales of ₱22,629 million for the year ended December 31, 2020, 7.5% or ₱1,847 million lower than the ₱24,476 million reported in 2019. Comparable sales performance dropped to negative 13.6% mainly as a result of the temporary closure of stores in Luzon and some stores in Visayas and Mindanao in the first half and the general impact of the pandemic and the continuing quarantine measures. Wilcon stores in Luzon, 44 branches out of 58, accounted for 84.0% of revenues in 2020 pre-ECQ. As of December 31, 2020, the Company had grown to 63 branches, 49 stores are located in Luzon and of the 57 stores aged one year or older, 43 branches are in Luzon.

Its flagship format, the depot, accounted for 97.0% or ₱21,941 million of the total net sales. The format's net sales decreased by 6.5% or ₱1,528 million from the ₱23,469 million net sales in 2019, with a negative same store sales growth of 12.9% for the year.

Net sales generated by the smaller format, "Home Essentials" (HE) stores, comprising the 2.2% or ₱510 million of total net sales, likewise reported a downswing of 22.4% or ₱148 million for the year from ₱658 million in 2019 since six out of the seven Home Essentials are located in Metro Manila. All HEs are in operation for more than a year.

The remaining 0.8% was accounted for by the project sales or sales to major developers, amounting to ₱178 million, decreasing by 49.2% or ₱172 million in 2020 owing to the suspension of and delays in the completion of ongoing projects of our institutional accounts.

During the year, the Company opened six new depots, all located in Luzon bringing the total number of stores to 63 (56 depots and seven home essentials) by the end of 2020. Three stores each were opened in Southern Luzon and Northern Luzon.

### **Gross Profit**

Gross profit closed at ₱7,782 million, resulting in a gross profit margin of 34.4% for the year ended December 31, 2020. For the year ended December 31, 2019, gross profit was reported at ₱8,176 million for a gross profit margin of 33.4%. Gross Profit decreased by ₱394 million or 4.8% due to the decrease in sales despite the increase in Gross Profit rate to 34.4%. The hike in Gross Profit rate 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 50.9% of total net sales for the period versus 49.5% in 2019.

### **Operating Expenses**

Operating expenses increased to ₱5,738 million for the period, up 6.3% or ₱342 million from the prior period's ₱5,396 million. The increase is traced mainly to expansion-related and pandemic-related expenses particularly in depreciation and amortization and donations and contributions, respectively. These upswings were offset by the decrease primarily in utilities, trucking and advertising expense during the quarantine period. Depreciation and amortization recorded the highest increase at 60.7% or ₱687 million as a result of the continuous addition of the company-owned store buildings and the full year impact of the adoption of the new accounting standard for leases, *PFRS 16 – Leases*. Non-PFRS 16 related rent expense dropped 64.8% or ₱215 million.

Rent concessions obtained by the company from its lessors were reflected under Other Income.

### **Interest Expense**

Interest expense for the years ended December 31, 2020 and 2019 amounted to ₱429 million and ₱300 million, respectively. The ₱129 million increase represents non-cash interest charged on leased 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 period ended December 31, 2020 amounted to ₱435 million, down by 5.9% or ₱27 million from the ₱463 million generated in 2019 mainly due to the decrease in interest income partially offset by the increase in rent income and net other income. Other income consists of:

- 1) Rent concession in 2020 from lessors related to leases of land and buildings resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱101 million upon applying the practical expedient of PFRS 16;
- 2) Rent income from suppliers for the lease of billboards, end caps, etc. totaling ₱43 million, up 40.7% or ₱12 million year-on-year.
- 3) Net other income from trade and other suppliers amounting to ₱236 million, down by 15.8% or ₱44 million from 2019 representing net charges for their share of various operational and promotional/marketing expenses and other non-merchandise sales related income; and
- 4) Interest income of ₱55 million decreased from the prior period balance of ₱151 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)**

Adjusting the 2020 and 2019 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense to exclude interest on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA for the year ended December 31, 2020 totaled ₱2,694 million, or 11.9% of net sales, declining by 15.9% or ₱509 million from the 2019 balance of ₱3,203 million, or 13.1% of net sales.
- 2) EBIT for the year 2020 is ₱1,995 million or 8.8% of net sales, sliding by 28.5% or ₱796 million year-on-year from the prior year's level of ₱2,791 million, or 11.4% of net sales

The downswing in both EBITDA and EBIT are largely due to the impact of the pandemic and quarantine measures.

### **Income Tax Expense (Benefit)**

The Company's income tax expense decreased by 26.5% or ₱217 million to end at ₱601 million in 2020, versus ₱818 million incurred during 2019 in view of lower taxable income.

### **Capital Expenditure**

Capital expenditure for 2020 totaled ₱2,503 million. The bulk (68.0%) was spent on new stores, while the remainder was spent on warehouses, extensions and renovations (24.4%), and Furniture, Equipment, and IT Software (7.6%).

### **Results of Operations for the quarter ended December 31, 2020 compared with quarter ended December 31, 2019**

WDI generated net income of ₱563 million, down 3.0% or ₱18 million year-on-year traced mainly to the drop in interest income. Excluding interest income, earnings will be slightly up by 1.1% or ₱6 million from ₱549 to ₱555 million year-on-year.

### **Net Sales**

The Company recorded net sales of ₱6,840 million for the three-month period ended December 31, 2020, 6.2% or ₱399 million higher than the ₱6,441 million for the same period in 2019. The increase is mainly due to opening of six new stores. Comparable sales performance dropped only to negative 0.5%, which is almost flat despite the impact of the pandemic and continued implementation of quarantine measures.

Sales from the depot-format stores contributed the majority of total net sales comprising 97.1% or ₱6,641 million for the fourth quarter of 2020, up by 7.4% or ₱456 million from the ₱6,185 million net sales for the fourth quarter of 2019. The depot's same store sales growth is almost flat at 0.4%.

The smaller format "Home Essentials", recording net sales of ₱151 million accounting for 2.2% of net sales, reported a decline of 9.2% or ₱15 million during the fourth quarter of 2020 from prior year's same period level of ₱166 million.

The remaining 0.7% was accounted for by project sales or sales to major developers, amounting to ₱48 million, decreasing by 46.0% or ₱41 million from prior year's same period level of 2019 of ₱90 million.

The Company has opened two new depots in the last quarter of 2020 which are both located in Luzon (Olongapo and San Juan, Taytay).

### **Gross Profit**

Gross profit closed at ₱2,346 million, resulting in a gross profit margin of 34.3% for the fourth quarter of 2020 from the ₱2,264 million level during the same period in 2019. Sales of exclusive and in-house products accounted for 49.8% of total net sales for the period versus 50.4% in the same period in 2019.

### **Operating Expenses**

Operating expenses increased to ₱1,625 million during the fourth quarter of 2020, up 9.4% or ₱139 million from the ₱1,486 million during the same period in 2019. The increase is mainly expansion-related particularly in depreciation and amortization. Depreciation and amortization recorded the highest increase at 36.1% or ₱134 million as a result of the continuous addition of the company-owned store buildings and the full year impact of the adoption of the new accounting standard for leases, *PFRS 16 – Leases*.

Rent concessions obtained by the company from its lessors were reflected under Other Income.

### **Interest Expense**

Interest expense during the fourth quarter of 2020 and 2019 amounted to ₱112 million and ₱92 million, respectively. The ₱20 million increase represents non-cash interest charged on leased liability recognized for the period in relation to the adoption by the Company of *PFRS 16 on leases*.

### **Other income (Charges)**

Other income (charges) during the fourth quarter of 2020 amounted to ₱193 million, up by 45.4% or ₱60 million from the ₱133 million generated in 2019 due to the recognition of the rent concession obtained from lessors related to leases of land and buildings, which resulted in the reduction in lease liabilities amounting to ₱101 million, and the increase in rent income. The hike was partly offset by the decrease in net other income and interest income.

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

Adjusting the 2020 and 2019 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense to exclude interest on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA for the quarter ended December 31, 2020 totaled ₱989 million, or 14.5% of net sales, up by 8.4% or ₱77 million from the 2019 balance of ₱912 million, or 14.2% of net sales.
- 2) EBIT for the fourth quarter of 2020 is ₱792 million or 11.6% of net sales, almost flat at 0.8% or ₱6 million higher from the prior year's same period level of ₱786 million, or 12.2% of net sales.

### **Income Tax Expense (Benefit)**

The Company's income tax expense is almost flat at 0.1% or ₱0.2 million to end at ₱237.7 million in 2020, versus ₱237.5 million incurred during 2019.

### **Financial Position as at December 31, 2020 and December 31, 2019**

WDI's financial position remained solid as at December 31, 2020 notwithstanding the effect of the pandemic and quarantine measures on its operations. Its healthy financial condition will still enable it to pursue its expansion plans.

Cash and cash equivalents and short-term investments totaled ₱4,611 million by the end of 2020, higher by 6.4% or ₱279 million than the total of cash and cash equivalents, short term investments and investment in retail treasury bond (matured in April 2020) balance of ₱4,332 million as at December 31, 2019. This resulted in a current ratio of 1.89:1.00 in 2020, lower than the 2.08:1.00 in view of the lower inventory level partly offset by the lower accounts payable balance.

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases. WDI has remained practically bank debt-free, with a debt-to-equity ratio of 0.84:1.00.

Below are its key performance indicators.

### **Key Financial Performance Indicators**

| <b>Key Performance Indicators</b>  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| Sales  | 22,628,883,188 | 24,476,094,604 |
| EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense <sup>1</sup>                        | 1,994,872,196  | 2,791,096,336  |
| EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>2</sup> | 2,694,079,493  | 3,202,940,317  |
| EBIT Margin - Treating Interest on Lease Liability as Rent Expense <sup>3</sup>                            | 8.82%          | 11.40%         |
| EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>4</sup>      | 11.91%         | 13.09%         |



|                                     |        |        |
|-------------------------------------|--------|--------|
| Return on Equity Ratio <sup>5</sup> | 9.46%  | 14.49% |
| Current Ratio <sup>6</sup>          | 1.89   | 2.08   |
| Debt to Equity Ratio <sup>7</sup>   | 0.84   | 0.79   |
| Dividend Payout <sup>8</sup>        | 34.73% | 35.74% |

- 1 *Income before tax add net interest expense less lease interest expense*
- 2 *Income before tax add net interest expense and depreciation and amortization less lease interest expense and depreciation on ROU assets*
- 3 *EBIT / Net Sales*
- 4 *EBITDA / Net Sales*
- 5 *Net Income / Total Equity*
- 6 *Current Assets / Current Liabilities*
- 7 *Total Liabilities / Total Equity*
- 8 *Current year dividend paid / prior year Net Income*

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

#### **Statement of Financial Position as at December 31, 2020 versus December 31, 2019**

1. Aggregate cash and short-term investments increased by ₱2,532 million or 121.8% from ₱2,079 million at the close of 2019 to ₱4,611 million as at December 31, 2020, traceable primarily to the 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 ₱416 million as at December 31, 2020, 5.4% or ₱24 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. Merchandise Inventories decreased by ₱825 million or 8.7% from ₱9,518 million at the close of 2019 to ₱8,692 million as at December 31, 2020 due mainly to lower purchases.
4. Other Current Assets decreased by ₱62 million or 8.5% from ₱733 million at the close of 2019 to ₱671 million as at December 31, 2020 due mainly of utilization of input tax and application of prepayments.
5. Property and equipment increased by ₱1,776 million or 35.7% from ₱4,981 million at the close of 2019 to ₱6,757 million as at December 31, 2020 due mainly to capital expenditures related to store network expansion.
6. Net deferred tax assets increased by ₱80 million or 24.1% from ₱334 million at the close of 2019 to ₱414 million as at December 31, 2020 due mainly to the tax effect of temporary differences on net lease rental payments.
7. Other noncurrent assets decreased by ₱263 million or 41.2% from ₱639 million at the close of 2019 to ₱376 million as at December 31, 2020 due mainly to decrease in advances to contractors partially offset by procurement of IT Software.
8. Lease liability including non-current portion increased by ₱1,300 million or 23.7% from ₱5,486 million at the close of 2019 to ₱6,787 as at December 31, 2020 due to lease liabilities in relation to PFRS 16 for new leases.
9. Net retirement liability increased by ₱62 million or 22.4% from ₱276 million at the close of 2019 to ₱337 million as at December 31, 2020 due mainly to increase in liabilities as a result of prevailing discount rates in 2020.
10. Other comprehensive income decreased by ₱63 million or 99.1 % from ₱63 million at the close of 2019 to ₱0.6 million as at December 31, 2020 due to remeasurement loss on

retirement liability and reversal of unrealized gain upon maturity of investment in retail treasury bond.

### **Income Statement for the year ended December 31, 2020 compared with year ended December 31, 2019**

1. Net sales for the year 2020 amounted to ₱22,629 million, 7.5% or ₱1,847 million lower than the ₱24,476 million generated during the same period in 2019 mainly due to comparable sales performance drop to negative 13.6% 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 4.8% to ₱7,782 million for the year from the ₱8,176 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 ₱5,738 million for the year, up 6.3% or ₱342 million from the prior period's ₱5,396 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 60.7% or ₱687 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 64.8% or ₱215 million to ₱117 million.
4. Interest expense increased to ₱429 million for the year from the prior year's ₱300 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 year totaled ₱435 million, down by 5.9% or ₱27 million from the ₱463 million recorded in the same period of 2019 mainly due to the decrease in interest income and net other income partially offset by rent concession.
6. The Company's income tax expense decreased by 26.5% or ₱217 million to end at ₱601 million from the ₱818 million incurred in the prior 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 31.8% or ₱676 million to ₱1,449 million for the year 2020 from the ₱2,125 million reported in 2019.

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

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

#### **Net Sales**

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

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

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

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

### **Gross Profit**

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

### **Operating Expenses**

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

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

### **Interest Expense**

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

### **Other income (Charges)**

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

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

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

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

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

### **Income Tax Expense**

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

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

### **Assets**

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

#### *Current Assets*

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

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

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

#### *Noncurrent assets*

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

### **Liabilities**

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

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

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

## **Equity**

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

## **Key Financial Performance Indicators**

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

1 *Income before tax add interest expense*

2 *Income before tax add interest expense and depreciation and amortization*

3 *EBIT / Net Sales*

4 *Current Assets / Current Liabilities*

5 *Total Liabilities / Total Equity*

6 *EBIT/ Interest Expense*

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

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

1. WDI's total assets grew by 49.9% or ₱8,735 million from ₱17,502 million balance as at December 31, 2018 to close at ₱26,237 million as at December 31, 2019. The increase was due mainly to the recognition of right of use assets (PFRS 16), additional inventories and capital expenditures related to store network expansion.
2. Aggregate cash and cash equivalents including short-term investments decreased by ₱764 million or 26.9% from ₱2,842 million at the close of 2018 to ₱2,079 million by end of 2019, traceable primarily due to payment of inventories and construction liabilities.
3. Trade and other receivables totaled ₱440 million as at December 31, 2019, 43.5% or ₱133 million higher than the ₱307 million balance as at December 31, 2018. The increase was mainly due to increase in credit sales.
4. Merchandise inventories totaling ₱9,518 million make up the bulk of current assets, accounting for 63.4% of total current assets as at December 31, 2019. This represents a 29.8% or ₱2,186 million jump over the ending 2018 balance of ₱7,331 million to support the requirements of the new store openings and increased contribution of in-house and exclusive products.
5. Other current assets increased by ₱89 million or 13.9% from ₱644 million as at December 31, 2018 to ₱733 million as at December 31, 2019 due to increase in current deferred input VAT on property and equipment and consigned goods already sold and increase in consumable materials partially offset by decrease in input VAT.
6. The Company's noncurrent assets reached ₱11,215 million, 75.8% or ₱4,836 million higher than the ₱6,379 million balance as at December 31, 2018 in view mainly of the adoption of

PFRS 16, which requires lessees to recognize right of use assets and lease liabilities and the continued construction of new company-owned store buildings partly offset by the re-classification of financial assets at FVOCI to current assets.

7. Net deferred tax assets also increased by ₱196 million or 142.7% from ₱138 million as at December 31, 2018 to ₱334 million as at December 31, 2019 due mainly to the tax effect of temporary differences on net lease rental payments and retirement liability.
8. Furthermore, other noncurrent assets increased by ₱72 million or 12.6% from ₱567 million as at December 31, 2018 to ₱639 million as at December 31, 2019 due mainly to increase in advances to contractors and security deposits partially offset by the prepaid rent reclassified to right-of-use assets.
9. Current liabilities amounted to ₱7,236 million as at year end 2019, up 73.5% or ₱3,065 million from the ₱4,171 million balance as at December 31, 2018. The increase was due mainly to the recognition of the current portion of lease liabilities and increased trade and other payables.
10. Non-current liabilities totaled ₱4,339 million, significantly higher by 3,563.3% or ₱4,221 million from the December 31, 2018 balance of ₱118 million. The increase was mainly due to the adoption of PFRS 16 which requires lessees to recognize right of use assets and lease liabilities and increase in retirement liability driven mainly by remeasurement loss partially offset by contributions to the plan assets in 2019.
11. Total equity amounted to ₱14,662 million as at December 31, 2019 growing by 11.0% from the December 31, 2018 balance of ₱13,212 million, primarily due to net income earned for the period of ₱2,125 million partly offset by the payment of dividends.

#### **Income Statement Items**

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

of ₱195 million in 2018 as the IPO proceeds continue to be deployed for expansion purposes.

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

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

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

#### **Net Sales**

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

The depots contributed the majority of total net sales comprising 95.8% or ₱20,150 million, growing by 20.6% or ₱3,443 million year-on-year with a same store sales growth of 9.5%. The new depots, meanwhile, accounted for 53.8% of the total growth, contributing ₱1,853 million in 2018. Project sales or sales to majority property developers, on the other hand, dropped by 44.5% year-on-year totaling ₱272 million in 2018, accounting for 1.3% of total net sales.

The Home Essentials branches recorded total net sales of ₱619 million, accounting for 2.9% of total net sales. The format grew 12.6% with a same store sales growth of 9.7%. Two Home Essentials were opened in 2018 while there was none opened in 2017.

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

#### **Gross Profit**

Gross profit in 2018 amounted to ₱6,603 million up 25.4% or ₱1,337 million year-on-year resulting in a growth in the blended gross profit margin (GPM) to 31.4% from the 29.7% 2017 GPM. The improvement is traceable mainly to the expanding contribution of the higher margin in-house and exclusive products

to total net sales, which accounted for 46.9% in 2018 versus 44.6% in 2017 and partly to improved margins from non-exclusive products.

#### **Operating Expenses**

Operating expenses increased to ₱4,421 million in 2018, increasing by 22.9% or ₱825 million from ₱3,596 million in 2017. The hike is brought about mainly by the increased volume of business both from new and existing stores compounded by inflation effects on expense accounts notably on trucking and salaries.

#### **Interest Expense**

The Company repaid its bank loans resulting in an 89.2% or ₱19 million drop in interest expense to ₱2 million in 2018.

### **Other income (Charges)**

Net other income in 2018 reached ₱359 million, up 94.0% or ₱174 million from the ₱185 million generated in 2017. The jump is attributable mainly to:

- 1) higher interest income earned from placements of the balance of the proceeds from the initial public offering and cash generated from operations, increasing by 68.0% or ₱79 million year-on-year to close at ₱194 million;
- 2) higher other revenues net of charges of ₱165 million in 2018 from ₱70 million in 2017, consisting of rent income for the lease of billboards, gondola lights, etc. by merchandise suppliers and their share of various operational and promotional/marketing costs and other non-merchandise sales related income.

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

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

### **Income Tax Expense**

Income tax expense increased by 57.1% or ₱256 million to settle at ₱704 million in view of the higher taxable income in 2018 and a one-off tax benefit in 2017 arising from the increase in capital stock resulting from the public listing of the Company's common shares.

### **Financial Position as at December 31, 2018 and December 31, 2017**

#### **Assets**

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

#### *Current Assets*

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

#### *Noncurrent assets*

Noncurrent assets climbed 43.4% or ₱1,858 million to total ₱6,134 million as at December 31, 2018 from the December 31, 2017 level of ₱4,276 million. The hike is traceable mainly to the jump in property and equipment which totaled ₱2,767 million as at December 31, 2018, up 221.7% or ₱1,907 million from ₱860 million as at December 31, 2017 in view of the construction of new stores. Property and equipment accounted for 45.1% of total non-current assets.

#### **Liabilities**

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

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



increase in tax payable in view of higher taxable income in 2018 and a one-off tax benefit in 2017 arising from the increase in capital stock resulting from the public listing of the Company's common shares partly offset by reduction to nil of current portion of long-term debt due to repayment of bank loans.

Non-current liabilities totaled ₱118 million as at December 31, 2018, down by 68.9% or ₱263 million from the December 31, 2017 level of ₱381 million due to repayment of bank loans.

### **Equity**

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

### **Key Financial Performance Indicators**

| <b>Key Performance Indicators</b>    | <b>2018</b>    | <b>2017</b>    |
|--------------------------------------|----------------|----------------|
| Sales                                | 21,041,433,928 | 17,747,580,107 |
| EBIT <sup>1</sup>                    | 2,347,488,128  | 1,855,569,319  |
| EBITDA <sup>2</sup>                  | 2,512,340,109  | 1,959,894,624  |
| EBIT Margin <sup>3</sup>             | 11.16%         | 10.46%         |
| Current Ratio <sup>4</sup>           | 2.67           | 3.15           |
| Debt to Equity Ratio <sup>5</sup>    | 0.32           | 0.34           |
| Interest Coverage Ratio <sup>6</sup> | 1,000.93       | 85.14          |

1 *Income before tax add interest expense*

2 *Income before tax add interest expense and depreciation and amortization*

3 *EBIT / Net Sales*

4 *Current Assets / Current Liabilities*

5 *Total Liabilities / Total Equity*

6 *EBIT/ Interest Expense*

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

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

- Aggregate cash and cash equivalents including short-term investments decreased by ₱775 million or 21.4% from ₱3,617 million at the close of 2017 to ₱2,842 million by end of 2018, traceable primarily due to repayment of bank loans and distribution of dividends in 2018 partially offset by the income generated.
- Merchandise inventories which account for 64.5% of total current assets, hiked by 5.2% or ₱363 million to close at ₱7,331 million by the end of the year to support the requirements of new store openings.
- Other current assets increased by ₱33 million or 5.5% from ₱610 million as at December 31, 2017 to ₱644 million as at December 31, 2018 due to increase in prepaid expenses, materials and supplies, partially offset by decrease in input VAT.
- Noncurrent assets climbed 43.4% or ₱1,858 million to total ₱6,134 million as at December 31, 2018 from the December 31, 2017 level of ₱4,276 million. The hike is traceable mainly to the jump in property and equipment which totaled ₱2,767 million as at December 31, 2018, up 221.7% or ₱1,907 million from ₱860 million as at December 31, 2017 in view of the construction of new stores. Property and equipment accounted for 45.1% of total non-current assets.

5. Net deferred tax assets also increased by ₱22 million or 18.8% from ₱116 million as at December 31, 2017 to ₱138 million as at December 31, 2018 due mainly to the tax effect of temporary differences on accrued rent, allowance for impairment losses on receivables, and unearned revenue from loyalty program.
6. Furthermore, other noncurrent assets increased by ₱19 million or 6.3% from ₱304 million as at December 31, 2017 to ₱323 million as at December 31, 2018 due mainly to increase in computer software and non-current deferred input VAT partly offset by decrease in advance rent.
7. Current liabilities totaled ₱4,171 million as at December 31, 2018, increasing by 12.0% or ₱446 million from the balance of ₱3,725 million as at December 31, 2017, primarily due to the rise in trade and other payables which includes payables to suppliers and contractors for the construction of store buildings, increase in tax payable in view of higher taxable income in 2018 and a one-off tax benefit in 2017 arising from the increase in capital stock resulting from the public listing of the Company's common shares partly offset by reduction to nil of current portion of long-term debt due to repayment of bank loans.
8. Non-current liabilities totaled ₱118 million as at December 31, 2018, down by 68.9% or ₱263 million from the December 31, 2017 level of ₱381 million mainly due to repayment of bank loans.
9. Retirement liability also decreased by ₱14 million or 10.6% from ₱133 million as at December 31, 2017 to ₱118 million as at December 31, 2018 due mainly to contributions to the plan assets partly offset by current service cost and interest expense on the defined benefit obligation.
10. Total equity reached ₱13,212 million as at December 31, 2018, up by 10.9% or ₱1,294 million from the ₱11,918 million balance as at December 31, 2017 accounted for by the net income earned during 2018 and partly offset by the payment of dividends.

### **Income Statement Items**

1. Net income of ₱1,835 million for the year ended December 31, 2018, was up by 32.5% or ₱450 million from the ₱1,385 million reported for the full year 2017, driven by a robust comparable sales growth of 8.0% and margin-enhancing product mix strategy.
2. Net sales increased to ₱21,041 million in 2018, 18.6% or ₱3,294 million higher than the ₱17,748 million generated in 2017. The growth was driven by comparable sales performance of 8.0% in 2018 and a healthy contribution from new stores opened in 2018 and 2017.
3. Gross profit in 2018 amounted to ₱6,603 million up 25.4% or ₱1,337 million year-on-year resulting in a growth in the blended gross profit margin (GPM) to 31.4% from the 29.7% 2017 GPM traceable mainly to the expanding contribution of the higher margin in-house and exclusive products to total net sales.
4. Operating expenses increased to ₱4,421 million in 2018, increasing by 22.9% or ₱825 million from ₱3,596 million in 2017. The hike is brought about mainly by the increased volume of business both from new and existing stores compounded by inflation effects on expense accounts notably on trucking and salaries.
5. The Company repaid its bank loans resulting in an 89.2% or ₱19 million drop in interest expense to ₱2 million in 2018.
6. Net other income in 2018 reached ₱359 million, up 94.0% or ₱174 million from the ₱185 million generated in 2017. The jump is attributable mainly to higher interest income earned from placements and from placements.
7. Income tax increased by 57.1% or ₱256 million to settle at ₱704 million in view of the higher taxable income in 2018 and a one-off tax benefit in 2017 arising from the increase in capital stock resulting from the public listing of the Company's common shares.

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

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

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

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

There are no known regulatory or material contractual commitments of the Company for 2020.

The Company, pursuant to its expansion plans has allocated approximately ₱2.8B for additional stores/branches, warehouses, acquisition of vehicles and equipment, and renovations of select stores.

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

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

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

**Seasonal Aspect that has material effect on the financial statements.**

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

# **ANNEX A**

# COVER SHEET

|   |   |   |   |   |   |   |   |   |   |   |
|---|---|---|---|---|---|---|---|---|---|---|
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S.E.C Registration No.

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

(Company's Full name)

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

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**1 2**  
*Month*  
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FORM TYPE

**0 6**      **2 1**  
*Month*  
(Annual Meeting)

For the year ended  
31 December 2020

\_\_\_\_\_

**Secondary License, (if applicable type)**

**MSRD**  
Dept. requiring this doc

**N/A**  
Amended Articles number

**159**  
Total stockholders

|          |         |
|----------|---------|
|          |         |
| Domestic | Foreign |

To be accomplished by SEC personnel concerned

|             |     |
|-------------|-----|
|             |     |
| File Number | LCU |

|               |         |
|---------------|---------|
|               |         |
| Document I.D. | Cashier |

**STAMPS**

SEC Number: CS 201524712

**WILCON DEPOT, INC.**  
**Doing business under the name and style of Wilcon Depot**  
**and Wilcon Home Essentials**

(Company's Full Name)

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

(Company's Address)

(02) 8634 - 8387

(Telephone Number)

2021 December 31

(Fiscal Year Ending, month and day)

SEC FORM 17-A Annual Report

(Form Type)

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Amendment Delegation

December 31, 2021

Period Ended Date

---

(Secondary License Type and File)

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

ANNUAL REPORT PURSUANT TO SECTION 17

OF THE SECURITIES REGULATION CODE AND SECTION 141

OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended ..... December 31, 2021
2. SEC Identification Number ..... CS201524712
3. BIR Tax Identification No. .... 009-192-878
4. Exact name of issuer as specified in its charter .....

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

5. Quezon City, Philippines..... 6.  (SEC Use Only)  
Province, Country or other jurisdiction of incorporation or organization      Industry Classification Code:

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

8. (02) 8634-8387.....  
Issuer's telephone number, including area code

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

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

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

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

Yes []      No []

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

PHILIPPINE STOCK EXCHANGE – COMMON SHARES

12. Check whether the issuer:

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

Yes []      No []

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

Yes []

No []

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

The aggregate market value of the 1,392,242,000 voting stocks held by non-affiliates (public shares) as of December 31, 2021, computed based on the closing share price of ₱30.50 on the last trading day December 31, 2021 is ₱42,463,381,000.00.

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

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

NOT APPLICABLE

Yes []

No []

**DOCUMENTS INCORPORATED BY REFERENCE**

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:
- (a) Audited Financial Statements as at and for the years ended December 31, 2021, 2020 and 2019 - Exhibit 1
  - (b) Statement of Management's Responsibility for Financial Statements as at and for the years ended December 31, 2021, 2020 and 2019, part of Exhibit 1.
  - (c) SEC Form 17-C – Exhibit 2
  - (d) 2021 Sustainability Report – Exhibit 3



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## **PART I. BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### Background

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

The Company's retailing business, which it acquired and inherited from WC, has been in existence for 44 years. The business, founded by Mr. William T. Belo, opened its first store in 1977, carrying a variety of local brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, and hardware and tools. Mr. Belo gradually expanded the pioneer Wilcon branch as business picked up. He opened three more branches with an average area of 2,400 sqm from 1989 to 1995. In 2002, the first store outside of Metro Manila was established in Davao City.

The first depot format store was opened in 2003, in Las Piñas. At 10,000 sqm, the Depot format was larger than their previous 5 stores, which had an average size of 4,223 sqm. Its product selection was more comprehensive and included more international brands and new product lines and categories such as furniture, furnishings and houseware, paints, and building materials, among others. Over the next 13 years, operations rapidly expanded with the opening of 27 more Depot format stores around the country.

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

#### Corporate Restructuring

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

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

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

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

#### Bankruptcy, Receivership or Similar Proceedings

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

#### Products / Business Lines

The Company caters to the fast-growing segment of middle to high-income homeowners whose needs range from new home construction, renovation, repair and maintenance to home improvement, furnishing and design. The Company's complete spectrum of product offerings includes local and

international brands of tiles and flooring, plumbing and sanitary wares, electrical and lighting products, hardware and tools, furniture, furnishings and houseware, paints, appliances and building materials, among others.

### *Product Categories*

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

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

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

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

The Company carries over 1,600 brands across the different product categories translating to 60,000 stock keeping units (SKUs) as at December 31, 2021. The Company further classifies these brands as: (i) in-house brands owned by the Company and exclusive international brands that are solely distributed by the Company, and (ii) other locally procured local and international brands that are not exclusively distributed by the Company.

### *Store Formats*

The Company operates 73 stores nationwide, as of December 31, 2021, and offers its products via two retail formats, namely the Depot store format and Home Essentials store format.

- *Depots.* The Company conducts its operations primarily through a format under the name “Wilcon Depot”. As of December 31, 2021, the depot format accounted for 97.4% or ₱26,792 Million of the Company’s net sales. Each Depot format store carries 40,000 to 60,000 SKUs and offers a broad variety of large-scale home and construction supply products. The net selling space of the Company’s depot stores ranges from 2,800 sqm to 16,100 sqm, with an average gross floor area of 9,410 sqm. As of December 31, 2021, the Company has 65 depots located in

all the major cities across the Philippines. Project sales or sales to major property developers, on the other hand, accounted for 0.7% or ₱192 Million of total net sales of the Company.

- *Home Essentials.* The Company also operates a smaller format known as “Wilcon Home Essentials”. The Home Essentials format was launched in 2009 as a community store-type outlet aimed at customers who require easy access to a basic range of tools and materials for simple housing repair and maintenance. Home Essentials stores range in size from 740 sqm to 2,800 sqm with an average gross floor area of 1,411 sqm. As of December 31, 2021, the Company has 3 mall-based Home Essentials stores and 5 stand-alone branches for a total of 8 Home Essentials stores. Net sales generated by Home Essentials accounted for 1.9% or ₱530 Million of total net sales.

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

Owing to the significantly higher store count and total selling area of depots versus home essentials, majority of the Company’s revenues or 97.4% comprised of net sales generated from the depot-format stores, 0.7% for the project sales while the remaining 1.9% was contributed by the home essential format store.

#### Distribution Methods of Products

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

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

| <b>Store format</b>          | <b>Region</b> | <b>Number of stores</b> |
|------------------------------|---------------|-------------------------|
| <b>Depot</b>                 | Metro Manila  | 12                      |
|                              | Luzon         | 35                      |
|                              | Visayas       | 9                       |
|                              | Mindanao      | 9                       |
| <b>Total Depot</b>           |               | <b>65</b>               |
| <b>Home Essentials</b>       | Metro Manila  | 6                       |
|                              | Luzon         | 1                       |
|                              | Visayas       |                         |
| <b>Total Home Essentials</b> |               | <b>8</b>                |
| <b>TOTAL</b>                 |               | <b>73</b>               |

The Company outsources various logistics and distribution functions to third parties, which the Company believes allows it to expand its store network rapidly while lowering its operating costs.

Replenishment of the Company’s inventory is provided through direct store deliveries from suppliers for urgent requirements or deliveries to the Company’s warehouses for regular restocking.

#### Competition

The Company is operating in the construction and home improvement supply industry in the Philippines. The Company’s direct competitors are retailers, wholesalers and distributors of constructions and home improvement supply. The Company competes with these entities primarily in terms of the range and quality of products and services offered, pricing, target market, and sales network coverage.

## Suppliers

The Company has 627 local and multinational suppliers. Its major suppliers include Mariwasa Siam Ceramics, Inc., Hocheng Philippines Corp., Lixil Philippines Ltd. and Pacific Paint (Boysen) Philippines, Inc. all of which are local.

The Company purchases goods on a per order basis through purchase orders issued to suppliers. These purchase orders become the binding contracts between and among the Company and its suppliers. A purchase order provides the supplier details, terms of payment up to 60 days, discounts, entry date of order, delivery date and cancellation date, if any, SKU and description of products.

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

## Consignors

Consignors operate within the selling area of Wilcon Depot and Wilcon Home Essentials stores and as of December 31, 2021, consignment sales accounted for 27.4% of the total sales. The Company charges a pre-determined mark-up on a consignor's cost on its products as its margins.

## Customers

### *Target Customers*

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

### *Customer Segments*

The Company divides its customers into two categories:

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

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

### *Loyalty and Rewards Program – Wilcon Loyalty Card*

Wilcon Depot launched its Wilcon Loyalty Card program in 2011. It is a loyalty and rewards program offered by Wilcon Depot to all its customers free of charge. Registered members can accumulate points based on the amount and quantity of their purchases from any Wilcon Depot branch. The accumulated points can be converted into its equivalent monetary value based on the program and can be used by to purchase items at any Wilcon Depot store. From a membership of 89,118 in end-2011, it has now grown to 835,424 registered members as of December 31, 2021.

## Transactions with and/or Dependence on Related Parties

The Company, being a spun-off operation of WC, relies on the parent company and other related parties for the acquisition of majority of the current and all of the identified future store sites. Of the 73 branches as of December 31, 2021, only eight (8) sites are leased from third parties.





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

### Intellectual Property

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

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

| Brand   | Product Category            |
|---|-----------------------------|
|  The logo for POZZI BATHROOM SOLUTIONS features the word "POZZI" in large, bold, blue capital letters. Below it, the words "BATHROOM SOLUTIONS" are written in a smaller, grey, sans-serif font. A grey horizontal bar is positioned to the right of the text.             | Plumbing and Sanitary Wares |
|  The logo for Käsch consists of the word "Käsch" in a white, bold, sans-serif font, centered within a solid dark blue rectangular background.  | Plumbing and Sanitary Wares |
|  The logo for Crown Sink features a blue crown icon on the left. To its right, the words "Crown Sink" are written in a large, bold, black sans-serif font. Below this, the words "stainless steel sink" are written in a smaller, black, sans-serif font.                 | Plumbing and Sanitary Wares |
|  The logo for Arte CERAMICHE has the word "Arte" in a large, white, bold, sans-serif font on a green rectangular background. Below "Arte", the word "CERAMICHE" is written in a smaller, yellow, sans-serif font.  | Tiles and Flooring          |
|  The logo for VERONA TILES features the word "VERONA" in a large, blue, sans-serif font. Below it, the word "TILES" is written in a smaller, blue, sans-serif font. A decorative horizontal bar with segments of teal and dark blue is positioned between the two words. | Tiles and Flooring          |
|  The logo for SOL CERAMICA features a yellow sunburst icon on the left. To its right, the word "SOL" is written in a large, blue, sans-serif font, and "CERAMICA" is written in a smaller, blue, sans-serif font below it.   | Tiles and Flooring          |

|  |  |
|--|--|
|   | <p>Tiles and Flooring</p>                  |
|   | <p>Electrical and Lighting</p>             |
|   | <p>Furniture, Furnishing and Houseware</p> |
|  | <p>Hardware and Tools</p>                  |

#### Government Approvals / Regulations

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

#### Effect of Existing and Probable Government Regulations

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

#### Research and Development

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

#### Costs and Effects of Compliance with Environmental Laws

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

#### Employees

As of December 31, 2021, the Company has 2,981 direct hired employees. The following table sets out the breakdown of the Company's employees by rank and status.

| <b>Rank</b>                          | <b>Number of Employees</b> |
|--------------------------------------|----------------------------|
| Key Management, Manager & Supervisor | 1,041                      |
| Rank and File                        | 1,967                      |
| <b>Total</b>                         | <b>2,981</b>               |

| <b>Employment Status</b> | <b>Number of Employees</b> |
|--------------------------|----------------------------|
| Regular                  | 2,732                      |
| Probationary             | 249                        |
| <b>Total</b>             | <b>2,981</b>               |

The Company aims to foster a strong sense of responsibility in a motivating environment to enhance its employees' incentives and loyalty. The Company conducts various trainings for different levels of staff, including trainings tailored to specific job duty, such as trainings on product knowledge for sales personnel, a Leadership Enhancement and Development (LEAD) Program and Strategic Thinking and Decision Making for middle management and also a Career Management Program (CMP) in order to ensure the continuous supply of competent key officers within the organization.

The rank and file employees of the Company are subject of a collective bargaining agreement effective until May 10, 2025. At present, no employees are on strike or have been on strike in the past year or are threatening to strike.

The Company anticipates that it will have approximately 3,148 employees within the next 12 months to include new hires for the planned store openings in 2023.

### Risks

1. The Company's expected revenue and net income growth is highly dependent on the expansion of its store network and it may be adversely affected by the following factors:
  - identifying, hiring and training qualified employees for each site;
  - punctual commencement and completion of construction activities;
  - engaging qualified independent contractors;
  - managing construction and development costs of new stores, particularly in competitive markets;
  - securing required governmental approvals, permits and licenses (including construction and business permits) in a timely manner and responding effectively to any changes in applicable laws and regulations that adversely affect the Company's costs or ability to open new stores;
  - unforeseen engineering or environmental problems with leased premises; and,
  - avoiding the impact of inclement weather, natural disasters and other calamities.

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

2. The Company may encounter significant competition in key provincial cities outside Metro Manila. A significant portion of the Company's medium-term expansion strategy is to open new stores in the various regions of the Philippines, particularly in areas outside of Metro Manila. The retail market in these areas is dominated by independent local operations. Expansion into these areas exposes the Company to operational, logistical and other risks of doing business in new territories. The Company has studied the demographics and the competitive environment in the areas it has planned to enter to overcome challenges of entering new markets. There is no



guarantee that the strategies the Company will employ will result in the immediate and sustainable profitability of the branches to be opened in these new areas.

3. New stores will place additional burden on Company's existing resources, which may adversely affect its business. The Company's plans for expansion will place additional burden on its existing operational, managerial, financial and administrative resources. There is a risk that the Company's existing resources could fail to accommodate the increased number of stores, which in turn could compromise the operations of existing stores through deteriorating quality of its customer service, lack of product selection, poor management of inventory, among others. Although the Company has an effective recruitment and training program in place to always have a pool of available competent personnel that can be deployed anytime and has kept a healthy financial condition to have ready access to debt and equity financing, these are not guarantees that the accelerated expansion plan will not strain existing resources.
4. The success of the Company's business is reliant on the Company's continuing capability to source and sell the appropriate mix of products that meet customer preferences. The Company's success is dependent on its ability to source and sell products that meet quality standards and at the same time satisfy customers' preferences. The Company has a team of employees primarily responsible for sourcing the right portfolio of products, studying and anticipating trends in customer behavior, and appropriately responding to these trends. Its ability to source and market such products, or to accurately forecast or quickly adapt to changing customer preferences, will affect the level of customer transactions in the Company's stores, which could have an effect on the Company's business.
5. The Company may not be able to maintain and develop good relationships with its current and future suppliers, and failure to do so may adversely affect its business. The Company's success is reliant on its relationships with current and future suppliers. The Company has had long-standing relationships with multiple local and foreign suppliers. The ability of the Company to build relationships with new suppliers and to maintain or further strengthen existing relationships with suppliers is important in enabling the Company to source its desired portfolio of products at the preferred price.
6. The Company currently relies on distributors and service providers for its logistics requirements. The Company relies on distributors and third party service providers for transportation and deliveries of products to its stores. Any deterioration in its relationships with these distributors or service providers or other changes relating to these parties, including changes in supply and distribution chains, could have a material adverse effect on the Company's business, financial condition and results of operations. The Company has been able to establish and continues to improve its solid long-standing relationships with its service providers throughout the years. There can be no assurance, however, that these efforts will be successful.
7. The Company is a party to a large number of related party transactions. Certain companies controlled by the Belo Family have significant commercial transactions with the Company. The Company's related party transactions include leases and purchases. The Company expects that it will continue to enter into transactions with companies directly or indirectly controlled by or associated with the Belo Family. These transactions may involve potential conflicts of interest which could be detrimental to the Company and/or its shareholders. Conflicts of interest may also arise between the Belo Family and the Company in a number of other areas relating to its businesses, including:
  - major business combinations involving the Company and its subsidiaries;
  - transfers of affiliated companies into the Company;
  - plans to develop the respective businesses of the Company; and,
  - business opportunities that may be attractive to both the Belo Family and the Company.

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

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

8. The Company may fail to fulfill the terms of licenses, permits and other authorizations, or fail to renew them on expiration. The Company is required to maintain licenses, permits and other authorizations, including licenses and certain construction activities. The Company is also required to obtain and renew various permits, including business permits and permits concerning, for example, health and safety, environmental standards and distribution standards. If the Company fails to meet the terms of any of its licenses, permits or other authorizations necessary for operations, these may be suspended or terminated, leading to temporary or potentially permanent closing of stores, suspension of construction activities or other adverse consequences.

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

9. Changes in the retail and real estate market environment in the Philippines could affect the Company's business. The Company's home improvement business is dependent on the favorable growth and performance of the retail and real estate markets. The largest retail market of the Company is Metro Manila. The Company's stores in Metro Manila account for more than half of its total sales. Demand for the Company's products is driven by new and existing real estate projects in the market including, but not limited to, residential houses, condominiums, offices and commercial buildings.

Any changes in these markets, including further consolidation among the Company's competitors, change of consumer preferences, decline in the Company's brand recognition, adverse regulatory developments or adverse developments in consumer disposable income in Metro Manila, slow roll-out of housing and other real estate projects, in particular, could have an adverse effect on the Company's business. The Company however, as it has done throughout the years, monitors and analyzes these markets in order for it to successfully anticipate changes and sufficiently respond to any development and continue to provide more and various choices to its customers.

## **Item 2. Properties**

The Company does not own lands. It entered into lease agreements with WC, related parties and other third parties, to lease the land and/or buildings where its stores and warehouses are situated. The Company plans to enter into new leases in the next 12 months. The Company intends to continue to lease appropriate real estate properties that meet the Company's standards and requirements.

Part of the Company's use of IPO proceeds is for store network expansion. As of December 31, 2021, the Company has used all the allotted IPO proceeds for construction of its own buildings.

## **Item 3. Legal Proceedings**

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

None of the members of the Board of Directors and executive officers of the Company is involved in any material criminal, bankruptcy or insolvency investigations or proceedings.

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

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

1. Approval of the Minutes of the Annual Stockholders' Meeting held on 21 September 2020.

2. Approval of Annual Report and Financial Statements as of 31 December 2020.
3. Ratification of All Acts and Resolutions of the Board of Directors and Management during the preceding year.
4. Election of Directors.
5. Appointment of External Auditors.

## **PART II. OPERATIONAL AND FINANCIAL INFORMATION**

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

Wilcon Depot, Inc.'s common shares have been trading in the Philippine Stock Exchange (PSE) starting March 31, 2017. The high and low market prices of the Company's shares for each quarter of 2021 and month of January 2022, as reported by the PSE are shown below:

| <b>2022</b>    | <b>High</b> | <b>Low</b> |
|----------------|-------------|------------|
| <b>January</b> | 31.00       | 27.00      |

| <b>2021</b>                   | <b>High</b> | <b>Low</b> |
|-------------------------------|-------------|------------|
| <b>4<sup>th</sup> quarter</b> | 40.00       | 27.55      |
| <b>3<sup>rd</sup> quarter</b> | 30.20       | 27.50      |
| <b>2<sup>nd</sup> quarter</b> | 20.30       | 16.90      |
| <b>1<sup>st</sup> Quarter</b> | 18.52       | 16.36      |

The market capitalization of the Company's common shares at the end of 2021 based on the closing market price of ₱30.50 per share totaled to ₱125 Billion.

### **Item 6. Management's Discussion and Analysis**

#### **Results of Operations for year Ended December 31, 2021 compared with the year ended December 31, 2020**

The Company recorded net income of ₱2,561 million for the year 2021, up by 76.8% or ₱1,113 million from the ₱1,449 million reported in 2020 with net margins of 9.3% and 6.4%, respectively. The increase was mainly driven by the hike in net sales and the expansion in the gross profit margin partly offset by the increase in operating expenses and income tax expense.

#### ***Net Sales***

Net sales for the year 2021, amounted to ₱27,513 million, an increase of 21.6% or ₱4,884 million from last year. The increase was driven by comparable sales, which grew by 12.1% traced mainly to the increase in the number of transactions particularly in branches located in Luzon.

In March 2020, at the outset of the pandemic, all Luzon branches were closed for two months in compliance with the quarantine rules imposed by the Philippine government to control the spread of the Covid-19 disease. In 2021, except for sporadic one-day closure of a few stores in view of typhoons or localized pandemic-related lockdowns, all branches remained operational throughout the year despite surges in Covid-19 cases and imposition of stricter quarantine measures. All stores remained open when stricter quarantine measures were imposed particularly in Metro Manila, nearby

provinces and bigger cities in Visayas and Mindanao from the last week of March until the end of April and from August to mid-October.

The balance of the increase was contributed by below one-year sales of new stores. The Company opened ten (10) new branches in 2021, nine (9) depot format stores and one (1) smaller format, Home Essentials.

On a per format basis, sales from the depot-format stores, which comprised 97.4% of total net sales, grew by 22.1% or ₱4,851 million to ₱26,792 million from the ₱21,941 million net sales in 2020. Comparable sales growth (same store sales growth) reached 12.3%, contributing 91.9% of the total net sales increase of the format. Meanwhile, sales from new depots comprised 8.1% of the format's net sales growth.

The smaller format "Home Essentials", recording net sales of ₱530 million accounting for 1.9% of total net sales, likewise reported a total and comparable sales growth of 3.8% as at December 31, 2021 from the prior year's ₱510 million. The latest Home Essentials branch was opened in the fourth quarter of 2021.

The remaining 0.7% of total net sales was accounted for by project sales or sales to major developers, amounting to ₱192 million, increasing by 7.9% or ₱14 million year-on-year.

### **Gross Profit**

Gross profit grew by 32.0% or ₱2,494 million from the 2020 level of ₱7,782 million to close at ₱10,276 million for the year for a gross profit margin of 37.3%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 296 basis points year-on-year. The improvement in gross profit margin is traced mainly to changes in product mix within the exclusive and in-house brands classification, which resulted in a higher overall margin for the class, partly offset by the drop in their contribution to total net sales to 49.5% from 50.9% in the same period in 2020.

### **Operating Expenses**

Operating expenses increased to ₱6,732 million for the year, up 17.3% or ₱994 million from the prior year's ₱5,738 million. The increase is attributable mainly to expansion-related expenses particularly in salaries, trucking, utilities, outsourced services, depreciation and amortization partially offset by the decrease in donations. Non-PFRS 16 related rent expense increased by 25.9% or ₱30 million to ₱147 million mainly due to lease term changes and increase in the variable component of the leases.

### **Interest Expense**

Interest expense increased by 9.6% or ₱41 million, to total ₱470 million for the year from the prior year's ₱429 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### **Other Income (Charges)**

Other income (charges) for the year ended December 31, 2021 amounted to ₱351 million, decreased by 19.4% or ₱85 million from prior year's ₱435 million. Other income consists of:

- 1) Rent concession in 2020 from lessors related to leases of land and buildings resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱101 million upon applying the practical expedient of PFRS 16;
- 2) Interest income of ₱29 million, which decreased from the prior period balance of ₱55 million as investible funds particularly from IPO proceeds continued to be deployed for store network expansion. The IPO proceeds were fully utilized as at December 31, 2021;
- 3) Rent income of ₱61 million, rose by 42.6% or ₱18 million year-on-year in view of new contracts and the continued collection of rent as all branches remained open through all the quarantine phases imposed during the year; and

- 4) Net other income from trade and other suppliers amounting to ₱259 million, up by 9.5% or ₱22.6 million from 2020. Net other income is comprised of share of various operational and promotional/marketing expenses of suppliers and other non-merchandise sales related income.

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

Adjusting the 2021 and 2020 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA as of December 31, 2021 reached ₱4,339 million, or 15.8% of net sales, rising by 61.1% from the ₱2,694 million, or 11.9% of net sales, recorded as of December 31, 2020.
- 2) EBIT for the year 2021 is ₱3,396 million or 12.3% of net sales, growing by 70.2% from ₱1,995 million, or 8.8% of net sales, year-on-year.

The growth in both EBITDA and EBIT was driven by the improved sales performance and expansion in gross profit margin partly offset by the increase in operating expenses.

***Income Tax Expense***

The Company's income tax expense increased by 43.6% or ₱262 million to end at ₱863 million in 2021 from the ₱601 million incurred during the same period last year. The increase is attributed to:

- 1) Higher taxable income in 2021 partly offset by the lower income tax rate of 25% from the previous 30%;
- 2) A one-time recognition of a net tax expense as a result of the downward adjustment in the deferred tax asset balance as of December 31, 2020 to reflect the decrease in the corporate income tax rate from 30% to 25% approved in March 2021 but retroactive from July 1, 2020.

**Financial Condition as at December 31, 2021**

***Liquidity***

Cash and cash equivalents and short-term investments totaled ₱2,342 million, 49.2% or ₱2,269 million drop from the balance as at December 31, 2020 as the Company continued to construct new store buildings and warehouses. Nonetheless, current ratio improved from 1.89:1.00 to 1.94:1.00.

***Capital Expenditure***

The Company's capital expenditure totaled ₱2,161 million during the year 2021, the bulk of which was spent on the construction of new stores and warehouses.

***Capital Resources***

The Company continue to have easy access to the debt markets for both its working capital and long-term funding requirements having remained bank debt-free and with preferential lines with the Philippines' top banks.

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases. The company has no existing lease or other contracts with material contingent liability that will adversely affect the company's operations or the implementation of its strategic initiatives.

**Key Financial Performance Indicators**

| <b>Key Performance Indicators</b>   | <b>As at<br/>December 31, 2021</b> | <b>As at<br/>December 31, 2020</b> |
|---|------------------------------------|------------------------------------|
| Sales   | 27,513,328,310                     | 22,628,883,188                     |
| EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense <sup>1</sup> | 3,396,006,908                      | 1,994,872,196                      |

|  |                                    |                                    |
|--|------------------------------------|------------------------------------|
| EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>2</sup> | 4,339,174,272                      | 2,694,079,493                      |
| EBIT Margin - Treating Interest on Lease Liability as Rent Expense <sup>3</sup>                            | 12.34%                             | 8.82%                              |
| EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>4</sup>      | 15.77%                             | 11.91%                             |
|  | <b>As at<br/>December 31, 2021</b> | <b>As at<br/>December 31, 2020</b> |
| Return on Equity Ratio <sup>5</sup>  | 14.66%                             | 9.46%                              |
| Current Ratio <sup>6</sup>   | 1.94                               | 1.89                               |
| Debt to Equity Ratio <sup>7</sup>  | 0.85                               | 0.84                               |

1 *Income before tax add net interest expense less lease interest expense*

2 *Income before tax add net interest expense and depreciation and amortization less lease interest expense and depreciation on ROU assets*

3 *EBIT / Net Sales*

4 *EBITDA / Net Sales*

5 *Net Income / Total Equity*

6 *Current Assets / Current Liabilities*

7 *Total Liabilities / Total Equity*

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

### **Statement of Financial Position as at December 31, 2021 and December 31, 2020**

- Aggregate cash and short-term investments decreased by ₱2,269 million or 49.2% from ₱4,611 million at the close of 2020 to ₱2,342 million as at December 31, 2021, traceable primarily to advances made to suppliers, capital expenditure, payment of dividends, lease and income tax.
- Trade and other receivables totaled ₱166 million as at December 31, 2021, 47.2% or ₱149 million lower than the ₱315 million balance as at December 31, 2020. The decrease was mainly due to the increased collection of trade receivables.
- Advance payments to suppliers, comprising of advance payments to trade and non-trade suppliers, increased by ₱1,790 million or 1,770.8% from ₱101 million balance as at December 31, 2020. The increase was mainly due to the rise in advance payments on purchases of merchandise inventory.
- Merchandise Inventories increased by ₱3,184 million or 36.6% from ₱8,692 million at the close of 2020 to ₱11,876 million as at December 31, 2021 due mainly to increase in purchases.
- Other Current Assets increased by ₱242 million or 36.1% from ₱671 million at the close of 2020 to ₱913 million as at December 31, 2021 due mainly to prepayments, input tax from purchases and increase in supplies.
- Property and equipment increased by ₱1,185 million or 17.5% from ₱6,757 million at the close of 2020 to ₱7,942 million as at December 31, 2021 due mainly to capital expenditures related to store network expansion.
- Net deferred tax assets decreased by ₱40 million or 9.5% from ₱414 million at the close of 2020 to ₱375 million as at December 31, 2021 due mainly to the tax effect of the application of CREATE Law with new tax rate of 25%.

8. Other Noncurrent Assets increased by ₱28 million or 7.4% from ₱376 million at the close of 2020 to ₱404 million as at December 31, 2021 due mainly to licenses and software acquisition.
9. Current liabilities amounted to ₱8,880 million as at December 31, 2021, up by 16.5% or ₱1,258 million from the ₱7,621 million balance as at December 31, 2020. The increase was driven by trade and other payables and income tax payable.
10. Non-current liabilities totaled ₱5,979 million, higher by 13.1% or ₱693 million from the December 31, 2020 balance of ₱5,287 million. The increase was mainly due to additional lease liabilities recognized for new contracts.

### **Income Statement Items**

1. Net sales for the year ended December 31, 2021 amounted to ₱27,513 million, 21.6% or ₱4,884 million higher than the ₱22,629 million generated during the same period in 2020.
2. Gross profit increased by 32.0% to ₱10,276 million for the period from the ₱7,782 million level for the same period in 2020, mainly driven by the increase in sales and gross profit margin.
3. Operating expenses increased to ₱6,732 million for the year, up 17.3% or ₱994 million from the prior year's ₱5,738 million. The increase is attributable mainly to expansion-related expenses particularly in salaries, trucking, utilities, outsourced services, depreciation and amortization partially offset by the decrease in donations. Non-PFRS 16 related rent expense increased by 25.9% or ₱30 million to ₱147 million
4. Interest expense increased by 9.6% or ₱41 million, to total ₱470 million for the year from the prior year's ₱429 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.
5. The Company's income tax expense increased by 43.6% or ₱262 million to end at ₱863 million in 2021 from the ₱601 million incurred during the same period last year. The increase is due mainly to higher taxable income partly offset by the lower income tax rate. The retroactive application of the new corporate income tax rate also resulted in the recognition of a one-time tax expense to account for the revaluation of the deferred tax asset account.

### **Results of Operations for the quarter ended December 31, 2021 compared with quarter ended December 31, 2020**

#### ***Net Sales***

The Company recorded net sales of ₱7,465 million for the three-month period ended December 31, 2021, 9.1% or ₱625 million higher than the ₱6,840 million for the same period in 2020. The increase is mainly due to new stores' sales. Comparable sales performance is almost flat at 0.8%.

Sales from the depot-format stores contributed the majority of total net sales comprising 97.2% or ₱7,256 million for the fourth quarter of 2021, up by 9.3% or ₱616 million from the ₱6,641 million net sales for the fourth quarter of 2020. The depot's same store sales growth is 0.7%.

The smaller format "Home Essentials", recording net sales of ₱139 million accounting for 1.9% of net sales, reported a decline of 7.8% or ₱12 million during the fourth quarter of 2021 from prior year's same period level of ₱151 million.

The remaining 0.9% was accounted for by project sales or sales to major developers, amounting to ₱70 million, increasing by 43.6% or ₱21 million from prior year's same period level of 2020 of ₱48 million.

The Company opened three (3) new depots located in Visayas and Mindanao and one (1) Home Essentials in Central Luzon during the quarter.

### ***Gross Profit***

Gross profit closed at ₱2,844 million, resulting in a gross profit margin of 38.1% for the fourth quarter of 2021 from the ₱2,346 million level during the same period in 2020. Sales of exclusive and in-house products accounted for 50.1% of total net sales for the period versus 49.8% in the same period in 2020.

### ***Operating Expenses***

Operating expenses increased to ₱1,914 million during the fourth quarter of 2021, up 17.8% or ₱289 million from the ₱1,625 million during the same period in 2020. The increase is mainly expansion-related particularly in salaries, depreciation and amortization and outsourced services.

### ***Interest Expense***

Interest expense during the fourth quarter of 2021 and 2020 amounted to ₱117 million and ₱112 million, respectively. The ₱5 million increase represents non-cash interest charged on leased liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### ***Other income (Charges)***

Other income (charges) during the fourth quarter of 2021 amounted to ₱108 million, down by 43.9% or ₱85 million from the ₱193 million generated in 2020 due to the recognition of the rent concession obtained from lessors related to leases of land and buildings, which resulted in the reduction in lease liabilities amounting to ₱101 million in 2020. The decrease was partly offset by the increase in net other income.

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

Adjusting the 2021 and 2020 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense to exclude interest on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA for the quarter ended December 31, 2021 totaled ₱1,170 million, or 15.7% of net sales, up by 18.3% or ₱181.2 million from the 2020 balance of ₱989 million, or 14.5% of net sales.
- 2) EBIT for the fourth quarter of 2021 is ₱917 million or 12.3% of net sales, up by 15.7% or ₱124 million higher from the prior year's same period level of ₱792 million, or 11.6% of net sales

### ***Income Tax Expense (Benefit)***

The Company's income tax expense decreased by 3.5% or ₱8.0 million to end at ₱229 million in 2021, versus ₱238 million incurred during 2020.

### **Income Statement for the quarter ended December 31, 2021 compared with quarter ended December 31, 2020**

1. Net sales for the fourth quarter ended December 31, 2021 amounted to ₱7,465 million, 9.1% or ₱625 million higher than the ₱6,840 million for the same period in 2020 mainly due to new stores' sales. Comparable sales performance is almost flat at 0.8%.
2. Gross profit increased by 21.2% to ₱2,844 million for the period from the ₱2,346 million level for the same period in 2020, driven by the increase in sales and the expansion in gross profit margin.



3. Operating expenses increased to ₱1,914 million for the period, up by 17.8% or ₱289 million from the prior period's ₱1,625 million. The increase is mainly expansion-related particularly in salaries, depreciation and amortization and outsourced services.
4. Interest expense increased to ₱117 million for the period, up by 4.5% or ₱5 million from the prior year's ₱112 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 period totaled ₱108 million, down by 43.9% or ₱85 million from the ₱193 million recorded in the same period of 2020 mainly due to the significant rent concession in 2020.

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

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

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

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

There are no known regulatory or material contractual commitments of the Company for 2021.

The Company, pursuant to its expansion plans has allocated approximately ₱2.8B for additional stores/branches, warehouses, acquisition of vehicles and equipment, and renovations of select stores.

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

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

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

**Seasonal Aspect that has material effect on the financial statements.**

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

## **Certification on Internal Controls**

The reliability of the Company's financial statements as at and for the period ending December 31, 2021.

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

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

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

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

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

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

The Company's Chief Audit Executive reported to the Audit Committee the results of its audits in 2021, including control and risk matters that are of financial, operational, and compliance in nature together with the corresponding actions implemented by the Company.

## **Dividend Policy**

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

The Company has approved a dividend policy of maintaining an annual cash and/or share dividend pay-out of up to 25% of its net profit after tax from the preceding year, subject to the requirements of applicable laws and regulations, the terms and conditions of its outstanding bonds and loan facilities, and the absence of circumstances that may restrict the payment of such dividends, such as where the Company undertakes major projects and developments. Dividends must be approved by the Board (and shareholders in case of a share dividend declaration) and may be declared only from the unrestricted retained earnings of the Company. The Company's Board of Directors may, at any time, modify the Company's dividend policy, depending upon the Company's capital expenditure plans

and/or any terms of financing facilities entered into to fund its current and future operations and projects. The Company can give no assurance that it will pay any dividends in the future.

The Company has the following dividend history:

| Date Approved     | Record Date    | Payment Date   | Amount   |
|-------------------|----------------|----------------|--|
| May 9, 2018       | May 24, 2018   | June 8, 2018   | PhP0.08 regular<br>PhP0.03 special<br><b>PhP0.11 total</b> |
| March 6, 2019     | March 22, 2019 | April 16, 2019 | PhP0.11 regular<br>PhP0.05 special<br><b>PhP0.16 total</b> |
| February 24, 2020 | March 20, 2020 | April 16, 2020 | PhP0.12 regular<br>PhP0.06 special<br><b>PhP0.18 total</b> |
| February 24, 2021 | March 19, 2021 | April 16, 2021 | PhP0.10 regular<br>PhP0.02 special<br><b>PhP0.12 total</b> |

### **Discussion on Compliance with Leading Practice on Corporate Governance**

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

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

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

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

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

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

On 7 August 2019, in compliance with SEC Memorandum Circular No. 10 Series of 2019, Rules on Material Related Party Transactions for Publicly Listed Companies, the Board approved its Material Related Party Transactions Policy and accordingly revised its Related Party Transactions Committee Charter.

On May 6, 2020, the Board of Directors of the Corporation approved the amendments to its Corporate Governance Manual in compliance with the Revised Corporation Code and related issuances. The Board also approved the amendments to the By-laws of the Corporation in compliance with the

Revised Corporation Code. The amendments to the By-laws were then ratified by the stockholders during the annual stockholders' meeting held on September 21, 2020.

### Item 7. Financial Statements

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

#### External Audit Fees

The aggregate fees billed by Reyes Tacandong & Co., ("RTCo.") for the audit of the financial statements of the Company and other services in connection with the statutory and regulatory filings for 2021 is ₱2,000,000.00.

#### Audit Committee's Approval Policies and Procedures

The nomination of the Company's external auditor was endorsed to the stockholders based on the recommendation of the Audit Committee as well as the approval of the Board of Directors. Further, the quarterly reports and financial statements are reviewed and endorsed by the Audit Committee and approved by the Board of Directors prior to its release and submission to the SEC and PSE.

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

The Company has engaged the services of RTCo. as its external auditors since its incorporation. There had not been any material disagreements on accounting and financial disclosures with RTCo. for the years ended December 31, 2021 and 2020.

## PART III. CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of Registrant

The following are the Directors and Officers of the Company for the year 2021:

| Name                      | Age | Nationality | Position  |
|---------------------------|-----|-------------|---|
| William T. Belo           | 76  | Filipino    | Chairman Emeritus   |
| Bertram B. Lim            | 84  | Filipino    | Chairman  |
| Lorraine Belo-Cincochan   | 42  | Filipino    | Director, President and Chief Executive Officer           |
| Mark Andrew Y. Belo       | 39  | Filipino    | Director and EVP - Treasurer                              |
| Careen Y. Belo            | 38  | Filipino    | Director, EVP - Chief Product Officer, CIO and CRO        |
| Ricardo S. Pascua         | 73  | Filipino    | Independent Director                                      |
| Rolando S. Narciso        | 75  | Filipino    | Independent Director                                      |
| Delfin L. Warren          | 71  | Filipino    | Independent Director                                      |
| Arthur R. Ponsaran        | 78  | Filipino    | Corporate Secretary                                       |
| Sheila Pasicolan-Camerino | 35  | Filipino    | Asst. Corporate Secretary and Compliance Officer          |
| Rosemarie Bosch-Ong       | 63  | Filipino    | Senior Executive Vice President – Chief Operating Officer |
| Eden M. Godino            | 45  | Filipino    | Vice President - Product Development                      |
| Grace A. Tiong            | 48  | Filipino    | Vice President - Human Resources                          |
| Michael D. Tiong          | 48  | Filipino    | Vice President – Global Sourcing                          |

|                     |    |          |   |
|---------------------|----|----------|---|
| Mary Jean G. Alger  | 51 | Filipino | Vice President – Investor Relations     |
| Lauro D.G Francisco | 56 | Filipino | Chief Audit Executive                   |
| Keith S. Chan       | 60 | Filipino | Vice President – Information Technology |

**William T. Belo** is the Chairman Emeritus of the Company. He is the founder of the Wilcon business and brand. He was Chairman and/or President of all Wilcon companies established and/or acquired from 1977 to 2016 including the parent, WC. Currently, he is involved in other business undertakings and serves as Director of Markeenlo Realty Inc., Lomarkeen Realty Inc.; the Chairman of Coral-Agri Venture Farm Inc., Coral Farms, WAJ Realty Development Inc.; and Treasurer of Crocodylus Porosus Philippines Inc. He also serves as the Chairman of Wilcon Builders Foundation Inc. He won the 2013 MVP Bossing Award, a distinction given to outstanding entrepreneurs of the country. In 2018, he was recognized as an Outstanding Thomasian Engineer, awarded as one of the People of the Year by People Asia and Patriarch of Home Building Retail by the Philippine Retailers Association. In 2019, he was given the UST Engineering Alumni Association Inc. Presidential Award and was recognized as The Manila Times Man of the Year of the Asia Leaders. Mr. Belo graduated from the University of Sto. Tomas in 1968 with a Bachelor of Science degree in Electronics and Communications Engineering.

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

**Lorraine Belo-Cincochan** is a Director, President and the Chief Executive Officer of Wilcon Depot, Inc. She has held various positions in the family business starting out as a trainee under her father who was then president of Wilcon. In 2000, she headed the company's IT department that resulted in the beginnings of the company's digital transformation journey of Wilcon's key processes. From 2003 to 2005, she was assigned to manage the daily operations of the first ever large format Wilcon Depot branch as a Manager-trainee where she gained real world experience in retail operations. She was then appointed as Executive Vice President for Operations in 2005 and in 2006 became the Company's Executive Financial Officer, holding the position until March, 2016. In 2018, she was recognized as one of the 2018 Forbes Asia Emergent Women Honorees.

**Mark Andrew Y. Belo** is a Director and EVP - Treasurer of the Company and the President and Chief Executive Officer of WC from March 2016 to the present. He served as the Chief Financial Officer of the Company from 2016 to March 2019. Under WC, he was Assistant Vice-President for Business Development from 2015 to March 2016 and Executive Project Management Head from January 2013 to March 2015. He was also assigned in various positions under Wilcon Builders Supply, Inc. from July 2004 to August 2007. He is currently the President of Coral-Agri Venture Farm Inc. He graduated from the University of Asia & the Pacific in 2004 with a Bachelor's Degree in Industrial Economics.

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

**Ricardo S. Pascua** is an Independent Director of the Company since September 2016. He was Vice Chairman of the Board and President and CEO of Metro Pacific Corporation from January 2000 until his retirement in December 2001, a position he held also from January 1993 to July 1995. In between, he was Vice Chairman and CEO of Fort Bonifacio Development Corporation. He was

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

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

**Delfin "Jing" L. Warren**, is an Independent Director of the Company since May 2017. He is the founder, main principal, and current Chairman of the 1ISA Group, a leading loyalty management company in the country. He was the former CEO of PT Darya-Varia Laboratoria, a major publicly listed pharmaceutical company in Indonesia under the First Pacific Group. He also held senior positions in various international companies such as First Pacific Commodities Holdings, Ltd., The Hibernia Bank of San Francisco, PT Indo Ayala Leasing (Indonesia), and Bancom Philippine Holdings, Inc. Jing obtained his Bachelor of Science in Chemical Engineering degree at De La Salle College, Manila in 1971. He was a former member of the Board of Trustees of De La Salle University and a former president of the De La Salle Alumni Association.

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

**Sheila P. Pasicolan-Camerino** is the Assistant Vice President - Corporate Lawyer of the Company and the Assistant Corporate Secretary of the Company and WC. In 2020, she was appointed Compliance Officer of the Company. She joined the Company in January 2016 after serving as a Senior Associate in Sycip Gorres Velayo and Co. from November 2014 to December 2015. Prior to her admission to the Philippine Bar in 2015, she served as a legal intern at the Office of the Solicitor General in 2013 and a technical assistant in the Office of the Presidential Assistant for Education of the Office of the President of the Philippines from 2009 to 2010. She completed Bachelor of Arts in

History from the University of the Philippines – Diliman (Cum Laude) and took up a Master's Degree in Philippine Studies in the same university. Atty. Pasicolan-Camerino completed her Bachelor of Laws at San Beda University – Mendiola in 2014.

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

**Eden M. Godino** is the Vice President of Product Development. She joined the department in 2007, initially as the Asst. Vice President and was appointed in her present position in 2011. Ms. Godino joined Wilcon in 1997 and was assigned in Accounting, Purchasing and later went on to become a Depot Manager in 2004, a position she held for three years prior to her promotion to AVP in Product Development in 2007. She graduated with a Bachelor of Science degree in Accountancy from the University of the Assumption in 1997 and obtained a short course diploma program from the De La Salle College of St. Benilde on Supply Chain Management major in Purchasing and Logistics Operations with merit award in 2015. She also has a Master's degree in Business Administration from Manuel L. Quezon University obtained in 2021 and she recently completed her Executive Development Program on Supply Chain Management from the Ateneo De Manila University Graduate School of Business and a recipient of the Director's Award for Academic Excellence.

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

**Michael D. Tiong** is the Vice President for Global Sourcing. Prior to his appointment as Vice President in July 2016, he handled Sales and Operations as an Asst. Vice President since October 2009. Mr. Tiong joined Wilcon as a Salesman in 2000 and became Asst. Depot Manager in 2003 until 2009, when he was promoted to Asst. Vice President for Operations. Mr. Tiong took up Bachelor of Science in Architecture at the Far Eastern University in 1992.

**Mary Jean G. Alger** is the Vice President for Investor Relations. Prior to officially joining Wilcon, she was part of the advisory team for the public listing of the Company. She started her career with Petron Corporation in 1991 as a Credit Analyst. Concurrent to her various positions in different companies and on a consultancy basis, she was involved in project structuring, financial packaging, advisory and issue management for public offerings and corporate rehabilitations, among others. She served various positions in publicly listed mining and energy development companies. She was the Asst. Vice President on Corporate Planning and Budget/Deputy to the CFO on Corporate Finance from January 2013 to August 2016 in Benguet Corporation and Asst. Vice President for Corporate Planning in Basic Energy Corporation from July 2007 to January 2013. After her stint with Benguet, she was appointed Vice President for Project Development and Planning in Marcventures Mining

Development Corporation. Ms. Alger graduated from the University of the Philippines – Diliman with a Bachelor Degree in Business Economics and a Master in Business Administration Candidate (academic requirements completed in 2007) at De La Salle University – Taft.

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

**Keith S. Chan**, is the Vice President for IT. He is concurrently a Director of the Business Continuity Association of the Philippines (BCMAP) from 2016 to present and a certified Associate Business Continuity Professional (ABCP) from the Disaster Recovery Institute, International (DRII). He was First Vice President for Information Technology, IT Head and Vice Chairman of the IT Steering Committee at the Philippine Business Bank from January 2003 until his retirement in July 2015. He was also involved in an advisory capacity for the Zesto Group of Companies in the airline, hotel and convenience store IT operations. In May 2000 he managed a US internet service provider franchise start up, Quik Internet, in the Philippines as the Chief Operating Officer of Q Communications Corporation. From 1991 to 1996, he was the Assistant Vice President for Management Information System of Guoco Holdings Phils., Inc., a member of the Hong Leong Group of Malaysia. In 1986, he joined a computer service start-up company, Dataworld Computer Corporation, as Vice President for Application Development and became Executive Vice President. As a business management degree holder, he started his career as a banker in Equitable Banking Corporation in 1982 and held finance positions in Seaoil Petroleum Corporation in 1997. He graduated with a Masters of Business Management from the Asian Institute of Management in 1986 and had further studies in a Master's program in Computer Science from the Ateneo de Manila University. He finished his bachelor's degree in Business Management from the Ateneo de Manila University in 1982.

Attendance of Directors in 2021 Board Meetings

| Board                | Name                      | Date of Election   | No. of Meetings Held During the Year 2021 | No. of Meetings Attended | %    |
|----------------------|---------------------------|--------------------|---|--------------------------|------|
| Chairman             | Bertram B. Lim            | May 22, 2017       | 22  | 22                       | 100% |
| Independent Director | Rolando S. Narciso        | September 13, 2016 | 22  | 21                       | 95%  |
| Independent Director | Ricardo S. Pascua         | September 13, 2016 | 22  | 22                       | 100% |
| Independent Director | Delfin L. Warren          | May 22, 2017       | 22  | 22                       | 100% |
| Member               | Lorraine Belo - Cincochan | March 30, 2016     | 22  | 22                       | 100% |
| Member               | Mark Andrew Y. Belo       | March 30, 2016     | 22  | 22                       | 100% |
| Member               | Careen Y. Belo            | March 30, 2016     | 22  | 21                       | 95%  |



### Directors' Compensation

All directors attending physically in a board meeting receive a per diem of Forty Thousand Pesos (₱40,000.00) per meeting.

Total compensation received by the members of the Board in 2021 amounted to ₱3.4M.

### Significant Employees

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

### Family Relationships

As of December 31, 2021, family relationships (by consanguinity or affinity within the fourth civil degree) between Directors and Officers of the Company are as follows:

Ms. Lorraine Belo-Cincochan, Mr. Mark Andrew Y. Belo and Ms. Careen Y. Belo are children of Mr. William T. Belo and Ms. Rosy Chua Belo.

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

### Involvement in Certain Legal Proceedings of Directors and Executive Officers

None of the Company's directors, nominees for election as director, or executive officers have in the five-year period prior to the date of this report: (1) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two-year period of that time, (2) have been convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offenses, (3) have been the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities, or (4) have been found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, such judgment having not been reversed, suspended, or vacated.

## **Item 10. Executive Compensation**

### **Summary of Compensation Table**

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

| <b>Name</b>             | <b>Position</b>                          |
|-------------------------|--|
| William T. Belo         | Chairman Emeritus                        |
| Lorraine Belo-Cincochan | Director and Chief Executive Officer     |
| Rosemarie Bosch-Ong     | SEVP - Chief Operating Officer           |
| Mark Andrew Y. Belo     | Director and EVP - Treasurer             |
| Careen Y. Belo          | Director and EVP - Chief Product Officer |

Below is the aggregate compensation of executive officers and directors of the Company for the year 2021 and projected for the year 2022:

**Actual**

| Key Management Officers   | Year | Compensation   | Bonuses        |
|---------------------------|------|----------------|----------------|
| Top 5 Officers            | 2021 | ₱47,918,845.06 | ₱73,044,858.05 |
| Other officers as a group | 2021 | ₱83,548,513.00 | ₱5,361,251.73  |

**Projected for 2022**

| Key Management Officers   | Year | Compensation   | Bonuses        |
|---------------------------|------|----------------|----------------|
| Top 5 Officers            | 2022 | ₱51,247,894.45 | ₱48,875,223.96 |
| Other officers as a group | 2022 | ₱81,436,796.07 | ₱5,770,580.36  |

**Standard Arrangements**

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Company are compensated, or were compensated, directly or indirectly, for any services provided as a director and for their committee participation or special assignments.

**Other Arrangements**

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

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

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

**Warrants and Options**

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

**Item 11. Security Ownership of Certain Record and Beneficial Owners and Management**

All shareholders of record are likewise the beneficial owners of the shares they hold.

| Title of Class | Name, Address of Record Owner and Relationship with Issuer                                    | Name of Beneficial Owner | Citizenship | Number of Shares Held | % of Total Outstanding Shares |
|----------------|---|--------------------------|-------------|-----------------------|-------------------------------|
| Common         | William T. Belo<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>Chairman Emeritus | William T. Belo          | Filipino    | 5,099,995             | 0.12%                         |
| Common         | Bertram B. Lim<br>60 Sen. Gil Puyat Ave., Makati City<br>Chairman/ Independent Director       | Bertram B. Lim           | Filipino    | 1                     | 0.00%                         |
| Common         | Lorraine Belo-Cincochan   |                          |             |                       |                               |

|        |   |                              |          |           |       |
|--------|---|------------------------------|----------|-----------|-------|
|        | 90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>Director   | Lorraine Belo-Cincochan      | Filipino | 5,100,000 | 0.12% |
| Common | Mark Andrew Y. Belo<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>Director  | Mark Andrew Y. Belo          | Filipino | 5,100,000 | 0.12% |
| Common | Careen Y. Belo<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>Director   | Careen Y. Belo               | Filipino | 5,100,000 | 0.12% |
| Common | Rolando S. Narciso<br>Lexington Garden Village, San Joaquin, Pasig City<br>Independent Director                                       | Rolando S. Narciso           | Filipino | 1         | 0.00% |
| Common | Ricardo S. Pascua<br>3 Pebblewood cor. Fairwood McKinley Hill Village, Taguig City<br>Independent Director                            | Ricardo S. Pascua            | Filipino | 1         | 0.00% |
| Common | Delfin L. Warren<br>2 Sineguelas St., Valle Verde 1, Pasig City<br>Independent Director   | Delfin L. Warren             | Filipino | 1         | 0.00% |
| Common | Arthur R. Ponsaran<br>5 Aurelio St., BFRV, Las Piñas City<br>Corporate Secretary  | Arthur R. Ponsaran           | Filipino | 10,000    | 0.00% |
| Common | Sheila P. Pasicolan-Camerino<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>Asst. Corporate Secretary/Compliance Officer | Sheila P. Pasicolan-Camerino | Filipino | 19,900    | 0.00% |
| Common | Rosemarie B. Ong<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>SEVP-COO   | Rosemarie B. Ong             | Filipino | 1,069,401 | 0.03% |
| Common | Eden M. Godino<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>VP - Product Development                                   | Eden M. Godino               | Filipino | 267,500   | 0.00% |
| Common | Grace A. Tiong<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City<br>VP - HR  | Grace A. Tiong               | Filipino | 148,700   | 0.00% |
| Common | Michael D. Tiong<br>90 E. Rodriguez, Jr. Avenue, Ugong Norte, Quezon City   | Michael D. Tiong             | Filipino | 148,700   | 0.00% |

|        |  |                       |          |               |        |
|--------|--|-----------------------|----------|---------------|--------|
|        | VP – Global Sourcing   |                       |          |               |        |
| Common | Rosy Chua Belo<br>90 E. Rodriguez, Jr.<br>Avenue, Ugong Norte,<br>Quezon City<br>Stockholder | Rosy Chua<br>Belo     | Filipino | 5,100,000     | 0.12%  |
| Common | Wilcon Corporation   | Wilcon<br>Corporation | Filipino | 2,680,317,916 | 65.38% |

None of the shareholders of record hold any share for and on behalf of another, or beneficial owner. Neither is any shareholder acting on behalf of a beneficial owner who is non-Filipino. The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of December 31, 2021:

| <b>Name and Address of Record Owners</b> | <b>Name of Beneficial Owner and Relationship with Record Owner</b> | <b>Citizenship</b> | <b>No. of Common Shares Held</b> | <b>% of Total Outstanding Shares</b> |
|--|--|--------------------|----------------------------------|--------------------------------------|
| Wilcon Corporation                       | Record Owner   | Filipino           | 2,680,317,916                    | 65.38%                               |

#### SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table sets forth the ownership of Directors and Management of the Company's common shares as of December 31, 2021.

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

The following table sets forth ownership of directors and executive officers as a group:

| <b>Title of Class</b> | <b>Beneficial Owner</b>          | <b>Amount and Nature of Beneficial Ownership</b> | <b>Citizenship</b> | <b>% of Total Outstanding Shares</b> |
|-----------------------|----------------------------------|--|--------------------|--------------------------------------|
| Common                | Directors and Executive Officers | ₱27,164,200.00 (Direct and Indirect)             | Filipino           | 0.63%                                |

### Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of December 31, 2021.

### Change in Control

There are no arrangements which may result in a change in control of the Company as of December 31, 2021.

## **Item 12. Certain Relationships and Related Transactions**

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

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

## **PART IV. CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

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

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

On May 6, 2020, the Board of Directors of the Corporation approved the amendments to the Corporate Governance Manual in compliance with the Revised Corporation Code and related issuances.

Further, on June 21, 2021, the members of the Board as well as officers of the Company attended the corporate governance seminar via Zoom Webinar, entitled "*Embracing the Good Corporate Governance for Effective and Efficient Management*" conducted by the Center for Training and Development, Inc. This is in compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission.

The Company will submit its Integrated Annual Corporate Governance Report (I-ACGR) for the year ended December 31, 2021 on or before May 30, 2022, in compliance with SEC Memorandum Circular No.15, Series of 2017.

**PART V. EXHIBITS AND SCHEDULES**

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

SEC FORM 17 – C

| Date of Filing    | Reports  |
|-------------------|--|
| February 24, 2021 | Notice of Annual Meeting of the Stockholders of the Corporation to be held on 21 June 2021 |
| June 21, 2021     | Results of Annual Stockholders' Meeting held on 21 June 2021                               |
| June 21, 2021     | Results of Organizational Meeting of the Board held on 21 June 2021                        |

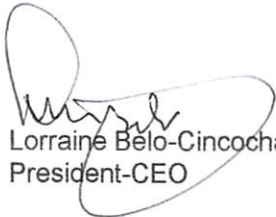
**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Quezon City on February 23, 2022.

By:



Bertram B. Lim  
Chairman



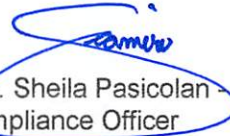
Lorraine Belo-Cincochan  
President-CEO



Mark Andrew Y. Belo  
Treasurer



Atty. Arthur R. Ponsaran  
Corporate Secretary




Atty. Sheila Pasicolan - Camerino  
Compliance Officer

**SUBSCRIBED AND SWORN** to before me this 24 FEB 2022 in Quezon City affiants exhibiting to me their Passport, as follows:

| NAMES                       | PASSPORT NO. | DATE OF ISSUE | PLACE OF ISSUE |
|-----------------------------|--------------|---------------|----------------|
| Wilcon Depot, Inc.          |              |               |                |
| Bertram B. Lim              |              |               |                |
| Lorraine Belo-Cincochan     |              |               |                |
| Mark Andrew Y. Belo         |              |               |                |
| Arthur R. Ponsaran          |              |               |                |
| Sheila Pasicolan – Camerino |              |               |                |

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Page No. 41 ;  
Book No. VIII ;  
Series of 2022.



**Atty. Richard Leo M. Baldueza**  
IBP Lifetime No. 7203 (01-17-08)  
Roll No. 53953  
MCLE Compliance No. VI - 0028426 / 08/07/2019  
PTR No. 8445837 / 01/03/2022 / Plaridel Bulacan  
Notary Public for Quezon City  
Extended up to June 30, 2022 via SC Resolution of  
B.M. No. 3795 dated Sept. 28, 2021

# **ANNEX B**



# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 5 2 4 7 1 2

### COMPANY NAME

W I L C O N D E P O T , I N C . D o i n g B u s i n e s s u n d e r  
t h e N a m e a n d S t y l e o f W I L C O N D E P O T a n d  
W I L C O N H O M E E S S E N T I A L S ( A S u b s i d i a r y o f  
W I L C O N C O R P O R A T I O N D o i n g B u s i n e s s u n d e r  
t h e N a m e a n d S t y l e o f W I L C O N C I T Y  
C E N T E R )

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

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

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

### COMPANY INFORMATION

Company's Email Address

wilcon2@wilcon.com.ph

Company's Telephone Number/s

(02) 8634-8387

Mobile Number

(+63 919) 077 1878

No. of Stockholders

159

Annual Meeting (Month / Day)

June 21

Fiscal Year (Month / Day)

December 31

### CONTACT PERSON INFORMATION

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

Name of Contact Person

Atty. Sheila Pasicolan - Camerino

Email Address

compliance\_wdi@wilcon.com.ph

Telephone Number/s

(02) 8634-8387

Mobile Number

(+63 917) 8776612

### CONTACT PERSON'S ADDRESS

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

**NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt shall not excuse the corporation from liability for its deficiencies.




90 E. Rodriguez Jr. Ave., Ugong Norte Libis, Quezon City  
 Tels: 634-8387 (connecting all departments)  
 Fax: 636-2950, 636-1837  
 Website: www.wilcon.com.ph

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

The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for all information and representations contained in the Annual Income Tax Return as at and for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements as at and for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. Management likewise affirms that:

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to Philippine Financial Reporting Standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company’s books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature:   
 \_\_\_\_\_  
 Bertram B. Lim  
 Chairman

Signature:   
 \_\_\_\_\_  
 Lorraine Belo-Cincochan  
 President-CEO

Signature:   
 \_\_\_\_\_  
 Mark Andrew Y. Belo  
 Treasurer

Signed this 23<sup>rd</sup> day of February 2022

FEB 23 2022

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

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

Doc. No. 27 ;  
Page No. 7 ;  
Book No. VII ;  
Series of 2022 ;

Atty. RIZAL JOSE F. VALMORES  
ATTORNEY AT LAW  
UNTIL DECEMBER 31, 2022  
ADM MATTER NO. 19-099  
PTR NO. 2180630 / 01-3-22 / Q.C.  
IBP NO. 174175 / 01-03-22 / Q.C.  
ROLL NO. 28435  
MCLE NO. VI-0022267  
Add.: Room 201 Margarita Bldg. No. 28  
Matambo St. cor. Masikap Ext., Central Dist., Q.C.

### Fwd: Your BIR AFS eSubmission uploads were received



**From:** [Redacted]  
**To:** [Redacted]  
**Date:** 2022-02-26 18:02

----- Forwarded Message -----

**Subject:** Your BIR AFS eSubmission uploads were received  
**Date:** Sat, 26 Feb 2022 22:11:04 +0800 (PST)  
**From:** [eafs@bir.gov.ph](mailto:eafs@bir.gov.ph)  
**To:** [Redacted]  
**CC:** [Redacted]

Hi WILCON DEPOT, INC.,

**Valid files**

- EAFS009192878AFSTY122021.pdf
- EAFS009192878RPTY122021.pdf
- EAFS009192878ITRTY122021.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-6CHFGGK907K9H86PRQVYNV30PZTWMZQM**  
 Submission Date/Time: **Feb 26, 2022 10:11 PM**  
 Company TIN: **009-192-878**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

=====  
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 =====

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90 E. Rodriguez Jr. Ave., Ugong Norte Libis, Quezon City  
 Tels: 634-8387 (connecting all departments)  
 Fax: 636-2950, 636-1837  
 Website: www.wilcon.com.ph

**STATEMENT OF MANAGEMENT’S RESPONSIBILITY  
 FOR FINANCIAL STATEMENTS**


The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2021, 2020 and 2019, including the schedules attached therein, in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

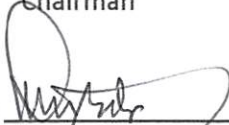
In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

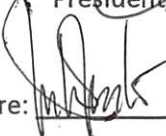
The Board of Directors is responsible for overseeing the Company’s financial reporting process.

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

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

Signature:   
 Bertram B. Lim  
 Chairman

Signature:   
 Lorraine Belo-Cincochan  
 President/ Chief Executive Officer

Signature:   
 Mark Andrew Y. Belo  
 Treasurer

Signed this 23<sup>rd</sup> day of February 2022

SUBSCRIBED AND SWORN to before me this FEB 23 2022 day of \_\_\_\_\_ 20\_\_ affiant(s)  
exhibiting to me their Passport, as follows:

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

Doc. No. 24 ;  
Page No. 6 ;  
Book No. VII ;  
Series of 2022 ;

  
Atty. RIZAL JOSE F. VALMORES  
NOTARY PUBLIC  
UNITED DIR. Empl-Rpt 2022  
ATTY MATTER NO. 25-089  
PTR NO. 2740830 / 01-3-27 Q.C.  
IBF NO. 174178 / 01-13-22 / Q.C.  
ROLL NO. 28445  
MCLE NO. VI-0022267  
Atd. - Down 201 Margarita Bldg. No. 28  
Mariano St. cor. Masikap Ext., Central Dist., Q.C.




90 E. Rodriguez Jr. Ave., Ugong Norte Libis, Quezon City  
Tels: 634-8387 (connecting all departments)  
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Website: www.wilcon.com.ph

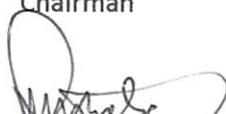
### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

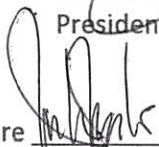
The management of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

  
Signature \_\_\_\_\_  
Bertram B. Lim  
Chairman

  
Signature \_\_\_\_\_  
Lorraine Belo-Cincochan  
President-CEO

  
Signature \_\_\_\_\_  
Mark Andrew Y. Belo  
Treasurer

Signed this 23<sup>rd</sup> day of February 2022

FEB 23 2022

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

| NAMES                   | PASSPORT NO. | DATE OF ISSUE | PLACE OF ISSUE |
|-------------------------|--------------|---------------|----------------|
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| Lorraine Belo-Cincochan |              |               |                |
| Mark Andrew Y. Belo     |              |               |                |

Doc. No. 25 ;  
Page No. 6 ;  
Book No. VII ;  
Series of 2022 ;

Ady. RIZAL JOSE F. VALMORES  
JUDGE  
UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA  
PTE. NO. 248-880 (111-3) 22 (O.C.)  
ISE NO. 174175 (111-3) 22 (O.C.)  
PTE. NO. 248-880  
MCL# NO. M-0022287  
Add.: Room 203 Masikap Bldg. No. 28  
Matalino St. cor. Masikap Ext., Central Dist., Q.C.





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

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

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated February 23, 2022.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8851707

Issued January 3, 2022, Makati City

February 23, 2022

Makati City, Metro Manila



## INDEPENDENT AUDITORS' REPORT

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

### *Opinion*

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021, 2020 and 2019, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years ended December 31, 2021, 2020 and 2019, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Key Audit Matters*

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



*Accounting for the Complete Recording and Valuation of Merchandise Inventories*

Merchandise inventories, net of allowance for inventory write down and losses, amounted to ₱11,876.0 million as at December 31, 2021. The accounting for the complete recording and valuation of merchandise inventories is significant to our audit because merchandise inventories represent 37% of the total assets. Moreover, the Company also maintains around 60,000 stock keeping units (SKU) as at December 31, 2021. Due to the significant number of SKU, establishing the existence and completeness and determining the proper valuation of merchandise inventories require an extensive monitoring and high degree of judgment and estimation.

Our procedures included, among others, review of the design and implementation of key controls on inventory management, the observation of the conduct of the inventory count, test of inventory summarization, review of intervening transactions from date of inventory count to financial reporting date, review and test of inventory costing and the determination of the lower of cost or net realizable value of merchandise inventories.

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

*Accounting for Recognition and Measurement of Right-of-Use Assets and Lease Liabilities*

Right-of-use (ROU) assets and lease liabilities amounted to ₱6,427.9 million and ₱7,180.9 million as at December 31, 2021, respectively. The accounting for the recognition and measurement of ROU assets and lease liabilities is significant to our audit because ROU assets and lease liabilities represent 20% of total assets and 48% of total liabilities, respectively. There were also significant additions in 2021 amounting to ₱1,351.5 million and ₱1,337.3 million for ROU assets and lease liabilities, respectively, resulting from the Company's store network expansion. In addition, the recognition and measurement of ROU assets and lease liabilities involve the exercise of significant management judgment and estimate that include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term taking into consideration the renewal option; and (c) determining the appropriate discount rate.

Our procedures include, among others, review of newly executed and amended lease agreements to assess whether the arrangement contains a lease to be recognized as additional or remeasurement of ROU assets and lease liabilities, and assessing the compliance of the Company with the required disclosures in the financial statements. We performed an assessment of the significant management judgment and estimates used in determining the ROU assets and lease liabilities through review of the significant provisions of the lease agreements. We assessed the reliability of the data used in the computation of the ROU assets and lease liabilities through inspection of the source documents. We assessed the reasonableness of incremental borrowing rates used if it approximates the rate that the Company would have to pay to borrow funds for purchase of similar asset with similar term and security. On a test basis, we also performed recalculation of the ROU assets and lease liabilities and assessed reasonableness of amortization on ROU assets and interest expense on lease liabilities.

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



*Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

*Auditors' Responsibilities for the Audit of Financial Statements*

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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



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

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8851707

Issued January 3, 2022, Makati City

February 23, 2022

Makati City, Metro Manila

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

**STATEMENTS OF FINANCIAL POSITION**

|  |      | <b>December 31</b>     |                 |
|--|------|------------------------|-----------------|
|  | Note | 2021                   | 2020            |
| <b>ASSETS</b>                              |      |                        |                 |
| <b>Current Assets</b>                      |      |                        |                 |
| Cash and cash equivalents                  | 5    | ₱1,542,790,565         | ₱1,854,893,411  |
| Short-term investments                     | 6    | 799,469,125            | 2,755,969,767   |
| Trade and other receivables                | 7    | 166,326,457            | 315,112,318     |
| Advance payments to suppliers              | 7    | 1,891,090,011          | 101,086,218     |
| Merchandise inventories                    | 8    | 11,875,962,618         | 8,692,127,615   |
| Other current assets                       | 9    | 912,987,760            | 670,615,142     |
| Total Current Assets                       |      | <b>17,188,626,536</b>  | 14,389,804,471  |
| <b>Noncurrent Assets</b>                   |      |                        |                 |
| Property and equipment                     | 10   | 7,942,305,897          | 6,757,351,004   |
| Right-of-use assets                        | 11   | 6,427,857,055          | 6,280,165,526   |
| Net deferred tax assets                    | 19   | 374,668,143            | 414,219,401     |
| Other noncurrent assets                    | 12   | 403,819,030            | 376,075,576     |
| Total Noncurrent Assets                    |      | <b>15,148,650,125</b>  | 13,827,811,507  |
|  |      | <b>₱32,337,276,661</b> | ₱28,217,615,978 |
| <b>LIABILITIES AND EQUITY</b>              |      |                        |                 |
| <b>Current Liabilities</b>                 |      |                        |                 |
| Trade and other payables                   | 13   | ₱7,260,116,310         | ₱5,578,277,870  |
| Income tax payable                         |      | 217,814,930            | 205,319,302     |
| Current portion of lease liabilities       | 11   | 1,401,610,716          | 1,837,560,851   |
| Current portion of long-term debt          | 14   | -                      | 20,000          |
| Total Current Liabilities                  |      | <b>8,879,541,956</b>   | 7,621,178,023   |
| <b>Noncurrent Liabilities</b>              |      |                        |                 |
| Lease liabilities - net of current portion | 11   | 5,779,377,451          | 4,949,331,695   |
| Net retirement liability                   | 15   | 199,953,209            | 337,412,956     |
| Total Noncurrent Liabilities               |      | <b>5,979,330,660</b>   | 5,286,744,651   |
| Total Liabilities                          |      | <b>14,858,872,616</b>  | 12,907,922,674  |
| <b>Equity</b>                              |      |                        |                 |
| Capital stock                              | 16   | 4,099,724,116          | 4,099,724,116   |
| Additional paid-in capital                 | 16   | 5,373,738,427          | 5,373,738,427   |
| Other comprehensive income                 |      | 99,770,970             | 573,542         |
| Retained earnings                          |      | 7,905,170,532          | 5,835,657,219   |
| Total Equity                               |      | <b>17,478,404,045</b>  | 15,309,693,304  |
|  |      | <b>₱32,337,276,661</b> | ₱28,217,615,978 |

See accompanying Notes to Financial Statements.

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

**STATEMENTS OF COMPREHENSIVE INCOME**

|  | Note | Years Ended December 31 |                  |                  |
|--|------|-------------------------|------------------|------------------|
|  |      | 2021                    | 2020             | 2019             |
| <b>NET SALES</b>   |      | <b>₱27,513,328,310</b>  | ₱22,628,883,188  | ₱24,476,094,604  |
| <b>COST OF SALES</b>   | 8    | <b>(17,237,597,985)</b> | (14,847,160,308) | (16,300,223,396) |
| <b>GROSS INCOME</b>  |      | <b>10,275,730,325</b>   | 7,781,722,880    | 8,175,871,208    |
| <b>OPERATING EXPENSES</b>  | 17   | <b>(6,731,570,788)</b>  | (5,738,019,171)  | (5,395,669,570)  |
| <b>INTEREST EXPENSE</b>  | 14   | <b>(470,071,898)</b>    | (429,019,510)    | (300,371,698)    |
| <b>OTHER INCOME - Net</b>  | 18   | <b>350,781,754</b>      | 435,322,255      | 462,750,174      |
| <b>INCOME BEFORE INCOME TAX</b>  |      | <b>3,424,869,393</b>    | 2,050,006,454    | 2,942,580,114    |
| <b>INCOME TAX EXPENSE (BENEFIT)</b>  | 19   |                         |                  |                  |
| Current  |      | <b>856,849,114</b>      | 656,279,581      | 964,287,588      |
| Deferred   |      | <b>6,540,072</b>        | (55,116,906)     | (146,322,479)    |
|  |      | <b>863,389,186</b>      | 601,162,675      | 817,965,109      |
| <b>NET INCOME</b>  |      | <b>2,561,480,207</b>    | 1,448,843,779    | 2,124,615,005    |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>   |      |                         |                  |                  |
| <i>Item not to be reclassified to profit or loss -</i>                             |      |                         |                  |                  |
| Remeasurement gain (loss) on retirement liability, net of deferred income tax      | 15   | <b>99,197,428</b>       | (59,178,663)     | (116,428,759)    |
| <i>Item to be reclassified to profit or loss -</i>                                 |      |                         |                  |                  |
| Unrealized gain (loss) on fair value changes of investment in retail treasury bond | 6    | -                       | (3,523,133)      | 96,802,027       |
|  |      | <b>99,197,428</b>       | (62,701,796)     | (19,626,732)     |
| <b>TOTAL COMPREHENSIVE INCOME</b>  |      | <b>₱2,660,677,635</b>   | ₱1,386,141,983   | ₱2,104,988,273   |
| <b>BASIC AND DILUTIVE EARNINGS PER SHARE</b>                                       | 22   | <b>₱0.62</b>            | ₱0.35            | ₱0.52            |

*See accompanying Notes to Financial Statements.*



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**STATEMENTS OF CHANGES IN EQUITY**

|   | Note | Years Ended December 31 |                 |                 |
|---|------|-------------------------|-----------------|-----------------|
|   |      | 2021                    | 2020            | 2019            |
| <b>CAPITAL STOCK</b>  | 16   | <b>₱4,099,724,116</b>   | ₱4,099,724,116  | ₱4,099,724,116  |
| <b>ADDITIONAL PAID-IN CAPITAL</b>   |      | <b>5,373,738,427</b>    | 5,373,738,427   | 5,373,738,427   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |      |                         |                 |                 |
| <b>Cumulative Remeasurement Gains on Retirement Liability</b>                                 |      |                         |                 |                 |
| Balance at beginning of year  | 15   | 573,542                 | 59,752,205      | 176,180,964     |
| Remeasurement gain/(loss), net of deferred income tax   |      | 99,156,461              | (59,178,663)    | (116,428,759)   |
| Effect of change in income tax rate   |      | 40,967                  | -               | -               |
| Balance at end of year  |      | <b>99,770,970</b>       | 573,542         | 59,752,205      |
| <b>Cumulative Unrealized Gain on Fair Value Changes of Investment in Retail Treasury Bond</b> |      |                         |                 |                 |
| Balance at beginning of year  |      | -                       | 3,523,133       | (93,278,894)    |
| Unrealized gain (loss)  | 6    | -                       | (3,523,133)     | 96,802,027      |
| Balance at end of year  |      | -                       | -               | 3,523,133       |
|   |      | <b>99,770,970</b>       | 573,542         | 63,275,338      |
| <b>RETAINED EARNINGS</b>  |      |                         |                 |                 |
| Balance at beginning of year  |      | 5,835,657,219           | 5,124,763,781   | 3,656,104,636   |
| Net income  |      | 2,561,480,207           | 1,448,843,779   | 2,124,615,005   |
| Cash dividends  | 16   | (491,966,894)           | (737,950,341)   | (655,955,860)   |
| Balance at end of year  |      | <b>7,905,170,532</b>    | 5,835,657,219   | 5,124,763,781   |
|   |      | <b>₱17,478,404,045</b>  | ₱15,309,693,304 | ₱14,661,501,662 |

See accompanying Notes to Financial Statements.

**WILCON DEPOT, INC.**  
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**STATEMENTS OF CASH FLOWS**

|   |      | Years Ended December 31 |                 |                 |
|---|------|-------------------------|-----------------|-----------------|
|   | Note | 2021                    | 2020            | 2019            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                 |      |                         |                 |                 |
| Income before income tax                                    |      | <b>₱3,424,869,393</b>   | ₱2,050,006,454  | ₱2,942,580,114  |
| Adjustments for:  |      |                         |                 |                 |
| Depreciation and amortization                               | 10   | <b>2,146,944,463</b>    | 1,820,548,832   | 1,133,175,160   |
| Interest expense  | 14   | <b>470,071,898</b>      | 429,019,510     | 300,371,698     |
| Retirement benefits   | 15   | <b>55,838,714</b>       | 44,909,067      | 23,088,535      |
| Interest income   | 5    | <b>(28,862,925)</b>     | (55,135,122)    | (151,484,892)   |
| Provision for (reversal of allowance):                      |      |                         |                 |                 |
| Inventory write-down and losses                             | 8    | <b>28,813,123</b>       | -               | (33,337,395)    |
| Impairment losses on receivables                            | 7    | <b>(8,125,620)</b>      | 15,718,838      | 11,768,506      |
| Rent concession   | 11   | <b>(1,863,170)</b>      | (100,926,407)   | -               |
| Gain on sale of:  |      |                         |                 |                 |
| Property and equipment                                      |      | <b>(217,204)</b>        | (54,911)        | -               |
| Investment in retail treasury bond                          | 6    | -                       | -               | (1,611,403)     |
| Operating income before working capital changes             |      | <b>6,087,468,672</b>    | 4,204,086,261   | 4,224,550,323   |
| Decrease (increase) in:                                     |      |                         |                 |                 |
| Trade and other receivables                                 |      | <b>153,295,410</b>      | 48,708,521      | (167,209,742)   |
| Advance payments to suppliers                               |      | <b>(1,790,003,793)</b>  | (56,775,154)    | 16,542,641      |
| Merchandise inventories                                     |      | <b>(3,212,648,126)</b>  | 825,409,513     | (2,153,143,193) |
| Other current assets  |      | <b>(305,802,765)</b>    | (9,921,590)     | (202,453,628)   |
| Increase in trade and other payables                        |      | <b>1,681,838,440</b>    | 48,135,690      | 1,677,224,400   |
| Net cash generated from operations                          |      | <b>2,614,147,838</b>    | 5,059,643,241   | 3,395,420,801   |
| Income tax paid   |      | <b>(795,069,130)</b>    | (688,174,095)   | (802,776,612)   |
| Contributions to retirement plan                            | 15   | <b>(61,089,848)</b>     | (67,687,961)    | (32,192,264)    |
| Interest received from cash in banks                        |      | <b>976,038</b>          | 1,678,673       | 1,365,854       |
| Retirement benefits paid                                    | 15   | -                       | -               | (1,584,356)     |
| Net cash provided by operating activities                   |      | <b>1,758,964,898</b>    | 4,305,459,858   | 2,560,233,423   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                 |      |                         |                 |                 |
| Additions to:   |      |                         |                 |                 |
| Property and equipment                                      | 10   | <b>(2,115,836,969)</b>  | (2,465,873,741) | (2,618,466,105) |
| Computer software   | 12   | <b>(44,739,501)</b>     | (37,118,258)    | (30,334,944)    |
| Decrease (increase) in:                                     |      |                         |                 |                 |
| Short-term investments                                      |      | <b>1,956,500,642</b>    | (2,139,479,457) | (616,490,311)   |
| Advances to contractors                                     |      | <b>5,627,520</b>        | 295,155,343     | (63,242,424)    |
| Other noncurrent assets                                     |      | <b>(1,249,515)</b>      | (4,531,346)     | (40,558,137)    |
| Interest received from investments                          |      | <b>31,502,959</b>       | 69,507,372      | 157,391,546     |
| Net proceeds from:  |      |                         |                 |                 |
| Disposal of property and equipment                          |      | <b>549,960</b>          | 200,000         | -               |
| Maturity and disposal of investment in retail treasury bond | 4    | -                       | 2,250,000,000   | 751,611,403     |
| Net cash used in investing activities                       |      | <b>(167,644,904)</b>    | (2,032,140,087) | (2,460,088,972) |

(Forward)

|   |      | <b>Years Ended December 31</b> |                  |                 |
|---|------|--------------------------------|------------------|-----------------|
|   | Note | <b>2021</b>                    | 2020             | 2019            |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                 |      |                                |                  |                 |
| Payments of:  |      |                                |                  |                 |
| Lease liabilities   | 11   | <b>(₱1,411,435,484)</b>        | (₱1,142,517,417) | (₱824,218,626)  |
| Cash dividends  | 16   | <b>(491,966,894)</b>           | (737,950,341)    | (655,955,860)   |
| Long-term debt before interest                              | 14   | <b>(20,000)</b>                | -                | -               |
| Interest on long-term debt                                  |      | <b>(462)</b>                   | (913)            | (1,178)         |
| Cash used in financing activities                           |      | <b>(1,903,422,840)</b>         | (1,880,468,671)  | (1,480,175,664) |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> |      |                                |                  |                 |
|   |      | <b>(312,102,846)</b>           | 392,851,100      | (1,380,031,213) |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       |      |                                |                  |                 |
|   |      | <b>1,854,893,411</b>           | 1,462,042,311    | 2,842,073,524   |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>             |      |                                |                  |                 |
|   | 5    | <b>₱1,542,790,565</b>          | ₱1,854,893,411   | ₱1,462,042,311  |

See accompanying Notes to Financial Statements.

**WILCON DEPOT, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

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**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 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 Initial Public Offering (IPO) amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Notes 4 and 16).

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

The financial statements of the Company as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on February 23, 2022, as reviewed and recommended for approval by the Audit Committee on the same date.

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**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, net retirement liability that is carried at the aggregate of the present value of the defined benefit obligation and the fair value of plan assets, and lease liabilities that are initially carried at the present value of minimum lease payments. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for incurring a liability.

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

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

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

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

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

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

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

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

- Note 6, *Investments*
- Note 15, *Retirement Plan*
- Note 24, *Fair Value of Financial Instruments*

#### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amended PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021*.

In 2021, PFRS 16 was amended to allow lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial statements.

The adoption of the amended PFRS resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱1.9 million.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2021 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applied the amendments.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendments. Earlier application is permitted.
  - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

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

### **Current versus Noncurrent Classification**

The Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting year; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting year.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting year; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

### **Financial Instruments**

*Date of Recognition.* The Company recognizes a financial asset or liability 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 (FVOCI). The classification of financial asset largely depends on the Company’s business model and its contractual cash flow characteristics.

As at December 31, 2021 and 2020, the Company does not have financial assets measured at FVPL.



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

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

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

Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

As at December 31, 2021 and 2020, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to 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 are 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, 2021 and 2020, the Company has no investments classified and measured at FVOCI.

*Impairment.* The Company recognizes an allowance for expected credit loss (ECL) for all debt instruments not measured at FVPL and financial assets at amortized cost. 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 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.

If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

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

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

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

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

#### **Financial Liabilities**

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

As at December 31, 2021 and 2020, the Company does not have financial liabilities measured at FVPL.

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

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

As at December 31, 2021 and 2020, the long-term debt, trade and other payables and lease liabilities and (excluding statutory liabilities 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 amount of the original liability and fair value of the new liability is recognized in profit or loss.

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

#### **Offsetting of Financial Instruments**

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

#### **Merchandise Inventories**

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

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the year when the related revenue is recognized.

When the NRV of inventories is lower than the cost, a write-down is charged to cost of sales at the year in which it occurred. The amount due to any reversals of write-down of inventories arising from an increase in net realizable value is 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), input VAT, materials and supplies, prepaid expenses, and container deposits.

*Deferred Input VAT.* Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold and other accruals, 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.

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.

*Materials and Supplies.* Materials and supplies are carried at cost and are recognized as expense upon consummation. Materials and supplies that are expected to be consumed for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Prepaid Expenses.* Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

### **Property and Equipment**

Property and equipment, 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.

The estimated useful life of solar panels recognized as part of “Building and Leasehold improvements” installed in the leased and owned buildings is 15 years.

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 amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the item is derecognized.

**Other Noncurrent Assets**

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

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

*Computer Software.* Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses. Internally generated computer software, excluding development costs, is not capitalized and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

Computer software is amortized over the economic useful life of eight years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method for computer software are reviewed 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

*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.

#### **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) comprises 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 gains (losses) on fair value changes of investment in RTB and cumulative remeasurement gains (losses) 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, *Revenue from Contracts with Customers*, 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; and
- 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; and
- 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; and
- 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 rewards 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 year (adjusting events) are reflected in the financial statements. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

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### 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.* 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 the 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.

All the existing Company leases, except for short-term lease on transportation equipment and leases on land and buildings with less than 12 months term qualify 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 recognition of ROU assets and lease liabilities.

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 4.31% to 8.31% 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 ₱470.1 million, ₱429.0 million and ₱300.4 million in 2021, 2020 and 2019, respectively. Amortization on ROU assets amounted to ₱1,203.8 million, ₱1,121.3 million and ₱721.3 million in 2021, 2020 and 2019, respectively (see Note 11).

Rent expense on short-term lease on transportation equipment and leases on land and buildings with less than 12 months term amounted to ₱147.1 million, ₱116.8 million and ₱331.8 million in 2021, 2020 and 2019, respectively (see Note 11).

As at December 31, 2021 and 2020, ROU assets amounted to ₱6,427.9 million and ₱6,280.2 million, respectively (see Note 11).

As at December 31, 2021 and 2020, lease liabilities amounted to ₱7,181.0 million and ₱6,786.9 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 ₱61.0 million, ₱42.8 million and ₱30.4 million in 2021, 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 the 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 as a result 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 investment was valued using the active quoted price. The investment has matured on April 11, 2020 and the proceeds from maturity amounted to ₱2,269.1 million that include interest income earned until maturity amounting to ₱19.1 million (see Note 6).

*Assessing the Impairment of Trade and Other Receivables.* The Company is using the simplified approach in measuring ECL based on lifetime and 12-month expected credit losses on its trade and other receivables, respectively. The Company has established a provision matrix that uses historical credit loss experience adjusted for forward-looking factors, as appropriate.

Net reversal for impairment losses recognized in 2021 amounted to ₱8.1 million, while provision recognized amounted to ₱15.7 million and ₱11.8 million in 2020 and 2019, respectively (see Note 7).

Based on management assessment, the allowance for impairment losses of trade and other receivables as at December 30, 2021 and 2020 is adequate to cover for possible losses.

The carrying amount of trade and other receivables (excluding advances to officers and employees) amounted to ₱149.0 million and ₱283.8 million as at December 31, 2021 and 2020, respectively (see Note 7). Allowance for impairment losses amounted to ₱56.5 million and ₱64.6 million as at December 31, 2021 and 2020, respectively (see Note 7).

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

No provision for impairment losses on other financial assets at amortized cost were recognized in 2021, 2020 and 2019.

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

|                           | Note | 2021                   | 2020            |
|---------------------------|------|------------------------|-----------------|
| Cash and cash equivalents | 5    | <b>₱ 1,533,316,737</b> | ₱ 1,822,417,468 |
| Short-term investments    | 6    | <b>799,469,125</b>     | 2,755,969,767   |
| Security deposits         | 12   | <b>150,805,498</b>     | 150,319,561     |
| Electricity deposits      | 12   | <b>62,302,471</b>      | 55,904,507      |
| Container deposits        | 9    | <b>13,782,800</b>      | 8,010,715       |
|                           |      | <b>₱2,559,676,631</b>  | ₱4,792,622,018  |

Other financial assets at amortized cost also include refundable cash bonds, amounting to ₱83.4 million, which the Company assessed to be unrecoverable. Accordingly, refundable cash bonds were fully provided with allowance for impairment losses since 2016 (see Note 12).

*Determining the 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 ₱ 11,876.0 million and ₱8,692.1 million as at December 31, 2021 and 2020, respectively (see Note 8). Provision for inventory write-down and losses amounted to ₱28.8 million and nil in 2021 and 2020 respectively, while reversal recognized in 2019 amounted to ₱33.3 million (see Note 8).

Allowance for inventory write-down and losses amounted to ₱126.3 million and ₱97.5 million as at December 31, 2021 and 2020 respectively (see Note 8).

*Estimating the Useful Lives of Property and Equipment and Computer Software.* The Company estimates the useful lives of property and equipment and computer software based on the years over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. As at December 31, 2021 and 2020, there is no change in the estimated useful lives of property and equipment and computer software.



The carrying amount of depreciable property and equipment and computer software are as follows:

|                         | Note | 2021                  | 2020           |
|-------------------------|------|-----------------------|----------------|
| Property and equipment* | 10   | <b>₱7,218,648,165</b> | ₱5,464,437,041 |
| Computer software       | 12   | <b>146,059,668</b>    | 113,938,210    |
|                         |      | <b>₱7,364,707,833</b> | ₱5,578,375,251 |

\*Excluding construction in progress amounting to ₱723.7 million and ₱1,292.9 million as at December 31, 2021 and 2020, respectively.

*Assessing the Impairment of Nonfinancial Assets.* The Company assesses any impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount 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 amount of nonfinancial assets may be impaired. Accordingly, no impairment loss was recognized in 2021, 2020 and 2019.

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

|  | Note  | 2021                   | 2020            |
|--|-------|------------------------|-----------------|
| Property and equipment                   | 10    | <b>₱7,942,305,897</b>  | ₱6,757,351,004  |
| ROU assets                               | 11    | <b>6,427,857,055</b>   | 6,280,165,526   |
| Advance payments to suppliers            | 7     | <b>1,891,090,011</b>   | 101,086,218     |
| Input VAT (including deferred input VAT) | 9, 12 | <b>604,100,084</b>     | 396,846,644     |
| Materials and supplies                   | 9     | <b>209,259,229</b>     | 198,943,033     |
| Computer software                        | 12    | <b>146,059,668</b>     | 113,938,210     |
|  |       | <b>₱17,220,671,944</b> | ₱13,848,330,635 |

*Determining the 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.

Retirement expense amounted to ₱55.8 million, ₱44.9 million and ₱23.1 in 2021, 2020 and 2019, respectively (see Note 15).

Net retirement liability amounted to ₱200.0 million and ₱337.4 million as at December 31, 2021 and 2020, respectively (see Note 15).

*Assessing the 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.

Net deferred tax assets amounted to ₱374.7 million and ₱414.2 million as at December 31, 2021 and 2020, respectively (see Note 19).

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#### 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).

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.

Details of unapplied proceeds from the IPO are as follows:

|  | 2021          | 2020          |
|--|---------------|---------------|
| Cash in designated bank accounts for offering proceeds | ₱101,350,085  | ₱23,159,164   |
| Disbursements for store network expansion              | (101,350,085) | -             |
| Money market placements                                | -             | 250,069,413   |
| Funds from various regular bank accounts               | -             | (171,878,492) |
|  | ₱-            | ₱101,350,085  |

The investment in RTB with a face value amounting to ₱2,250.0 million matured on April 11, 2020. The Company's proceeds amounting to ₱2,269.1 million, which includes accumulated interest of ₱19.1 million, were used for the store network expansion project (see Note 6).

Interest income from investment in RTB amounted to ₱19.1 million and ₱95.6 million in 2020 and 2019, respectively (see Note 5).

## 5. Cash and Cash equivalents

Details of this account are as follows:

|                  | 2021                  | 2020           |
|------------------|-----------------------|----------------|
| Cash on hand     | <b>₱9,473,828</b>     | ₱32,475,943    |
| Cash in banks    | <b>1,076,904,737</b>  | 1,321,417,468  |
| Cash equivalents | <b>456,412,000</b>    | 501,000,000    |
|                  | <b>₱1,542,790,565</b> | ₱1,854,893,411 |

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents represent money market placements with interest ranging from 1% to 1.5%.

Details of interest income are as follows:

|                           | Note | 2021               | 2020        | 2019         |
|---------------------------|------|--------------------|-------------|--------------|
| Short-term investments    | 6    | <b>₱24,283,686</b> | ₱23,869,491 | ₱2,158,872   |
| Cash and cash equivalents |      | <b>4,579,239</b>   | 12,140,631  | 53,760,451   |
| Investment in RTB         | 6    | -                  | 19,125,000  | 95,565,569   |
|                           | 18   | <b>₱28,862,925</b> | ₱55,135,122 | ₱151,484,892 |

## 6. Investments

### Short-term Investments

Short-term investments amounting to ₱799.5 million and ₱2,756.0 million as at December 31, 2021 and 2020, respectively, represent money market placements, which bears interest from 1.27% to 1.60%.

Interest income from these investments amounted to ₱24.3 million, ₱23.9 million and ₱2.2 million in 2021, 2020 and 2019, respectively (see Note 5).

### Investment in RTB

Investment in RTB, which was classified as financial asset at FVOCI, amounting to ₱2,253.5 million as at December 31, 2019 at 4.25% matured on April 11, 2020. The total proceeds amounted to ₱2,269.1 million (see Note 4).

Fair value changes of investment in RTB amounted to unrealized loss of ₱3.5 million in 2020, respectively, while unrealized gain of ₱96.8 million in 2019.

In 2019, portion of investment in RTB amounting to ₱750.0 million was sold for ₱751.6 million that resulted to gain on sale amounting to ₱1.6 million.

Interest income earned from investment in RTB amounted to ₱19.1 million and ₱95.6 million in 2020 and 2019, respectively (see Note 5).

## 7. Trade and Other Receivables

Details of this account are as follows:

|                                    | Note | 2021                | 2020         |
|------------------------------------|------|---------------------|--------------|
| Trade:                             |      |                     |              |
| Third parties                      |      | <b>₱139,962,542</b> | ₱250,754,008 |
| Related parties                    | 21   | <b>2,144,144</b>    | 1,882,426    |
| Advances to officers and employees |      | <b>17,340,363</b>   | 31,328,696   |
| Rent receivables                   | 11   | <b>8,599,991</b>    | 18,475,706   |
| Accrued interest                   |      | <b>197,499</b>      | 3,813,570    |
| Others                             |      | <b>54,563,868</b>   | 73,465,482   |
|                                    |      | <b>222,808,407</b>  | 379,719,888  |
| Allowance for impairment losses    |      | <b>(56,481,950)</b> | (64,607,570) |
|                                    |      | <b>₱166,326,457</b> | ₱315,112,318 |

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

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

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

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

Others mainly pertain to marketing support granted by suppliers.

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

|                              | 2021                | 2020         | 2019        |
|------------------------------|---------------------|--------------|-------------|
| Balance at beginning of year | <b>₱64,607,570</b>  | ₱75,217,902  | ₱63,449,396 |
| Reversal                     | <b>(21,315,583)</b> | –            | –           |
| Provision                    | <b>13,189,963</b>   | 15,718,838   | 11,768,506  |
| Write-off                    | –                   | (26,329,170) | –           |
| Balance at end of year       | <b>₱56,481,950</b>  | ₱64,607,570  | ₱75,217,902 |

Based on management assessment, the allowance for impairment losses on receivables as at December 31, 2021 and 2020 is adequate to cover for possible losses.

### Advance Payments to Suppliers

Advance payments to suppliers which pertain to advance payments on purchases of merchandise inventories and other goods and services amounted to ₱1,891.1 million and ₱101.1 million as at December 31, 2021 and 2020, respectively. Corresponding goods will be substantially delivered on the first quarter of the following year. Advance payments to suppliers amounting to ₱101.1 million, included as part of "Trade and other receivables" account as at December 31, 2020 was reclassified and presented as "Advance payments to suppliers" to conform with the 2021 presentation.

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## 8. Merchandise Inventories

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

|         | 2021                   | 2020           |
|---------|------------------------|----------------|
| At cost | <b>₱11,843,635,801</b> | ₱8,649,939,664 |
| At NRV  | <b>32,326,817</b>      | 42,187,951     |
|         | <b>₱11,875,962,618</b> | ₱8,692,127,615 |

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 ₱158.6 million and ₱139.7 million as at December 31, 2021 and 2020, respectively.

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

|                        | 2021                | 2020        | 2019         |
|------------------------|---------------------|-------------|--------------|
| Beginning of year      | <b>₱97,489,151</b>  | ₱97,489,151 | ₱130,826,546 |
| Provision              | <b>28,813,123</b>   | -           | -            |
| Reversal               | -                   | -           | (33,337,395) |
| Balance at end of year | <b>₱126,302,274</b> | ₱97,489,151 | ₱97,489,151  |

Based on management assessment, the allowance for inventory write-down and losses is adequate to cover for possible losses.

Inventories charged to cost of sales amounted to ₱17,237.6 million, ₱14,847.2 million and ₱16,300.2 million in 2021, 2020 and 2019, respectively, including any reversal of allowance and provision for inventory write-down and losses.

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## 9. Other Current Assets

Details of this account are as follows:

|                            | 2021                | 2020         |
|----------------------------|---------------------|--------------|
| Current deferred input VAT | <b>₱321,294,934</b> | ₱343,895,227 |
| Input VAT                  | <b>245,234,762</b>  | 9,746,644    |
| Materials and supplies     | <b>209,259,229</b>  | 198,943,033  |
| Prepaid expenses           | <b>123,416,035</b>  | 110,019,523  |
| Container deposits         | <b>13,782,800</b>   | 8,010,715    |
|                            | <b>₱912,987,760</b> | ₱670,615,142 |

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

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

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

Container deposits pertain to monetary deposits for containers used for imported goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

10. Property and Equipment

Details and movements of this account are as follows:

|  | 2021                       |                         |                        |                          |                          | Total                 |
|--|----------------------------|-------------------------|------------------------|--------------------------|--------------------------|-----------------------|
|  | Buildings and Improvements | Furniture and Equipment | Leasehold Improvements | Transportation Equipment | Construction in Progress |                       |
| <b>Cost</b>                                      |                            |                         |                        |                          |                          |                       |
| Balance at beginning of year                     | ₱4,421,664,971             | ₱1,412,666,480          | ₱998,833,636           | ₱46,530,839              | ₱1,292,913,963           | ₱8,172,609,889        |
| Additions  | —                          | 197,469,425             | —                      | 940,419                  | 1,917,427,125            | 2,115,836,969         |
| Reclassifications                                | 2,148,847,066              | 49,520,908              | 288,315,382            | —                        | (2,486,683,356)          | —                     |
| Disposal   | —                          | —                       | —                      | (884,919)                | —                        | (884,919)             |
| Balance at end of year                           | 6,570,512,037              | 1,659,656,813           | 1,287,149,018          | 46,586,339               | 723,657,732              | 10,287,561,939        |
| <b>Accumulated Depreciation and Amortization</b> |                            |                         |                        |                          |                          |                       |
| Balance at beginning of year                     | 469,435,977                | 644,621,872             | 276,961,742            | 24,239,294               | —                        | 1,415,258,885         |
| Depreciation and amortization                    | 356,589,986                | 262,088,075             | 302,973,758            | 8,897,501                | —                        | 930,549,320           |
| Disposal   | —                          | —                       | —                      | (552,163)                | —                        | (552,163)             |
| Balance at end of year                           | 826,025,963                | 906,709,947             | 579,935,500            | 32,584,632               | —                        | 2,345,256,042         |
| <b>Carrying Amount</b>                           | <b>₱5,744,486,074</b>      | <b>₱752,946,866</b>     | <b>₱707,213,518</b>    | <b>₱14,001,707</b>       | <b>₱723,657,732</b>      | <b>₱7,942,305,897</b> |

|  | 2020                       |                         |                        |                          |                          | Total                 |
|--|----------------------------|-------------------------|------------------------|--------------------------|--------------------------|-----------------------|
|  | Buildings and Improvements | Furniture and Equipment | Leasehold Improvements | Transportation Equipment | Construction in Progress |                       |
| <b>Cost</b>                                      |                            |                         |                        |                          |                          |                       |
| Balance at beginning of year                     | ₱3,263,751,108             | ₱1,167,464,751          | ₱480,512,334           | ₱41,686,017              | ₱753,545,152             | ₱5,706,959,362        |
| Additions  | —                          | 189,380,320             | —                      | 5,068,036                | 2,271,425,385            | 2,465,873,741         |
| Reclassifications                                | 1,157,913,863              | 55,821,409              | 518,321,302            | —                        | (1,732,056,574)          | —                     |
| Disposal   | —                          | —                       | —                      | (223,214)                | —                        | (223,214)             |
| Balance at end of year                           | 4,421,664,971              | 1,412,666,480           | 998,833,636            | 46,530,839               | 1,292,913,963            | 8,172,609,889         |
| <b>Accumulated Depreciation and Amortization</b> |                            |                         |                        |                          |                          |                       |
| Balance at beginning of year                     | 217,915,439                | 404,754,613             | 87,460,251             | 15,461,930               | —                        | 725,592,233           |
| Depreciation and amortization                    | 251,520,538                | 239,867,259             | 189,501,491            | 8,855,489                | —                        | 689,744,777           |
| Disposal   | —                          | —                       | —                      | (78,125)                 | —                        | (78,125)              |
| Balance at end of year                           | 469,435,977                | 644,621,872             | 276,961,742            | 24,239,294               | —                        | 1,415,258,885         |
| <b>Carrying Amount</b>                           | <b>₱3,952,228,994</b>      | <b>₱768,044,608</b>     | <b>₱721,871,894</b>    | <b>₱22,291,545</b>       | <b>₱1,292,913,963</b>    | <b>₱6,757,351,004</b> |

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 2022.

As at December 31, 2021 and 2020, the amount of contractual commitment related to the construction in progress amounted to ₱630.3 million and ₱642.1 million, respectively.

Depreciation and amortization are summarized below:

|                        | Note | 2021                  | 2020           | 2019           |
|------------------------|------|-----------------------|----------------|----------------|
| ROU assets             | 11   | <b>₱1,203,777,100</b> | ₱1,121,341,535 | ₱721,331,179   |
| Property and equipment |      | <b>930,549,320</b>    | 689,744,777    | 404,259,816    |
| Computer software      | 12   | <b>12,618,043</b>     | 9,462,520      | 7,584,165      |
|                        | 17   | <b>₱2,146,944,463</b> | ₱1,820,548,832 | ₱1,133,175,160 |

The acquisition costs of fully depreciated assets still in use are summarized below:

|                        | 2021                | 2020         | 2019        |
|------------------------|---------------------|--------------|-------------|
| Property and equipment | <b>₱376,026,145</b> | ₱181,584,118 | ₱73,372,335 |
| ROU assets             | <b>261,298,431</b>  | 244,207,456  | –           |
|                        | <b>₱637,324,576</b> | ₱425,791,574 | ₱73,372,335 |

## 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. The leases are renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement upon renewal. The annual rent of most contracts of lease is subject to escalation of 5.00%.

Security deposits amounted to ₱150.8 million and ₱150.3 million as at December 31, 2021 and 2020, respectively (see Note 12).

Amounts recognized in profit and loss:

|                               | Note | 2021                  | 2020           | 2019           |
|-------------------------------|------|-----------------------|----------------|----------------|
| Amortization on ROU assets    | 10   | <b>₱1,203,777,100</b> | ₱1,121,341,535 | ₱721,331,179   |
| Interest on lease liabilities | 14   | <b>470,071,458</b>    | 429,018,646    | 300,370,584    |
| Rent expense                  | 17   | <b>147,069,899</b>    | 116,777,063    | 331,775,281    |
| Rent concession               | 18   | <b>(1,863,170)</b>    | (100,926,407)  | –              |
|                               |      | <b>₱1,819,055,287</b> | ₱1,566,210,837 | ₱1,353,477,044 |

Rent expense in 2021, 2020 and 2019 pertains to variable lease payments pertaining to real property taxes on leased properties from related parties, and short-term leases.



Movements in the ROU assets are presented below:

| 2021                          |      |                       |                       |                     |                         |                   |                       |
|-------------------------------|------|-----------------------|-----------------------|---------------------|-------------------------|-------------------|-----------------------|
|                               | Note | Land                  | Land and Buildings    | Buildings           | Retail and Office Units | Computer Software | Total                 |
| <b>Cost</b>                   |      |                       |                       |                     |                         |                   |                       |
| Balance at beginning of year  |      | ₱4,943,242,213        | ₱2,616,597,530        | ₱361,379,636        | ₱162,704,797            | ₱38,914,064       | ₱8,122,838,240        |
| Additions                     |      | 1,089,899,600         | 261,569,028           | —                   | —                       | —                 | 1,351,468,628         |
| Balance as at end of year     |      | 6,033,141,813         | 2,878,166,558         | 361,379,636         | 162,704,797             | 38,914,064        | 9,474,306,868         |
| <b>Amortization</b>           |      |                       |                       |                     |                         |                   |                       |
| Balance at beginning of year  |      | 516,793,098           | 1,067,803,338         | 147,793,002         | 75,692,997              | 34,590,278        | 1,842,672,713         |
| Amortization                  | 10   | 393,068,876           | 674,779,464           | 98,956,617          | 32,648,357              | 4,323,786         | 1,203,777,100         |
| Balance as at end of the year |      | 909,861,974           | 1,742,582,802         | 246,749,619         | 108,341,354             | 38,914,064        | 3,046,449,813         |
| <b>Carrying Amount</b>        |      | <b>₱5,123,279,839</b> | <b>₱1,135,583,756</b> | <b>₱114,630,017</b> | <b>₱54,363,443</b>      | <b>₱—</b>         | <b>₱6,427,857,055</b> |

| 2020                          |      |                       |                       |                     |                         |                   |                       |
|-------------------------------|------|-----------------------|-----------------------|---------------------|-------------------------|-------------------|-----------------------|
|                               | Note | Land                  | Land and Buildings    | Buildings           | Retail and Office Units | Computer Software | Total                 |
| <b>Cost</b>                   |      |                       |                       |                     |                         |                   |                       |
| Balance at beginning of year  |      | ₱3,480,129,245        | ₱2,066,847,254        | ₱347,168,152        | ₱48,742,662             | ₱38,914,064       | ₱5,981,801,377        |
| Additions                     |      | 1,463,112,968         | 549,750,276           | 14,211,484          | 113,962,135             | —                 | 2,141,036,863         |
| Balance as at end of year     |      | 4,943,242,213         | 2,616,597,530         | 361,379,636         | 162,704,797             | 38,914,064        | 8,122,838,240         |
| <b>Amortization</b>           |      |                       |                       |                     |                         |                   |                       |
| Balance at beginning of year  |      | 212,640,047           | 406,764,729           | 50,251,887          | 34,379,377              | 17,295,139        | 721,331,179           |
| Amortization                  | 10   | 304,153,052           | 661,038,609           | 97,541,115          | 41,313,620              | 17,295,139        | 1,121,341,535         |
| Balance as at end of the year |      | 516,793,099           | 1,067,803,338         | 147,793,002         | 75,692,997              | 34,590,278        | 1,842,672,714         |
| <b>Carrying Amount</b>        |      | <b>₱4,426,449,114</b> | <b>₱1,548,794,192</b> | <b>₱213,586,634</b> | <b>₱87,011,800</b>      | <b>₱4,323,786</b> | <b>₱6,280,165,526</b> |

Movements in the lease liabilities are presented below:

|                              | Note | 2021                   | 2020            |
|------------------------------|------|------------------------|-----------------|
| Balance at beginning of year |      | <b>₱6,786,892,546</b>  | ₱5,486,482,205  |
| Additions                    |      | <b>1,337,322,817</b>   | 2,114,835,519   |
| Payments                     |      | <b>(1,411,435,484)</b> | (1,142,517,417) |
| Interest expense             |      | <b>470,071,458</b>     | 429,018,646     |
| Rent concession              | 18   | <b>(1,863,170)</b>     | (100,926,407)   |
| Balance at end of year       |      | <b>7,180,988,167</b>   | 6,786,892,546   |
| Current portion              |      | <b>1,401,610,716</b>   | 1,837,560,851   |
| Noncurrent portion           |      | <b>₱5,779,377,451</b>  | ₱4,949,331,695  |

As at December 31, 2021 and 2020, the future minimum lease payments are as follows:

|                            | 2021                   | 2020            |
|----------------------------|------------------------|-----------------|
| Less than one year         | <b>₱1,031,209,851</b>  | ₱1,352,199,267  |
| Between one and five years | <b>3,077,044,641</b>   | 2,817,510,039   |
| More than five years       | <b>6,648,804,887</b>   | 6,123,678,243   |
|                            | <b>₱10,757,059,379</b> | ₱10,293,387,549 |

*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 ₱61.0 million, ₱42.8 million and ₱30.4 million in 2021, 2020 and 2019, respectively (see Note 18). Rent receivables amounted to ₱8.6 million and ₱18.5 million as at December 31, 2021 and 2020, respectively (see Note 7).

**12. Other Noncurrent Assets**

Details of this account are as follows:

|                               | Note | 2021                | 2020         |
|-------------------------------|------|---------------------|--------------|
| Security deposits             | 11   | <b>₱150,805,498</b> | ₱150,319,561 |
| Computer software             |      | <b>146,059,668</b>  | 113,938,210  |
| Electricity deposits          |      | <b>62,302,471</b>   | 55,904,507   |
| Noncurrent deferred input VAT |      | <b>37,570,388</b>   | 43,204,773   |
| Advances to contractors       |      | <b>7,081,005</b>    | 12,708,525   |
|                               |      | <b>₱403,819,030</b> | ₱376,075,576 |

Movements of computer software are as follows:

|                                 | Note | 2021                | 2020                |
|---------------------------------|------|---------------------|---------------------|
| <b>Cost</b>                     |      |                     |                     |
| Balance at beginning of year    |      | ₱140,808,567        | ₱103,690,309        |
| Additions                       |      | 44,739,501          | 37,118,258          |
| Balance at end of year          |      | 185,548,068         | 140,808,567         |
| <b>Accumulated Amortization</b> |      |                     |                     |
| Balance at beginning of year    |      | 26,870,357          | 17,407,837          |
| Amortization                    | 10   | 12,618,043          | 9,462,520           |
| Balance at end of year          |      | 39,488,400          | 26,870,357          |
| <b>Carrying Amount</b>          |      | <b>₱146,059,668</b> | <b>₱113,938,210</b> |

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

Advances to contractors pertain to payments for purchase of materials and services for the constructions of assets to be classified as property and equipment. The advances will be applied against the future billings of the contractors.

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2021 and 2020, the refund of cash bonds is still pending with the BOC. Accordingly, this has been fully provided with allowance since 2016.

### 13. Trade and Other Payables

Details of this account are as follows:

|                          | Note | 2021                  | 2020                  |
|--------------------------|------|-----------------------|-----------------------|
| <b>Trade:</b>            |      |                       |                       |
| Third parties            |      | ₱6,043,676,240        | ₱4,273,047,618        |
| Related parties          | 21   | 7,088,979             | 133,518,034           |
| <b>Nontrade:</b>         |      |                       |                       |
| Third parties            |      | 394,471,809           | 357,039,860           |
| Related parties          | 21   | 3,848,685             | 2,393,422             |
| <b>Accrued expenses:</b> |      |                       |                       |
| Salaries and wages       |      | 155,698,950           | 86,634,288            |
| Outside services         |      | 77,016,582            | 41,715,970            |
| Utilities                |      | 33,061,845            | 13,370,680            |
| Construction costs       |      | 11,702,641            | 260,451,638           |
| Others                   |      | 25,590,800            | 9,099,601             |
| Advances from customers  |      | 304,604,500           | 253,273,996           |
| Unearned revenue         |      | 119,228,278           | 98,048,696            |
| Statutory payables       |      | 84,127,001            | 49,684,067            |
|                          |      | <b>₱7,260,116,310</b> | <b>₱5,578,277,870</b> |

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.

Unearned revenues pertain to unearned revenue on loyalty program and unredeemed gift certificates.

Statutory payables pertain to withholding taxes and obligatory contributions as mandated by the government. These are paid within 12 months.

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#### 14. Long-term Debt

Long-term debt amounted to ₱20,000 represented loans that matured in August 2021 and bears interest ranging from 2.25% to 6.00% in 2021 and 2020.

Details of interest expense follows:

|                   | Note | 2021                | 2020         | 2019         |
|-------------------|------|---------------------|--------------|--------------|
| Lease liabilities | 11   | <b>₱470,071,458</b> | ₱429,018,646 | ₱300,370,584 |
| Long-term debt    |      | <b>440</b>          | 864          | 1,114        |
|                   |      | <b>₱470,071,898</b> | ₱429,019,510 | ₱300,371,698 |

As at December 31, 2020, 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).

There are no other financing activities other than those presented in the statements of cash flows and no noncash financing activity in 2021, 2020 and 2019.

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#### 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, 2021.

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

|                      | 2021               | 2020        | 2019        |
|----------------------|--------------------|-------------|-------------|
| Current service cost | <b>₱43,665,337</b> | ₱32,227,506 | ₱15,323,307 |
| Interest expense     | <b>20,388,796</b>  | 20,752,521  | 15,068,537  |
| Interest income      | <b>(8,215,419)</b> | (8,070,960) | (7,303,309) |
|                      | <b>₱55,838,714</b> | ₱44,909,067 | ₱23,088,535 |

The cumulative remeasurement gains recognized in other comprehensive income follows:

|                                     | 2021                                 |                               |                    |
|-------------------------------------|--------------------------------------|-------------------------------|--------------------|
|                                     | Cumulative<br>Remeasurement<br>Gains | Deferred Tax<br>(see Note 19) | Net                |
| Balance at beginning of year        | <b>₱819,346</b>                      | <b>₱245,804</b>               | <b>₱573,542</b>    |
| Remeasurement gain                  | <b>132,208,613</b>                   | <b>33,052,153</b>             | <b>99,156,461</b>  |
| Effect of change in income tax rate | -                                    | <b>(40,967)</b>               | <b>40,967</b>      |
| Balance at end of year              | <b>₱133,027,959</b>                  | <b>₱33,256,990</b>            | <b>₱99,770,970</b> |

|                              | 2020                                 |                               |                     |
|------------------------------|--------------------------------------|-------------------------------|---------------------|
|                              | Cumulative<br>Remeasurement<br>Gains | Deferred Tax<br>(see Note 19) | Net                 |
| Balance at beginning of year | <b>₱85,360,293</b>                   | <b>(₱25,608,088)</b>          | <b>₱59,752,205</b>  |
| Remeasurement loss           | <b>(84,540,947)</b>                  | 25,362,284                    | <b>(59,178,663)</b> |
| Balance at end of year       | <b>₱819,346</b>                      | <b>₱245,804</b>               | <b>₱573,542</b>     |

|                              | 2019                                 |                               |                      |
|------------------------------|--------------------------------------|-------------------------------|----------------------|
|                              | Cumulative<br>Remeasurement<br>Gains | Deferred Tax<br>(see Note 19) | Net                  |
| Balance at beginning of year | <b>₱251,687,091</b>                  | <b>(₱75,506,127)</b>          | <b>₱176,180,964</b>  |
| Remeasurement loss           | <b>(166,326,798)</b>                 | 49,898,039                    | <b>(116,428,759)</b> |
| Balance at end of year       | <b>₱85,360,293</b>                   | <b>(₱25,608,088)</b>          | <b>₱59,752,205</b>   |

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

|   | 2021                 | 2020          |
|---|----------------------|---------------|
| Present value of defined benefit obligation | <b>₱446,915,632</b>  | ₱521,452,584  |
| Fair value of plan assets                   | <b>(246,962,423)</b> | (184,039,628) |
|   | <b>₱199,953,209</b>  | ₱337,412,956  |

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 discount rate assumption is based on market yields as of October 26, 2021.

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

|                                    | 2021                | 2020                |
|------------------------------------|---------------------|---------------------|
| Balance at beginning of year       | P 521,452,584       | P397,557,876        |
| Remeasurement loss (gain):         |                     |                     |
| Changes in financial assumptions   | (91,884,507)        | 91,062,038          |
| Changes in demographic assumptions | (40,929,121)        | (5,763,233)         |
| Experience                         | 3,165,599           | (10,849,886)        |
| Current service cost               | 43,665,337          | 32,227,506          |
| Interest expense                   | 20,388,796          | 20,752,521          |
| Benefits paid                      | (8,943,056)         | (3,534,238)         |
| Balance at end of year             | <b>P446,915,632</b> | <b>P521,452,584</b> |

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

|                              | 2021                | 2020                |
|------------------------------|---------------------|---------------------|
| Balance at beginning of year | P184,039,628        | P121,906,972        |
| Contributions                | 61,089,848          | 67,687,961          |
| Interest income              | 8,215,419           | 8,070,960           |
| Remeasurement gain (loss)    | 2,560,584           | (10,092,027)        |
| Benefits paid                | (8,943,056)         | (3,534,238)         |
| Balance at end of year       | <b>P246,962,423</b> | <b>P184,039,628</b> |

The benefits paid for the year ended December 31, 2021 and 2020 are paid out of the Company's retirement plan.

Details of plan assets are as follows:

|                                     | 2021           | 2020           |
|-------------------------------------|----------------|----------------|
| Cash and cash equivalents           | 2.24%          | 21.75%         |
| Equity instruments                  | 15.30%         | 5.33%          |
| Debt instruments - government bonds | 27.52%         | 28.14%         |
| Debt instruments - other bonds      | 12.26%         | 5.13%          |
| Unit investment trust funds         | 18.16%         | 27.50%         |
| Mutual funds                        | 4.25%          | 4.11%          |
| Loans                               | 11.84%         | 11.41%         |
| Others                              | 8.43%          | -3.37%         |
|                                     | <b>100.00%</b> | <b>100.00%</b> |

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

|                             | 2021  | 2020  |
|-----------------------------|-------|-------|
| Discount rate               | 5.25% | 3.91% |
| Annual salary increase rate | 4.00% | 4.00% |

Sensitivity analysis on retirement liabilities is as follows:

|               | Basis Points | Amount        |
|---------------|--------------|---------------|
| Discount rate | +100         | (P54,388,537) |
|               | -100         | 66,180,151    |
| Salary rate   | +100         | 66,354,040    |
|               | -100         | (55,463,895)  |
| Turnover rate | –            | 175,009,979   |

As at December 31, 2021 and 2020, the expected future benefits payments are as follows:

| Year         | 2021                | 2020         |
|--------------|---------------------|--------------|
| 2022         | <b>P69,359,897</b>  | P60,841,479  |
| 2023         | <b>5,602,007</b>    | 12,496,434   |
| 2024         | <b>10,272,324</b>   | 5,159,021    |
| 2025         | <b>14,515,496</b>   | 9,815,856    |
| 2026         | <b>15,143,362</b>   | 14,129,428   |
| 2027 to 2031 | <b>105,315,710</b>  | 97,369,521   |
|              | <b>P220,208,796</b> | P199,811,739 |

## 16. Equity

Details of capital stock as at December 31, 2021 and 2020 are as follows:

|                            | Number of<br>Shares | Amount         |
|----------------------------|---------------------|----------------|
| Authorized - at P1 a share | 5,000,000,000       | P5,000,000,000 |
| Issued and outstanding     | 4,099,724,116       | P4,099,724,116 |

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of P5.05 a share. Net proceeds from the IPO amounted to P6,749.3 million, net of offer expenses of P289.9 million (see Notes 1 and 4). Net additional paid-in capital amounted to P5,373.7 million.

As at December 31, 2021 and 2020, 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 P0.11 per share and a special cash dividend of P0.05 per share, or a total of P0.16 per share equivalent to P656.0 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 P0.12 per share and a special cash dividend of P0.06 per share or a total of P0.18 per share, an amount equivalent to P738.0 million to stockholders on record date of March 20, 2020 and payment date of April 16, 2020.

On February 24 2021, the Company's BOD approved the declaration of regular cash dividend of ₱0.10 per share and a special cash dividend of ₱0.02 per share or a total of ₱0.12 per share, an amount equivalent to ₱492.0 million to stockholders on record date of March 19, 2021 and payment date of April 16, 2021.

## 17. Operating Expenses

Details of this account are as follows:

|                                       | Note | 2021                  | 2020           | 2019           |
|---------------------------------------|------|-----------------------|----------------|----------------|
| Depreciation and amortization         | 10   | <b>₱2,146,944,463</b> | ₱1,820,548,832 | ₱1,133,175,160 |
| Salaries, wages and employee benefits |      | <b>1,369,296,922</b>  | 1,146,448,905  | 1,025,194,474  |
| Outsourced services                   |      | <b>963,813,732</b>    | 860,823,857    | 937,715,238    |
| Trucking services                     |      | <b>586,566,083</b>    | 456,297,193    | 546,354,505    |
| Utilities                             |      | <b>535,291,426</b>    | 419,641,349    | 514,837,851    |
| Taxes and licenses                    |      | <b>298,352,320</b>    | 311,898,040    | 239,927,975    |
| Credit card charges                   |      | <b>209,014,407</b>    | 175,511,886    | 199,916,867    |
| Rent                                  | 11   | <b>147,069,899</b>    | 116,777,063    | 331,775,281    |
| Repairs and maintenance               |      | <b>136,823,558</b>    | 91,955,590     | 95,844,359     |
| Supplies                              |      | <b>111,162,284</b>    | 91,283,115     | 94,899,773     |
| Advertising and promotions            |      | <b>70,685,508</b>     | 48,097,754     | 115,177,281    |
| Postage, telephone and telegraph      |      | <b>37,675,591</b>     | 33,793,393     | 35,185,183     |
| Donations and contributions           |      | <b>20,550,474</b>     | 73,063,471     | 11,676,935     |
| Professional fees                     |      | <b>15,395,075</b>     | 10,825,627     | 9,639,425      |
| Transportation and travel             |      | <b>12,840,557</b>     | 13,161,071     | 27,032,030     |
| Others                                |      | <b>70,088,489</b>     | 67,892,025     | 77,317,233     |
|                                       |      | <b>₱6,731,570,788</b> | ₱5,738,019,171 | ₱5,395,669,570 |

Other expenses include director's fees, fuel and oil, insurance expense, net provision for impairment losses on receivables, loss on direct write-off of receivable and other operating costs.

## 18. Other Income

Details of this account are as follows:

|  | Note | 2021                | 2020         | 2019         |
|--|------|---------------------|--------------|--------------|
| Supplier support and other fees          |      | <b>₱186,791,110</b> | ₱168,436,873 | ₱174,016,826 |
| Delivery fees and other customer charges |      | <b>72,249,769</b>   | 68,046,684   | 106,839,525  |
| Rent                                     | 11   | <b>61,014,780</b>   | 42,777,169   | 30,408,931   |
| Interest                                 | 5    | <b>28,862,925</b>   | 55,135,122   | 151,484,892  |
| Rent concession                          | 11   | <b>1,863,170</b>    | 100,926,407  | –            |
|  |      | <b>₱350,781,754</b> | ₱435,322,255 | ₱462,750,174 |

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

Interest income arises from investment in RTB, short-term investments and cash in banks.



## 19. Income Tax

The current income tax expense represents regular corporate income tax (RCIT).

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

|  | 2021                | 2020         | 2019         |
|--|---------------------|--------------|--------------|
| Income tax expense at statutory rate           | <b>₱856,217,348</b> | ₱615,001,936 | ₱882,774,034 |
| Adjustment due to change in tax rate           | <b>14,387,569</b>   | -            | -            |
| Income tax effects of:                         |                     |              |              |
| Interest income already subjected to final tax | <b>(7,215,731)</b>  | (16,540,537) | (45,445,468) |
| Nondeductible expenses                         | -                   | 2,701,276    | 5,283,933    |
| Offer and other deductible expenses            | -                   | -            | (24,647,390) |
|  | <b>₱863,389,186</b> | ₱601,162,675 | ₱817,965,109 |

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the RCIT rate from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax rate (MCIT) was changed from 2% to 1% of gross income for a period of three years starting July 1, 2020.

The approval of CREATE, however, is considered a non-adjusting event for financial reporting purposes as at and for the year ended December 31, 2020. The income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

The effect of the reduction of income tax rates was recognized in 2021. Details are as follows:

|   | Amount              |
|---|---------------------|
| Current income tax expense in 2021  | ₱911,539,079        |
| Effect of change in income tax rate   | (54,689,965)        |
| Current income tax expense as presented in the statements of comprehensive income | <b>₱856,849,114</b> |

In addition, net deferred tax assets as at December 31, 2021 were reduced by ₱69.0 million as a result of the change in income tax rate.

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

|   | 2021                | 2020         |
|---|---------------------|--------------|
| Deferred tax assets:                              |                     |              |
| Lease liabilities, net of ROU assets              | <b>₱226,375,823</b> | ₱204,729,554 |
| Retirement liability                              | <b>57,339,824</b>   | 109,587,547  |
| Allowance for inventory write-down and losses     | <b>31,575,568</b>   | 29,246,745   |
| Unearned revenue from loyalty program             | <b>24,392,051</b>   | 26,111,563   |
| Allowance for impairment of refundable cash bonds | <b>20,852,483</b>   | 25,022,980   |
| Allowance for impairment losses on receivables    | <b>14,120,488</b>   | 19,382,271   |
| Unrealized foreign exchange loss                  | <b>11,906</b>       | 138,741      |
|   | <b>₱374,668,143</b> | ₱414,219,401 |

Deferred income tax expense (benefit) is recognized as follows:

|                                    | Note | 2021                | 2020         |
|------------------------------------|------|---------------------|--------------|
| Through profit or loss             |      | <b>₱407,925,133</b> | ₱414,465,205 |
| Through other comprehensive income | 15   | <b>(33,256,990)</b> | (245,804)    |
|                                    |      | <b>₱374,668,143</b> | ₱414,219,401 |

## 20. Commitments and Contingencies

### Agreements with Importing Suppliers

Purchases from certain importing suppliers are subject to rebates based on an agreed percentage of sales from goods purchased.

### Contingencies

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

Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements as at December 31, 2021 and 2020.

## 21. Related Party Transactions and Balances

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

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

| Related Party                    | Year        | Revenue from<br>Related Parties | Purchases<br>from Related<br>Parties | Amounts<br>Owed by<br>Related Parties | Amounts Owed to<br>Related Parties |
|----------------------------------|-------------|---------------------------------|--------------------------------------|---------------------------------------|------------------------------------|
| Parent Company                   | <b>2021</b> | <b>₱3,633,102</b>               | <b>₱708,602,166</b>                  | <b>₱225,383,666</b>                   | <b>₱-</b>                          |
|                                  | 2020        | 716,154                         | 752,083,415                          | 226,782,386                           | 413,951                            |
|                                  | 2019        | 586,410                         | 801,765,333                          | 218,990,105                           | 1,721,366                          |
| Entities under Common<br>Control | <b>2021</b> | <b>228,540</b>                  | <b>1,037,144,897</b>                 | <b>192,195,070</b>                    | <b>10,904,283</b>                  |
|                                  | 2020        | 25,945,405                      | 1,337,715,542                        | 168,983,561                           | 135,408,171                        |
|                                  | 2019        | 17,023,715                      | 1,298,103,203                        | 114,456,988                           | 151,805,162                        |
| Stockholders                     | <b>2021</b> | <b>1,064,963</b>                | <b>54,999,457</b>                    | <b>10,181,764</b>                     | <b>33,381</b>                      |
|                                  | 2020        | 1,090,028                       | 30,770,060                           | 10,567,619                            | 108,931                            |
|                                  | 2019        | 530,625                         | 19,528,996                           | 8,786,372                             | 10,031                             |
|                                  | <b>2021</b> | <b>₱4,926,605</b>               | <b>₱1,800,746,520</b>                | <b>₱427,760,500</b>                   | <b>₱10,937,664</b>                 |
|                                  | 2020        | 27,751,587                      | 2,120,569,017                        | 406,333,566                           | 135,931,053                        |
|                                  | 2019        | 18,140,750                      | 2,119,397,532                        | 342,233,465                           | 153,536,559                        |

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱33.5 million and ₱41.4 million as at December 31, 2021 and 2020, respectively (see Note 7) and security deposits and advance rent (included as part of “Other current assets” or “Other noncurrent assets”) aggregating ₱394.3 million and ₱364.9 million as at December 31, 2021 and 2020, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2021, 2020 and 2019.

Amounts owed to related parties consist of trade and other payables aggregating ₱10.9 million and ₱135.9 million as at December 31, 2021 and 2020, respectively (see Note 13).

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

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

Interest expense on lease liabilities to related parties amounted to ₱446.8 million, ₱406.9 million and ₱297.0 million in 2021, 2020 and 2019, respectively, while amortization of ROU assets amounted to ₱1,139.3 million, ₱1,030.0 million and ₱712.2 million in 2021, 2020 and 2019, respectively. Total lease payments, including payments on lease liabilities, amounted to ₱1,401.8 million, ₱1,030.3 million and ₱966.7 million in 2021, 2020 and 2019, respectively.

Rent expense from related parties amounted to ₱71.8 million, ₱71.4 million and ₱245.7 million in 2021, 2020 and 2019, respectively.

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

Purchases of goods and services from related parties aggregated ₱86.3 million, ₱553.8 million and ₱750.7 million in 2021, 2020 and 2019, respectively.

Sale of goods and services to related parties aggregated ₱4.9 million, ₱27.8 million and ₱18.4 million in 2021, 2020 and 2019, respectively.

- c. 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 ₱56.5 million, ₱58.5 million and ₱113.8 million in 2021, 2020 and 2019, respectively.
- d. 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).

Balances are unsecured and are normally settled in cash. Lease payments are due within the first 10 days of the month. Reimbursement of expenses and purchases and sales of goods and services normally have a repayment term of 30 days.

No guarantees have been provided or received for these balances. Impairment review is undertaken each financial year. No impairment loss on amounts owed by related parties was recognized in 2021, 2020 and 2019.

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

|                              | 2021                | 2020         | 2019         |
|------------------------------|---------------------|--------------|--------------|
| Short-term employee benefits | <b>₱203,577,216</b> | ₱126,184,332 | ₱107,854,466 |
| Retirement benefits          | <b>10,236,392</b>   | 6,178,419    | 2,984,865    |
|                              | <b>₱213,813,608</b> | ₱132,362,751 | ₱110,839,331 |

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## 22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

|   | 2021                  | 2020           | 2019           |
|---|-----------------------|----------------|----------------|
| Net income  | <b>₱2,561,480,207</b> | ₱1,448,843,779 | ₱2,124,615,005 |
| Divided by the weighted average<br>number of outstanding shares | <b>4,099,724,116</b>  | 4,099,724,116  | 4,099,724,116  |
|   | <b>₱0.62</b>          | ₱0.35          | ₱0.52          |

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## 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 officers and employees), security, electricity and container deposits, refundable cash bonds, trade and other payables (excluding statutory liabilities 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 when counterparties fail to discharge their contractual obligations. Receivables are monitored on an ongoing basis with the result that the Company's exposure to possible losses is not significant.

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

|                                    | 2021                  | 2020           |
|------------------------------------|-----------------------|----------------|
| Cash in banks and cash equivalents | <b>₱1,533,316,737</b> | ₱1,822,417,468 |
| Short-term investments             | <b>799,469,125</b>    | 2,755,969,767  |
| Trade and other receivables*       | <b>205,468,044</b>    | 348,391,192    |
| Security deposits                  | <b>150,805,498</b>    | 150,319,561    |
| Refundable cash bonds              | <b>83,409,934</b>     | 83,409,934     |
| Electricity deposits               | <b>62,302,471</b>     | 55,904,507     |
| Container deposits                 | <b>13,782,800</b>     | 8,010,715      |
|                                    | <b>₱2,848,554,609</b> | ₱5,224,423,144 |

\*Excluding advances to officers and employees amounting to ₱17.3 million and ₱31.3 million as at December 31, 2021 and 2020, respectively.

The Company does not have major concentration of credit risk.

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

|                                    | 2021                                |                           |   |                          | Total                 |
|------------------------------------|-------------------------------------|---------------------------|---|--------------------------|-----------------------|
|                                    | Neither Past<br>Due Nor<br>Impaired | Past Due but not Impaired |   |                          |                       |
|                                    |                                     | Less than<br>One Year     | One Year to<br>Less Than<br>Three Years | More Than<br>Three Years |                       |
| Cash in banks and cash equivalents | ₱1,533,316,737                      | ₱-                        | ₱-                                      | ₱-                       | ₱1,533,316,737        |
| Short-term investments             | 799,469,125                         | -                         | -                                       | -                        | 799,469,125           |
| Trade and other receivables*       | 45,986,991                          | 65,869,364                | 48,531,289                              | 45,080,400               | 205,468,044           |
| Security deposits                  | 150,805,498                         | -                         | -                                       | -                        | 150,805,498           |
| Refundable cash bonds              | -                                   | -                         | -                                       | 83,409,934               | 83,409,934            |
| Electricity deposits               | 62,302,471                          | -                         | -                                       | -                        | 62,302,471            |
| Container deposits                 | 13,782,800                          | -                         | -                                       | -                        | 13,782,800            |
|                                    | <b>₱2,605,663,622</b>               | <b>₱65,869,364</b>        | <b>₱48,531,289</b>                      | <b>₱128,490,334</b>      | <b>₱2,848,554,609</b> |

\*Excluding advances to officers and employees aggregating ₱17.3 million.

|                                    | 2020                                |                           |   |                          | Total                 |
|------------------------------------|-------------------------------------|---------------------------|---|--------------------------|-----------------------|
|                                    | Neither Past<br>Due Nor<br>Impaired | Past Due but not Impaired |   |                          |                       |
|                                    |                                     | Less than<br>One Year     | One Year to<br>Less Than<br>Three Years | More Than<br>Three Years |                       |
| Cash in banks and cash equivalents | ₱1,822,417,468                      | ₱-                        | ₱-                                      | ₱-                       | ₱1,822,417,468        |
| Short-term investments             | 2,755,969,767                       | -                         | -                                       | -                        | 2,755,969,767         |
| Trade and other receivables*       | 105,771,212                         | 134,525,206               | 71,151,883                              | 36,942,891               | 348,391,192           |
| Security deposits                  | 150,319,561                         | -                         | -                                       | -                        | 150,319,561           |
| Refundable cash bonds              | -                                   | -                         | -                                       | 83,409,934               | 83,409,934            |
| Electricity deposits               | 55,904,507                          | -                         | -                                       | -                        | 55,904,507            |
| Container deposits                 | 8,010,715                           | -                         | -                                       | -                        | 8,010,715             |
|                                    | <b>₱4,898,393,230</b>               | <b>₱134,525,206</b>       | <b>₱71,151,883</b>                      | <b>₱120,352,825</b>      | <b>₱5,224,423,144</b> |

\*Excluding advances to officers and employees aggregating ₱31.3 million.

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

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

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

|                           | 2021      |                     |                                    |   | Total           |
|---------------------------|-----------|---------------------|------------------------------------|---|-----------------|
|                           | On Demand | Within Three Months | More than Three Months to One Year | More than One Year but Less than Five Years |                 |
| Trade and other payables* | ₱-        | ₱5,792,560,380      | ₱1,214,603,895                     | ₱60,787,195                                 | ₱7,067,951,470  |
| Lease liabilities         | -         | 378,277,191         | 723,421,768                        | 3,006,555,533                               | 4,108,254,492   |
|                           | ₱-        | ₱6,170,837,571      | ₱1,938,025,663                     | ₱3,067,342,728                              | ₱11,176,205,962 |

\*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating ₱203.4 million.

|                           | 2020      |                     |                                    |   | Total          |
|---------------------------|-----------|---------------------|------------------------------------|---|----------------|
|                           | On Demand | Within Three Months | More than Three Months to One Year | More than One Year but Less than Five Years |                |
| Trade and other payables* | ₱-        | ₱4,928,173,976      | ₱449,530,494                       | ₱52,840,637                                 | ₱5,430,545,107 |
| Lease liabilities         | -         | 341,006,330         | 1,011,192,937                      | 2,817,510,039                               | 4,169,709,306  |
| Short-term debt           | -         | -                   | 20,000                             | -   | 20,000         |
|                           | ₱-        | ₱5,269,180,306      | ₱1,460,743,431                     | ₱2,870,350,676                              | ₱9,600,274,413 |

\*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating ₱147.7 million

As at December 31, 2021 and 2020, the Company's cash and cash equivalents and net operating cash flows that will be generated are sufficient to cover payments due on its financial liabilities and the cost of all firm orders due in the next financial year.

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

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

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

|                        | 2021  |                          | 2020  |                          |
|------------------------|-------|--------------------------|-------|--------------------------|
|                        | +/-%  | Effect on Profit or Loss | +/-%  | Effect on Profit or Loss |
| Short-term investments | 0.36% | (₱40,470)                | 0.27% | (₱107,441)               |
| Cash equivalents       | 0.36% | 26,334                   | 0.26% | 52,817                   |

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

### **Capital Management**

The Company monitors its debt-to-equity ratio.

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

The debt-to-equity ratio is as follows:

|                      | 2021                   | 2020            |
|----------------------|------------------------|-----------------|
| Total debt           | <b>₱14,858,872,616</b> | ₱12,907,922,674 |
| Total equity         | <b>17,478,404,045</b>  | 15,309,693,304  |
| Debt-to-equity ratio | <b>0.85:1</b>          | 0.84:1          |

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

## **24. Fair Value of Financial Instruments**

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

|                              | 2021                   |                        | 2020            |                 |
|------------------------------|------------------------|------------------------|-----------------|-----------------|
|                              | Carrying Amount        | Fair Value             | Carrying Amount | Fair Value      |
| <b>Financial Assets</b>      |                        |                        |                 |                 |
| Cash and cash equivalents    | <b>₱1,542,790,565</b>  | <b>₱1,542,790,565</b>  | ₱1,854,893,411  | ₱1,854,893,411  |
| Short-term investments       | <b>799,469,125</b>     | <b>799,469,125</b>     | 2,755,969,767   | 2,755,969,767   |
| Trade and other receivables* | <b>148,986,094</b>     | <b>148,986,094</b>     | 283,783,622     | 283,783,622     |
| Security deposits            | <b>150,805,498</b>     | <b>114,728,222</b>     | 150,319,561     | 120,531,869     |
| Electricity deposits         | <b>62,302,471</b>      | <b>62,302,471</b>      | 55,904,507      | 55,904,507      |
| Container deposits           | <b>13,782,800</b>      | <b>13,782,800</b>      | 8,010,715       | 8,010,715       |
|                              | <b>₱2,718,136,553</b>  | <b>₱2,682,059,277</b>  | ₱5,108,881,583  | ₱5,079,093,891  |
| <b>Financial Liabilities</b> |                        |                        |                 |                 |
| Trade and other payables**   | <b>₱7,067,771,269</b>  | <b>₱7,067,771,269</b>  | ₱5,430,545,104  | ₱5,430,545,104  |
| Lease liabilities            | <b>7,180,988,167</b>   | <b>8,798,595,141</b>   | 6,786,892,546   | 7,553,707,973   |
| Long-term debt               | -                      | -                      | 20,000          | 20,000          |
|                              | <b>₱14,248,759,436</b> | <b>₱15,866,366,410</b> | ₱12,217,457,650 | ₱12,984,273,077 |

\*Excluding advances to officers and employees aggregating ₱17.3 million and ₱31.3 million as at December 31, 2021 and 2020, respectively.

\*\*Excluding statutory liabilities, unredeemed gift certificates and unearned revenue aggregating ₱203.4 million and ₱147.7 million as at December 31, 2021 and, 2020, respectively.

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

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

*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 2021 and 2020, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.





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

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

We have audited the accompanying financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, on which we have rendered our report dated February 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 21 stockholder owning more than 100 shares as at December 31, 2021 and 2020.

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8851707

Issued January 3, 2022, Makati City

February 23, 2022

Makati City, Metro Manila



## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards in Auditing, the financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT and WILCON HOME ESSENTIALS (the Company) as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020 and 2019, and have issued our report thereon dated February 23, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission (SEC) are the responsibility of the Company's management.

These supplementary schedules include the following:

- Schedule of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2021
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2021 and 2020
- Schedules Required under Annex 68-J of Securities Regulation Code (SRC) Rule 68, as amended, as at and for the year ended December 31, 2021
- Corporate Structure as at December 31, 2021

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for the years ended December 31, 2021, 2020, and 2019 and no material exceptions were noted.



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

**REYES TACANDONG & Co.**

HAYDEE M. REYES

Partner

CPA Certificate No. 83522

Tax Identification No. 102-095-265-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 83522-SEC Group A

Issued March 10, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-006-2019

Valid until October 20, 2022

PTR No. 8851707

Issued January 3, 2022, Makati City

February 23, 2022

Makati City, Metro Manila

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

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

|   |                |
|---|----------------|
| Retained earnings at beginning of year as shown in the financial statements | ₱5,835,657,219 |
| Net income during the year closed to retained earnings                      | 2,561,480,207  |
| Dividends declared during the year  | (491,966,894)  |
| Net deferred tax assets as at December 31, 2021                             | (374,668,143)  |

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|  |                       |
|--|-----------------------|
| Retained earnings as at end of year available for dividend declaration | <u>₱7,530,502,389</u> |
|--|-----------------------|

**Reconciliation**

|   |                |
|---|----------------|
| Retained earnings at end of year as shown in the financial statements | ₱7,905,170,532 |
| Net deferred tax assets as at December 31, 2021                       | (374,668,143)  |

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|  |                       |
|--|-----------------------|
| Retained earnings as at end of year available for dividend declaration | <u>₱7,530,502,389</u> |
|--|-----------------------|

**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)**

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**Schedules Required under Annex 68-J of Revised Securities Regulation Code Rule 68**  
**As at and For the Year Ended December 31, 2021**

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

N/A - Not applicable

**SCHEDULE A**

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

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

**FINANCIAL ASSETS**

**DECEMBER 31, 2021**

*Amounts in Thousands*

| Description                                  | Number of Shares<br>or Principal<br>Amount of Bonds | Amount Shown in<br>the Statement of<br>Financial Position | Income Received<br>and Accrued |
|--|---|---|--------------------------------|
| <b>Cash in Banks</b>                         |   |   |                                |
| Banco de Oro (BDO)                           | –   | ₱266,325  | ₱279                           |
| Philippine National Bank (PNB)               | –   | 240,887   | 140                            |
| Metropolitan Bank and Trust Companies (MBTC) | –   | 206,968   | 173                            |
| Bank of the Philippine Island (BPI)          | –   | 190,795   | 112                            |
| China Bank Savings, inc. (CBS)               | –   | 76,886  | 122                            |
| China Banking Corporation (CBC)              | –   | 45,998  | 67                             |
| Asia United Bank (AUB)                       | –   | 24,961  | 24                             |
| Rizal Commercial Banking Corporation (RCBC)  | –   | 19,139  | 57                             |
| Eastwest Banking Corporation (EBC)           | –   | 3,509   | 2                              |
| Robinsons Bank (RB)                          | –   | 1,410   | –                              |
| Landbank of the Philippines (LBP)            | –   | 27  | –                              |
|  |   | 1,076,905   | 976                            |
| <b>Cash Equivalents</b>                      |   |   |                                |
| Philippine National Bank (PNB)               | –   | 456,412   | 1,032                          |
| China Banking Corporation (CBC)              | –   | –   | 1,334                          |
| Metrobank Card Corporation (MCC)             | –   | –   | 35                             |
| First Metro Investment Corporation (FMIC)    | –   | –   | 1,254                          |
| China Bank Savings, inc. (CBS)               | –   | –   | 14                             |
|  |   | 456,412   | 3,669                          |
| <b>Short-term Investments</b>                |   |   |                                |
| First Metro Investment Corporation (FMIC)    | –   | 799,469   | 8,736                          |
| China Banking Corporation (CBC)              | –   | –   | 12,940                         |
| Philippine National Bank (PNB)               | –   | –   | 2,542                          |
|  |   | 799,469   | 24,218                         |
| <b>Trade and Other Receivables*</b>          |   |   |                                |
| Trade  | –   | 85,625  | –                              |
| Rent   | –   | 8,600   | –                              |
| Others                                       | –   | 54,761  | –                              |
|  |   | 148,986   | –                              |
| <b>Other financial assets**</b>              |   |   |                                |
|  | –   | 226,891   | –                              |
|  |   | ₱2,708,663  | ₱28,863                        |

\*Balances are net of aggregate allowance for expected credit losses amounting to ₱56.5 million.

\*\*Other financial assets pertain to container, security and electricity deposits.

**SCHEDULE B**

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

**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES  
 AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

**DECEMBER 31, 2021**

*Amounts in Thousands*

| Name and Designation of Debtor     | Balance at<br>Beginning of Year | Additions | Amounts<br>Collected | Amounts<br>Written Off | Current | Non-current | Balance at<br>End of Year |
|------------------------------------|---------------------------------|-----------|----------------------|------------------------|---------|-------------|---------------------------|
| Advances to officers and employees | ₱31,329                         | ₱104,356  | (₱118,345)           | ₱-                     | ₱17,340 | ₱-          | ₱17,340                   |

**SCHEDULE D**

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

**LONG-TERM DEBT**  
**DECEMBER 31, 2021**  
*Amounts in Thousands*

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount shown under caption<br>"Current portion of Long-term<br>debt" in related Statement<br>of Financial Position | Amount shown under Caption of<br>"Short-term debt - net of current<br>portion" in related Statement of<br>Financial Position |
|---------------------------------------|--------------------------------|--|--|
| Secured promissory notes:             |                                |  |  |
| Banco de Oro Unibank, Inc.            | P210,000                       | P-   | P-   |
| Banco de Oro Unibank, Inc.            | 170,000                        | -  | -  |
|                                       | <b>P380,000</b>                | <b>P-</b>  | <b>P-</b>  |



**SCHEDULE G**

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

**CAPITAL STOCK**  
**DECEMBER 31, 2021**

| Title of Issue                  | Number of Shares Authorized | Number of Shares Issued and  |               | Number of Shares Reserved for Options, Warrants, Conversion, and other Rights | Number of Shares held by Related Parties | Number of Shares held by Directors and Officers | Number of Shares held by Others |
|---------------------------------|-----------------------------|--|---------------|---|--|---|---------------------------------|
|                                 |                             | Outstanding as shown under related Statement of Financial Position | under related |   |  |   |                                 |
| Common shares - at P1 par value | 5,000,000,000               | 4,099,724,116  | -             | -   | 2,680,317,916                            | 27,164,200                                      | 1,392,242,000                   |

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

---

**CORPORATE STRUCTURE**  
**AS AT DECEMBER 31, 2021**

**LIAM ROS HOLDINGS INC.**

59%

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

65%

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

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

**SUPPLEMENTARY SCHEDULE OF APPLICATION OF**  
**PROCEEDS FROM INITIAL PUBLIC OFFERING**  
**AS AT DECEMBER 31, 2021**

|                            | Allocation based<br>on Prospectus | Allocation based on<br>Actual Net Proceeds | Actual<br>Disbursements |
|----------------------------|-----------------------------------|--|-------------------------|
| <b>Gross Proceeds</b>      | <b>₱7,039,226,310</b>             | <b>₱7,039,226,310</b>                      | <b>₱7,039,226,310</b>   |
| <b>Offer expenses</b>      | (289,132,001)                     | (289,897,803)                              | (289,897,803)           |
| <b>Net Proceeds</b>        | <b>6,750,094,309</b>              | <b>6,749,328,507</b>                       | <b>6,749,328,507</b>    |
| <b>Use of the Proceeds</b> |                                   |  |                         |
| 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)                            | (6,121,228,507)         |
|                            | <b>(6,750,094,309)</b>            | <b>(6,749,328,507)</b>                     | <b>(6,749,328,507)</b>  |
| <b>Unapplied Proceeds</b>  | <b>₱-</b>                         | <b>₱-</b>                                  | <b>₱-</b>               |

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

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

**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020**

|                            | Formula                                 |                       | 2021            | 2020     |
|----------------------------|---|-----------------------|-----------------|----------|
| <b>Liquidity ratio</b>     |   |                       |                 |          |
| Current ratio              | Total Current Assets                    | ₱17,188,626,536       | <b>1.94 : 1</b> | 1.89 : 1 |
|                            | Divide by: Total Current Liabilities    | <u>8,879,541,956</u>  |                 |          |
|                            | Current ratio                           | <u>1.94</u>           |                 |          |
| Acid test ratio            | Total Current Assets                    | ₱17,188,626,536       | <b>0.50 : 1</b> | 0.66 : 1 |
|                            | Merchandise Inventories                 | 11,875,962,618        |                 |          |
|                            | Other Current Assets                    | <u>912,987,760</u>    |                 |          |
|                            | Quick Assets                            | 4,399,676,158         |                 |          |
|                            | Divide by: Total Current Liabilities    | <u>8,879,541,956</u>  |                 |          |
|                            | Acid test ratio                         | <u>0.50</u>           |                 |          |
| <b>Solvency ratio</b>      |   |                       |                 |          |
| Debt to equity ratio       | Total Liabilities                       | ₱14,858,872,616       | <b>0.85 : 1</b> | 0.84 : 1 |
|                            | Divide by: Total Equity                 | <u>17,478,404,045</u> |                 |          |
|                            | Debt to equity ratio                    | <u>0.85</u>           |                 |          |
| Asset to equity ratio      | Total Assets                            | ₱32,337,276,661       | <b>1.85</b>     | 1.84     |
|                            | Divided by: Total Equity                | <u>17,478,404,045</u> |                 |          |
|                            | Debt to equity ratio                    | <u>1.85</u>           |                 |          |
| <b>Profitability ratio</b> |   |                       |                 |          |
| Return on assets           | Net Income                              | ₱2,561,480,207        | <b>7.92%</b>    | 5.13%    |
|                            | Divided by: Total Assets                | <u>32,337,276,661</u> |                 |          |
|                            | Return on assets                        | <u>7.92%</u>          |                 |          |
| Return on equity           | Net Income                              | ₱2,561,480,207        | <b>14.66%</b>   | 9.46%    |
|                            | Divide by: Total Equity                 | <u>17,478,404,045</u> |                 |          |
|                            | Return on equity                        | <u>14.66%</u>         |                 |          |
| Book value per share       | Total Equity                            | ₱17,478,404,045       | <b>₱4.26</b>    | ₱3.73    |
|                            | Divide by: Number of outstanding shares | <u>4,099,724,116</u>  |                 |          |
|                            |   | <u>₱4.26</u>          |                 |          |

|                   | <b>Formula</b>   |                       | <b>2021</b>   | 2020   |
|-------------------|--|-----------------------|---------------|--------|
| Gross income      | Gross income   | ₱10,275,730,325       | <b>37.35%</b> | 34.39% |
|                   | Divide by: Net Sales   | <u>27,513,328,310</u> |               |        |
|                   |  | <u>37.35%</u>         |               |        |
| EBITDA margin     | Income before Income Tax   | ₱3,424,869,393        | <b>21.85%</b> | 18.76% |
|                   | Add: Depreciation and Amortization                               | 2,146,944,463         |               |        |
|                   | Net Interest Expense   | <u>441,208,973</u>    |               |        |
|                   | Earnings Before Interest, Tax,<br>Depreciation, and Amortization | 6,013,022,829         |               |        |
|                   | Divided by: Net Sales  | <u>27,513,328,310</u> |               |        |
|                   | EBITDA margin  | <u>21.85%</u>         |               |        |
| Net income margin | Net Income   | ₱2,561,480,207        | <b>9.31%</b>  | 6.40%  |
|                   | Divide by: Net Sales   | <u>27,513,328,310</u> |               |        |
|                   | Net income margin  | <u>9.31%</u>          |               |        |

# **ANNEX C**

**CERTIFICATION**

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

- 1. I am the duly elected Corporate Secretary of WILCON DEPOT, INC., ("Corporation") a corporation duly organized and existing under Philippine law with principal office address at 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City for the year 2021 and until the election and qualification of my successor.
- 2. All incumbent directors and officers of the Corporation are not connected with any government agency or instrumentality.
- 3. I executed this Certification to comply with the requirements of the Securities and Exchange Commission.

MAY 11 2022

Done this \_\_\_\_ day of \_\_\_\_\_ at \_\_\_\_\_.

ATTY. ARTHUR R. PONSARAN  
Affiant

MAY 11 2022

SUBSCRIBED AND SWORN TO before me, this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ at QUEZON CITY, Affiant exhibited to me his Passport No. P7038917A, issued by DFA NCR South on 04 May 2018 valid until 03 May 2028.

Doc. No. 108 ;  
Page No. 25 ;  
Book No. XVI ;  
Series of 2022.

Atty. RIZAL JOSE F. VALMORES  
 NOTARY PUBLIC  
 UNTIL DECEMBER 31, 2022  
 ADM. MATTER NO. NP-099  
 PTR NO. 2180630 / 01-3-22 / Q.C.  
 IBP NO. 174175 / 01-03-22 / Q.C.  
 ROLL NO. 28435  
 MCLE NO. VI-0022267  
 Add.: Room 201 Margarita Bldg. No. 28  
 Matalino St. cor. Masikap Ext., Central Dist., Q.C.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

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

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

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

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

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

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

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

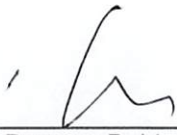
6. To the best of my knowledge, I am neither an officer nor an employee of any government agency or government owned and controlled corporation.
7. I shall faithfully and diligently comply with my duties and responsibilities an independent director under the Securities Regulation Code and its implementing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



MAY 11 2022

QUEZON CITY

Done this \_\_\_\_\_ in \_\_\_\_\_.



Bertram B. Lim

MAY 11 2022

QUEZON CITY

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ in \_\_\_\_\_  
affiant exhibiting to me his competent evidence of identity as follows:

Passport No. P9069696B issued on 24 February 2022 at DFA Manila valid until 23 February 2032.

Doc. No. 106;  
Page No. 15;  
Book No. XVI;  
Series of 2022

Atty. RIZAL JOSE VALMORA

NOTARY PUBLIC

UNTIL DECEMBER 31, 2022

ADM. MATTER NO. MP-049

PTR NO. 2180630 / 01-3-22 / Q.C.

IBF NO. 174175 / 01-03-22 / Q.C.

ROLL NO. 28435

MCLE NO. VI-0022267

Add. Room 201 Margarita Bldg. No. 28

Matambo St. cor. Masikap Ext., Central Dist., Q.C.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

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

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

| Company/Organization                      | Position/Relationship | Period of Service |
|---|-----------------------|-------------------|
| Financial Executives Institute (FINEX)    | Member                | 1987 – Present    |
| Management Association of the Phil (MAP)  | Member                | 1990 – Present    |
| Valle Verde Country Club (VVCC)           | Member                | 1995 – Present    |
| Rekom Manila Corp.                        | Chairman/Director     | 2010 – Present    |
| OWN (Rural) Bank                          | Director              | 2016 - Present    |
| Phil. Galvanizers and Coaters Association | Executive Advisor     | 2010 – Present    |

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

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

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

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

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

**MAY 11 2022**

Done this \_\_\_\_\_ in QUEZON CITY.

  
\_\_\_\_\_  
Rolando S. Narciso

**MAY 11 2022**

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ in  
\_\_\_\_\_ affiant exhibiting to me his competent evidence of identity as follows:  
Passport No. P7518036A issued on 11 June 2018 at DFA NCR Central valid until 10 June 2028.

Doc. No. 69;  
Page No. 15;  
Book No. XVI;  
Series of 2022

**Atty. RIZAL JOSE F. VALMORES**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2022  
ADM. MATTER NO. NF-099  
PTR NO. 2180630 / 01-3-22 / Q.C.  
IBF NO. 174175 / 01-03-22 / Q.C.  
ROLL NO. 28235  
MCLE NO. VM-0022267  
Add.: Room 201 Magenta Bldg. No. 28  
Matalino St. cor. Masikap Ext., Central Dist., Q.C.

**CERTIFICATION OF INDEPENDENT DIRECTOR**

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

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

| Company/Organization                         | Position/Relationship                    | Period of Service |
|--|--|-------------------|
| One Incentive Systems Advocates (1ISA) Group | Founder, Principal, and current Chairman | 1998 - Present    |
| Warren and Nolasco Realty Corp.              | Founder, Principal, and current Chairman | 1991 - Present    |
| Procuratio, Inc. (Bugsy's Bar and Bistro)    | Major Principal and current Chairman     | 2014 – Present    |
| Bancom II Consultants, Inc.                  | Director                                 | 2015 - Present    |

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

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

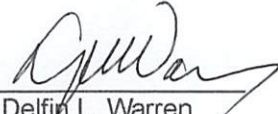
5. To the best of my knowledge, I am not the subject to any pending criminal or administrative investigation or proceeding.

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

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

MAY 11 2022

Done this \_\_\_\_\_ in QUEZON CITY.

  
Delfin L. Warren

MAY 11 2022

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ in QUEZON CITY affiant exhibiting to me his competent evidence of identity as follows: Passport No. P914777OA issued on 16 October 2018 at DFA NCR Central valid until 15 October 2028.

Doc. No. 70 ;  
Page No. 15 ;  
Book No. XVI ;  
Series of 2022

**Atty. RIZAL JOSE F. VALMORES**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2022  
ADM. MATTER NO. ND 199  
PTR NO. 2180630 / 01-3-22 / Q.C.  
IBP NO. 174175 / 01-03-22 / Q.C.  
ROLL NO. 28435  
MCLE NO. VI-0022267  
Add.: Room 201 Margate Bldg. No. 28  
Matalino St. cor. Masikap Ext., Central Dist., Q.C.)

# **ANNEX D**

**BUILDING BIG IDEAS**

# *Better*

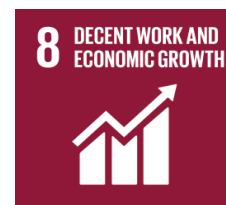


**WILCON**

**2021 SUSTAINABILITY REPORT**

Sustainability is built into the business of Wilcon. We have been in the industry for 44 years, growing from a humble 60-square-meter shop into the Philippines’ leading home improvement and construction supplies retailer. We achieved this because we understand that a sustainable and comfortable life is the dream of every Filipino family, and we made it our mission to support this aspiration.

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



## Company Information

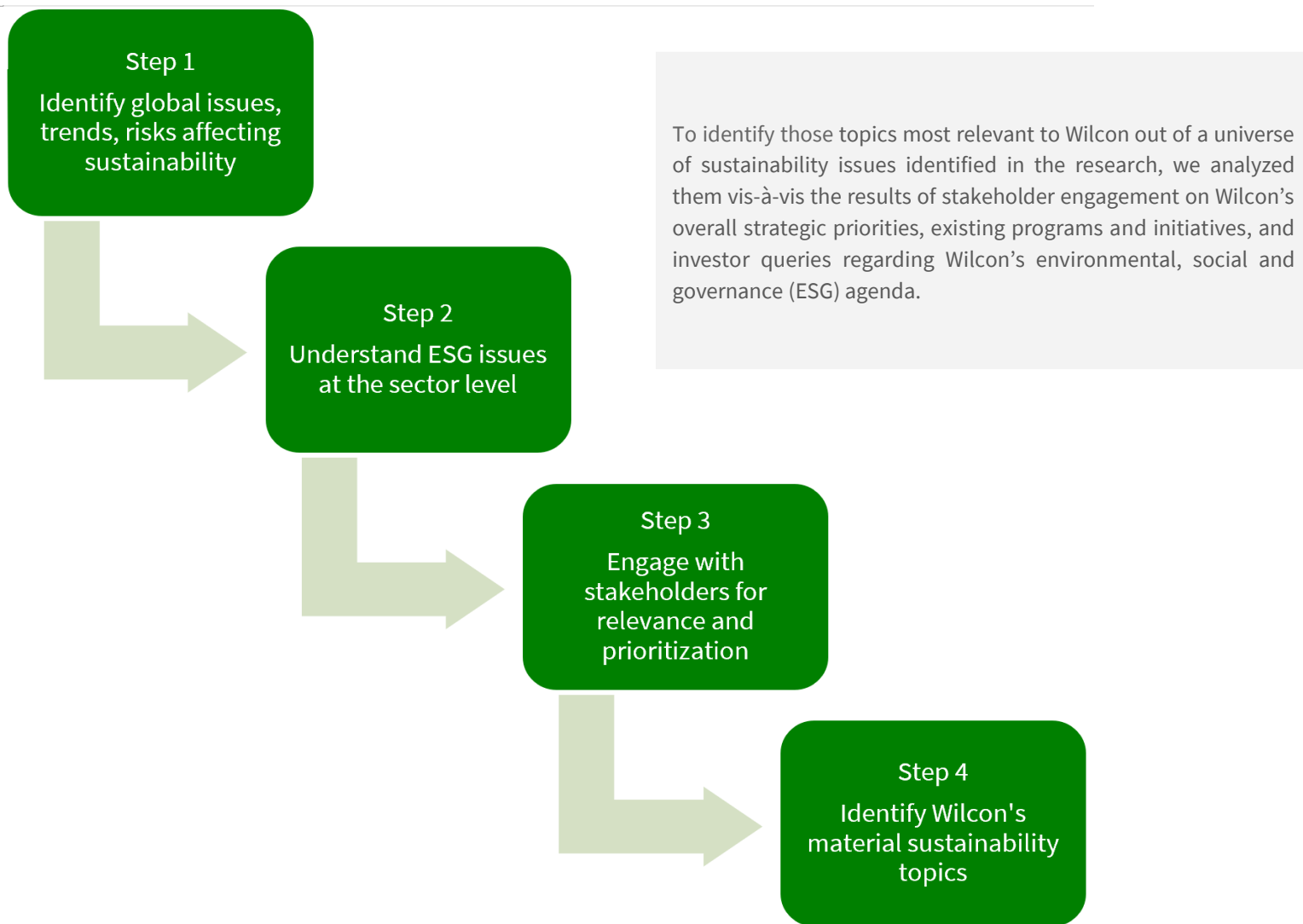
### Company details

|   |  |
|---|--|
| Name of Organization                                    | Wilcon Depot, Inc. (PSE: WLCON)  |
| Location of Headquarters                                | No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City   |
| Location of Operations                                  | See list of locations in Appendix A  |
| Report Boundary: Legal entities included in this report | Wilcon Depot, Inc.   |
| Business Model  | 2 retail formats – the depot store format and the home essentials store format, which are known under the trade names "Wilcon Depot" and "Wilcon Home Essentials", respectively. |
| Reporting Period  | 31 December 2021   |
| Highest Ranking Person for this report                  | Lorraine Belo-Cincochan, President - CEO   |



# UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS

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




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

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

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

# OUR MATERIAL ESG TOPICS AND MANAGEMENT ACTIONS

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



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

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

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

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

- Include other stakeholder groups using existing touch points (e.g., customer management system) and separate engagements for a 360-degree view of our impacts, risks, and opportunities in time for the next report in 2022;
- Establish a regular materiality review every 2 to 3 years under the governance of senior management; and
- Develop internal capacity to apply learnings from the materiality assessment in areas of our business and begin to measure our performance on these material topics.

# OUR MATERIAL ESG AND KEY FINDINGS

## MATERIAL ESG TOPICS



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

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

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



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

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

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



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

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

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



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

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

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



# OUR MATERIAL ESG AND KEY FINDINGS

## MATERIAL ESG TOPICS



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

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

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



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

- Accelerated price increase of new technology that will improve waste management efficiency that will be prohibitive to use by businesses

- Foster product innovation using waste as possible raw material

- Human resource skills available at reasonable cost to implement



# OUR MATERIAL ESG AND KEY FINDINGS

## MATERIAL ESG TOPICS



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

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

-Become the preferred employer for the incoming generation of workforce



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

-Reputational damage from threats to customer wellness and safety

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



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

- Reputational damage from data breaches and system failures
- Lags and operational delays from data breaches and system failures

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

-Requires less energy to operate and generates less waste

-Addresses possible shortfall in capable manpower



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

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

-Address unmet needs through sustainable products and services

-Enter new customer segments



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

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

-Establish a governance structure and management approach towards sustainability

-Ability to better respond to investor queries

## Economic Performance

Direct economic value generated and distributed (in Php)

|  | 2020           | 2021           |
|--|----------------|----------------|
| Direct economic value generated (Revenue)                                  | 23,064,205,443 | 27,864,110,064 |
| Direct economic value distributed  |                |                |
| A. Operating costs   | 5,738,019,170  | 6,731,570,788  |
| B. Employee wages and benefits   | 1,146,448,905  | 1,369,296,922  |
| C. Payments to suppliers, other operating costs                            | 21,364,314,920 | 27,202,407,825 |
| D. Dividends given to stockholders and interest payments to loan providers | 737,951,204    | 491,967,335    |
| E. Taxes given to government   | 1,665,084,290  | 1,616,050,200  |
| F. Investments to community  | 73,063,471     | 20,550,473     |

## Becoming the Preferred Partner: Our Management Approach

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

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

**No. 1**

Home improvement/  
construction retail space

**73**

Stores nationwide

**627**

Suppliers

**835,424**

Members of Wilcon's loyalty & rewards program

### The Preferred Partner of Stakeholders

Wilcon's thrust of differentiating our business, our product offerings and services through excellence, trustworthiness and reliability to realize our vision to become the preferred company in the industry for all of our key stakeholders has sustained and seen us through these past two challenging years of operating amid the COVID-19 pandemic.

In the second year of the pandemic, amid global supply chain challenges, we were again able to adapt and serve our customers as we have consistently maintained fair and mutually supportive relationships with our various suppliers.

Our core values shone through our response to this pandemic, hence we were able to likewise quickly adapt our operations to conform to the changed consumer behavior and constant shift in health protocols and restrictions. Our large, well-designed retail spaces and customer-centric business practices made us the home improvement store of choice by consumers.

### Maintaining Sustainable Suppliers

Our long-standing, mutual-growth enabling relationship with our various suppliers has allowed us to continue to carry the same breadth and variety of product offerings. We were able to continue supporting suppliers with sustainable products in their offerings. We have dedicated store shelves for green products and regularly train our salespeople to help our customers select home improvement and construction supply solutions that deliver environment-friendly benefits, which has become a customer priority.

We have initiated our planning process for our Five-Year Sustainability Plan in the fourth quarter of 2021. We look forward to enhancing our collaboration with sustainable suppliers to grow our sustainable product offerings.

## Unwavering Commitment to Responsible Business

Our success in delivering acceptable financial results given the circumstances was partly a result of our steadfast commitment to responsible and ethical business practices. Corporate governance protects shareholder value and promotes transparency and accountability at the highest level of our business. They also protect our leadership position in the sector.

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

On February 19, 2021, the Company was given recognition by the Institute of Corporate Directors as one of the standout performers in the 2019 ASEAN Corporate Governance Scorecard (ACGS) Assessment.

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



# ENVIRONMENT DATA

| Environment Performance                                    |                       |                       |
|--|-----------------------|-----------------------|
| Energy consumption within the organization (in kWh)        |                       |                       |
|  | 2020                  | 2021                  |
| Energy consumption (renewable sources)                     | 4,619,099             | 10,173,138            |
| Energy consumption (electricity)                           | 47,251,479            | 62,517,150            |
| Energy reduction of energy consumption (in kWh)            |                       |                       |
| Energy reduction (renewable sources)                       | 4,619,099             | 10,173,138            |
| Energy reduction (electricity)                             | 47,251,479            | 62,517,150            |
| Air emission disclosures (in Tonnes CO <sub>2</sub> e)     |                       |                       |
| Scope 1 GHG emissions                                      | 786*                  | 928                   |
| Scope 2 GHG emissions                                      | 33,653*               | 44,543                |
| Total GHG emission   | 34,439*               | 45,471                |
| Water consumption within the organization (in CBM)         |                       |                       |
| Water withdrawal   | 294,586               | 268,926               |
| Water consumption  | 294,586               | 268,926               |
| Water recycled and reused                                  | 0.00                  | 0.00                  |
| Solid and hazardous waste generated (in kg)                |                       |                       |
| Recyclable (papers & scraps)                               | 83,175                | 377,722               |
| Landfilled   | Not collected in 2020 | Not collected in 2021 |
| Hazardous waste generated                                  | 262,093               | 15,546                |
| Hazardous waste transported                                | Not collected in 2020 | Not collected in 2021 |
| Environmental compliance                                   |                       |                       |
| Monetary fines for non-compliance (Php)                    | 245,000**             | 153,990**             |
| No. of monetary sanctions for non-compliance               | 0                     | 0                     |
| No. of cases resolved through dispute resolution mechanism | 0                     | 0                     |

## Did you know?

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

45,471

GHG Emission

Shift towards renewables: solar energy

Target: almost half of energy mix to come from solar

## Environmental Performance: Building on Small Wins

While the Covid-19 disease raged on and worsened in 2021, scientists and governments were better equipped to deal with the disease, hence, quarantine measures were not as severe as it were at the onset of the pandemic. Wilcon was allowed to operate through all the mobility restriction levels.

We pursued our expansion plans and our branches that were shuttered for two months in 2020 were able to recover. This business recovery resulted in increased electricity consumption but the Company was able to resume the roll out of solar power to qualified branches. This resulted in a corresponding increase in energy consumption from renewable sources, which is equivalent to a reduction in electricity consumption.

We still have our focus set on the use of renewable energy and battery technology in our branches nationwide. Partnerships with sustainable suppliers and market shaping are also critical steps to take so that we expand the reach of our impacts beyond the branches and enable more sustainable living for our customers. We have commenced in 2021 the planning of more focused programs aligned with the strategies we have laid out to achieve the targets we have set to achieve in five years.

As we committed to develop and implement a more deliberate environment agenda. We continue to look forward to improving efficiencies in our operations for productivity and cost savings, taking advantage of opportunities in innovations in packaging and resource use, while addressing actual and potential negative impacts of our operations on our immediate environments and the planet.

\*corrected  
\*\*late submission of supporting documents



## Shaping the Market Towards Green Solutions

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

Water-saving fixtures: low flow, dual flush

Energy-efficient lighting: lower consumption, more light, longer life

Clean-air paint products: less polluting, no unpleasant smell

Circular economy: wood from renewable forests, recycled materials

As the pandemic has persisted in 2021, we have not resumed in full the support that we grant to different entities and organizations that promote the innovation of sustainable products and green spaces. We look forward to resume in full our journey and increase our engagement with our partner organizations.

## Waste Reduced

We generated substantially higher recyclable materials in 2021 with the continued operation of our stores and the increase in the volume of business. We continued to partner with local government units for the sorting of any solid waste materials we generated. Programs such as the take-back program with several suppliers so that they can recycle or repurpose inventory that do not meet our quality standards or get inadvertently damaged and rejected to prevent them from ending up in our landfills resumed after a temporary suspension.

## Highlight: Greening Our Branches

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

- 100% of branches to include solar power by 2024
- 36 branches with solar power systems
- 15 additional branches for installation of solar power systems by 2022



# SOCIAL DATA

| Employee Data   |        |        |
|---|--------|--------|
| Employee data   | Female | Male   |
| Employees by gender   | 1,395  | 1,586  |
| Employee benefits (% who availed)   | Female | Male   |
| SSS   | 9.11%  | 10.69% |
| PhilHealth  | 3.89%  | 0.7%   |
| Pag-ibig  | 15.67% | 20.75% |
| Parental leaves:  |        |        |
| Maternity / Paternity Leave   | 8.03%  | 11.57% |
| Solo Parent   | 0.07%  | 0.00%  |
| Magna Carta   | 0.07%  | 0.00%  |
| Vacation leaves   | 41.54% | 47.55% |
| Sick leaves   | 5.38%  | 5.17%  |
| Medical benefits (aside from PhilHealth)  | 10.64% | 6.63%  |
| Housing assistance (aside from Pag-ibig)  | 0.77%  | 1.72%  |
| Retirement fund (aside from SSS)  | 0.07%  | 0.07%  |
| Further education support   | 0.00%  | 0.00%  |
| Company stocks option   | 0.00%  | 0.00%  |
| Telecommuting   | 9.59%  | 5.47%  |
| Flexible-working hours  | 11.44% | 6.04%  |
| Employee training and development   | Female | Male   |
| Total training hours provided   | 128.5  | 128.5  |
| Ave. training hours provided  | 22.06  | 22.06  |
| Labor Management Relations  |        |        |
| % of employees covered in CBA   |        | 28%    |
| Number of consultations conducted with employees concerning employee-related policies |        | 3      |

**47%**

Female employee

**53%**

Male employee

**8** DECENT WORK AND ECONOMIC GROWTH



**46:54** Female:Male

Employee in Key Management Positions

## Our People: Our Customer Experience Heroes

Wilcon recognizes that its people are its most valuable asset and hence we look out for their welfare in all aspects. Our people are frontliners. They provide excellent service while exposing themselves to the risk of Covid-19 infection. In the second year of the pandemic, we provided them and their families with free vaccines not only to provide assurance to our customers that our stores are safe places but to keep them and their families protected. We do this because it is management's responsibility to ensure duty of care and dignity of person, and maintain a culture of compassion all throughout our operations.

We also provided free testing kits or covered the cost of testing for workers experiencing symptoms or exposed to Covid-19 positive persons should their respective local government units were unable to expediently provide testing service.

We provided financial support to employees affected by natural disasters to help them re-build their homes.



We continued to implement work-from-home arrangements and continually re-configured our office spaces to conform to the social distance requirements. Central to our vision for our employees is our compensation and benefits program and Work Life Integration Program, both of which protect and promote our employees' advancement, productivity, fair treatment, physical and mental health, safety, and well-being.

## Highlight: Learning and Development Uninterrupted

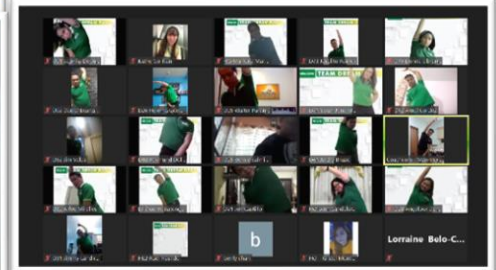
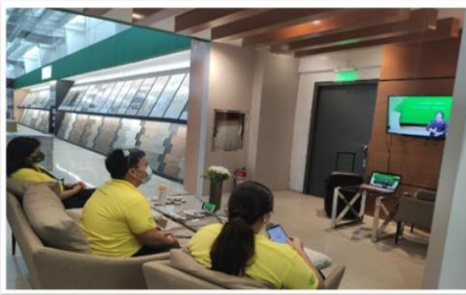
Continuous training is available to all employees to provide them the opportunity to lead and excel in the workplace and remain enthusiastic about delivering superior solutions. We are proud of the fact that 100% of store leadership and 95% enterprise-wide of management grew organically from the ranks.

Training and learning activities pivoted to pure online in 2020 and continued to be the training channel in 2021 albeit on-the-job functional training has resumed. Prior to the onset of the pandemic in 2020, we have already started rolling out our e-learning platform hence, our Training Team was able to quickly convert the rest of our learning modules into an online set up and has constantly updated and improved materials.

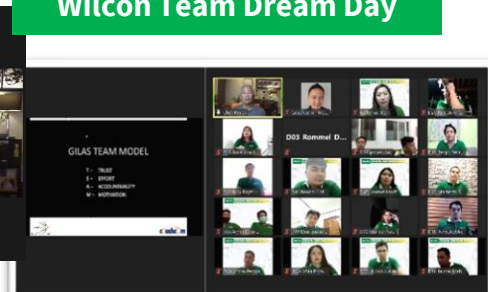
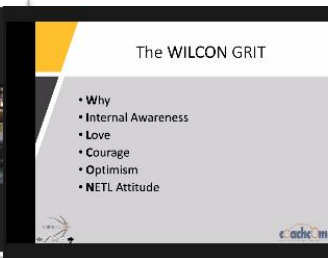
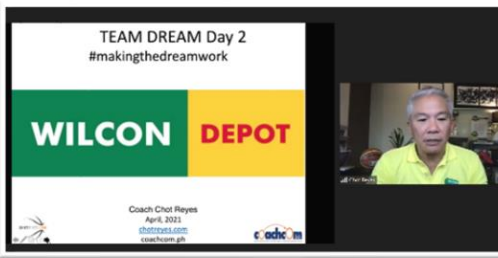
We provide online various technical training on the different products that we offer. We also provide skills training to equip our people so they can effectively carry out their respective functions such as sales, marketing and customer service skills. We provide as well values and character formation training in line with our wholistic development approach. We identify and develop high-potential employees into future company leaders through structured training programs on leadership and management.



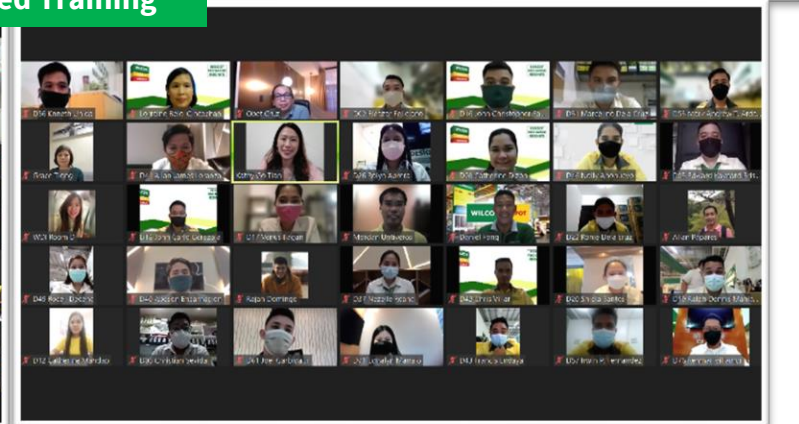
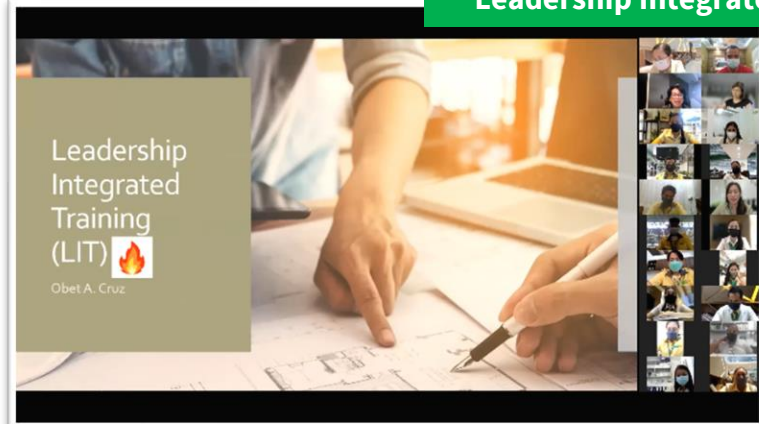
**Wilcon Built to Conquer: Reboot, Recharge, Reignite**



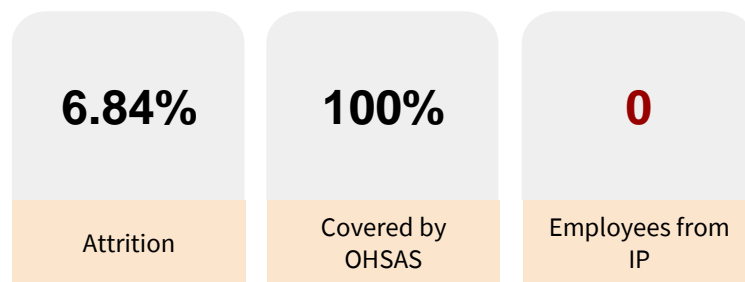
**Wilcon Team Dream Day**



## Leadership Integrated Training



| Workplace conditions, labor standards, and human rights                     | Female  | Male  |
|---|---|-------|
| Safe Man-Hours  | 1,395   | 1,586 |
| No. of work-related injuries  | 18  | 134   |
| No. of work-related fatalities  | 0   | 0     |
| No. of work related ill-health  | 0   | 0     |
| No. of safety drills  | 1,314   |       |
| Labor Laws and Human Rights   |   |       |
| No. of legal actions or employee grievances involving forced or child labor | 0   |       |
| Forced labor (y/n)  | Y   |       |
| Child labor (y/n)   | Y   |       |
| Human rights (y/n)  | Y   |       |
| Supply Chain Management   |   |       |
|   | Does Wilcon consider the following when accrediting suppliers |       |
| Environmental Performance   | Y   |       |
| Forced labor  | Y   |       |
| Child labor   | Y   |       |
| Human rights  | Y   |       |
| Bribery and corruption  | Y   |       |



## Health and Safety – The Paramount Consideration

Wilcon has been investing in creating safe stores and working spaces. We practice more stringent safety measures with our large and bulky moveable items, machine-powered lifts, and constant foot traffic, which can pose safety risks on our floor staff and customers. We continue to implement the following initiatives to help us minimize hazards and prevent injuries at the branches:

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

The COVID-19 pandemic added another layer to our health and safety protocols. We provided all the necessary tools, training and financial support to the exercise of equipping our people to be able to deliver the same excellent service throughout the changing protocols and health and safety regulations.

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

# SOCIAL DATA

## Customer Management

### Customer Satisfaction

#### Score

Customer Survey

n/a

### Health & Safety

#### Quantity

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

0

No. of complaints addressed

0

### Marketing & Labeling

#### Quantity

No. of substantiated complaints on marketing & labelling

0

No. of complaints addressed

0

### Customer Privacy

#### Quantity

No. of substantiated complaints on customer privacy

0

No. of complaints addressed

0

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

0

### Data Security

#### Quantity

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

0

## Customer Satisfaction and Service Excellence in The New Normal

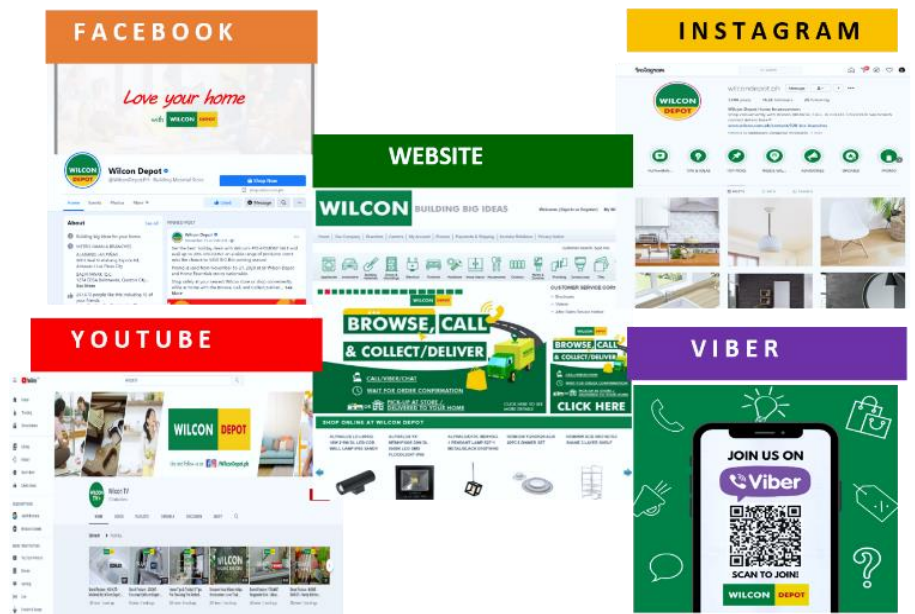
Customer behavior and preferences are shifting at an unprecedented pace, hastened by rapid technological innovations, growing environmental and social pressures, consolidation of competition, and increasing regulation. The COVID-19 pandemic accelerated this shift and may have even altered its course.

Our ability to maintain our status as industry leader and preferred partner depends on a strong commitment to deliver products and solutions of superior quality and provide excellent and reliable service to our customers consistently.

We have a strong track record of anticipating the needs of the market, and sourcing and developing products that meet these needs, allowing us to evolve over the past four decades. We were the first home improvement and construction supply store in the country to improve customer experience in our branches, departing from the traditional “hardware” type of stores and designing them to provide a comfortable atmosphere that enhances the shopping experience and to foster satisfaction and loyalty. Wilcon was also the first to proactively offer and highlight more sustainable products and solutions.

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

We launched our e-commerce platform in 2019 and re-launched an enhanced, integrated platform in May, 2021. It is gradually gaining traction among our customers with site visits increasing month on month. We have also opened two shops in Lazada Mall offering select exclusive products and was the partner of choice by one of the top global brands we carry as the fulfilment arm of their e-commerce platform.

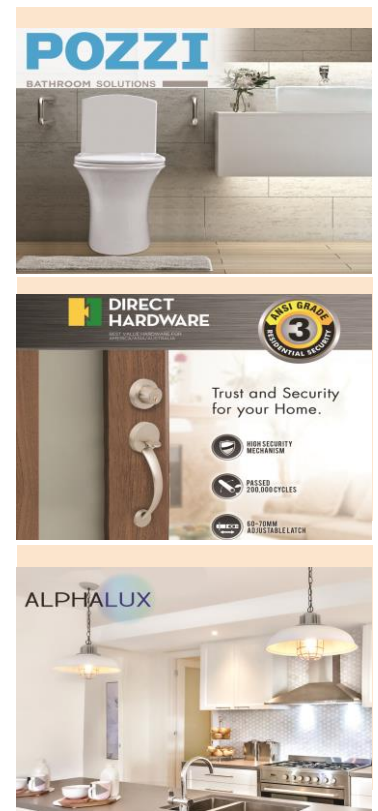


# SOCIAL DATA

## Our Broad Range of Products: Fit For Every Need

We have 1,600 brands and products across different product categories translating to 60,000 SKUs that make it easy and convenient for our customers to find their home improvement and construction needs under just one roof.

- Plumbing and sanitary wares (bath and shower mixers, bath fillers, faucets, shower, water systems, bathtubs, bidet, bowl, lavatory, pedestal, shower enclosure, urinal, water closet and other accessories)
- Hardware and tools products (door essentials, hand tools and hardware accessories, pipes, sundries, power tools and hand tools)
- Tiles/Flooring (locally made and imported tiles in various sizes and types such as ceramic, glass block, porcelain, and vinyl)
- Electrical and lighting (electrical accessories and supplies, lamps, wiring devices, LED and lights)
- Furniture, furnishings and houseware (furniture products found in the bedroom, dining, kitchen, living room, office, and outdoor; decorative items, organizers, wall hang decors, curtains, and blinds)
- Paints (a wide range of paints for different surface types)
- Appliances (air coolers, air conditioners, electric fans, entertainment appliances, kitchen appliances, washing machine, and vacuum cleaner)
- Building materials (building decors and supplies, ceiling and wall, floor and roofing)



## Selected in-house brands of the Company

The logo for POZZI BATHROOM SOLUTIONS features the word 'POZZI' in large, bold, blue capital letters. Below it, 'BATHROOM SOLUTIONS' is written in smaller, grey capital letters. A grey horizontal bar is positioned to the right of the text.

The logo for Käsch features the word 'Käsch' in a white, bold, sans-serif font, centered on a solid dark blue rectangular background.

The logo for Arte CERAMICHE features the word 'Arte' in a large, white, bold, sans-serif font, set against a green background. Below it, 'CERAMICHE' is written in smaller, yellow, bold, sans-serif capital letters.

The logo for VERONA TILES features the word 'VERONA' in large, blue, bold, sans-serif capital letters. Below it, 'TILES' is written in smaller, blue, bold, sans-serif capital letters. A decorative horizontal bar with alternating blue and teal segments is positioned between the two words.

The logo for HEIM HOME ESSENTIALS features the word 'HEIM' in large, white, bold, sans-serif capital letters, with each letter in a different colored block (pink, orange, green, blue). Below it, 'HOME ESSENTIALS' is written in smaller, black, bold, sans-serif capital letters.

The logo for SOL CERAMICA features a stylized yellow sun with rays. To the right of the sun, the word 'SOL' is written in large, blue, bold, sans-serif capital letters, and 'CERAMICA' is written in smaller, blue, bold, sans-serif capital letters below it.

# COMMUNITY DATA

## Responsible and Reliable Member of Local Communities

As a home improvement and construction supplies retailer, our entry into provincial centers nationwide can mean that the local economies in these areas are primed for greater activity, which can indirectly lead to more infrastructure and more job opportunities. Our stakeholders agree that our expansion has the potential to decentralize growth and development and bring it outside the traditional urban centers.

This also means that with an expanded store network, we now become a member of various local communities that we aspire to mutually grow with. In this time of crisis, we were given the opportunity to serve more meaningfully the local communities we belong in.

We continue to be a reliable member of our various local communities extending assistance in times of natural disasters, giving financial support to aligned advocacies of the various local government units and agencies and to various civic and professional groups.

Some of the entities we provided support and assistance to were ABS-CBN Foundation, Philippine Center for Entrepreneurship Foundation Inc., various local government units, agencies and some parishes.



# Appendix A: List of Operations Location

|    | Branch Name  | Location   |
|----|--------------|--|
| 1  | ALABANG      | 8003 REAL ST., ALABANG ZAPOTE RD., ALMANZA UNO, LAS PIÑAS CITY   |
| 2  | BALINTAWAK   | 1274 EDSA A. SAMSON, QUEZON CITY   |
| 3  | LIBIS        | 90 E. RODRIGUEZ JR. AVE., BRGY. UGONG NORTE, DISTRICT 3, QUEZON CITY                                   |
| 4  | MAKATI       | 2212 CHINO ROCES AVE., SAN LORENZO, MAKATI CITY  |
| 5  | QUIRINO      | L119 C-1 MINDANAO AVE., TALIPAPA, QUEZON CITY  |
| 6  | FILINVEST    | L1 B29 ALABANG ZAPOTE RD. COR. BRIDGEWAY AVE., FILINVEST CORPORATE CITY, ALABANG, MUNTINLUPA CITY      |
| 7  | MEXICO       | GAPAN-OLONGAPO ROAD, LAGUNDI, MEXICO, PAMPANGA   |
| 8  | SUCAT        | DR. A. SANTOS AVENUE, SAN DIONISIO, PARAÑAQUE CITY   |
| 9  | FAIRVIEW     | 16 COMMONWEALTH AVE., BRGY. COMMONWEALTH, QUEZON CITY  |
| 10 | TARLAC       | MC ARTHUR HIGHWAY, SAN RAFAEL, TARLAC CITY   |
| 11 | DAU          | MC ARTHUR HI-WAY, DAU, MABALACAT, PAMPANGA   |
| 12 | SAN FERNANDO | FREEWAY STRIP OLONGAPO-GAPAN ROAD, DOLORES CITY OF SAN FERNANDO, PAMPANGA                              |
| 13 | CALAMBA      | NATIONAL ROAD, BRGY. HALANG, CALAMBA CITY, LAGUNA  |
| 14 | BATANGAS     | LOT 2687-A DIVERSION ROAD, ALANGILAN, BATANGAS CITY  |
| 15 | TAYTAY       | MANILA EAST ROAD, BRGY. SAN JUAN, TAYTAY, RIZAL  |
| 16 | ANTIPOLO     | MARCOS HIGHWAY, BRGY. MAYAMOT, ANTIPOLO CITY, RIZAL  |
| 17 | BALIUGAG     | KM. 48 DRT HIGHWAY, BRGY. TARCAN, BALIWAG, BULACAN   |
| 18 | DASMARIÑAS   | GOVERNOR'S DRIVE, PALIPARAN 1, DASMARIÑAS CITY, CAVITE   |
| 19 | LAOAG        | AIRPORT ROAD, BRGY. 50, BUTTONG, LAOAG CITY  |
| 20 | MANDAUE      | U.N. AVENUE, UMAPAD, MANDAUE CITY, CEBU  |
| 21 | TALISAY      | LOT 2359, LAWA-AN II, TALISAY CITY, CEBU   |
| 22 | KAWIT        | CENTENNIAL ROAD, MAGDALO, PUTOL, KAWIT, CAVITE   |
| 23 | VALENZUELA   | 292 MC ARTHUR HI-WAY, DALANDANAN, VALENZUELA CITY  |
| 24 | SAN PABLO    | DOÑA MARIA VILLAGE PHASE 2, BRGY. BAGONG BAYAN, SAN PABLO CITY, LAGUNA                                 |
| 25 | VILLASIS     | NATIONAL HIGHWAY, BRGY. BACAG, VILLASIS, PANGASINAN  |
| 26 | QUEZON AVE.  | 24 QUEZON AVE., LOURDES, QUEZON CITY   |
| 27 | DAVAO        | MC ARTHUR HIGHWAY, MATINA, DAVAO CITY  |
| 28 | IT HUB       | PASONG TAMO EXTENSION, BRGY. BANGKAL, MAKATI CITY  |
| 29 | MOLINO       | BACOR BOULEVARD, BRGY. MAMBOG IV, CITY OF BACOR  |
| 30 | STA. ROSA    | TAGAYTAY ROAD, BRGY. PULONG, STA. CRUZ, STA. ROSA, LAGUNA  |
| 31 | CDO          | ZONE 5 , BRGY. CUGMAN, CAGAYAN DE ORO CITY   |
| 32 | BACOLOD      | MATAB-ANG TALISAY CITY, NEGROS OCCIDENTAL  |
| 33 | BUTUAN       | BRGY. BAAN, KM. 3, BUTUAN CITY   |
| 34 | CABANATUAN   | LOT 2040-C-3-B & Lot 2040-C-4, SUMACAB ESTE, MAHARLIKA HIGHWAY, PUROK 6, SUMACAB ESTE, CABANATUAN CITY |
| 35 | ILOILO       | NORTH DIVERSION ROAD, BRGY. DUNGON-B, JARO, ILOILO CITY  |
| 36 | TACLOBAN     | PUROK SANTOL, BRGY. 80 MARASBARAS, TACLOBAN CITY, LEYTE  |



## Appendix A: List of Operations Location (cont.)

|    | Branch Name            | Location  |
|----|------------------------|---|
| 37 | SILANG                 | PUROK 9, BRGY. LALAAAN II, SILANG, CAVITE CITY  |
| 38 | ZAMBOANGA              | LOT 2235C I-A BOALAN, ZAMBOANGA CITY  |
| 39 | NAGA                   | BRGY. DEL ROSARIO, NAGA CITY  |
| 40 | LIPA                   | BRGY. BUGTONG NA PULO, LIPA BATANGAS  |
| 41 | PANACAN, DAVAO         | BRGY. PANACAN VALLE VERDE, BUNAWAN, DAVAO CITY  |
| 42 | TAYABAS                | BRGY. ISABANG, TAYABAS QUEZON   |
| 43 | GEN. SANTOS            | PALEN, BRGY. LABANGAL, GENERAL SANTOS CITY  |
| 44 | PUERTO PRINCESA        | BRGY. SICSICAN, PUERTO PRINCESA CITY, PALAWAN   |
| 45 | GENERAL TRIAS          | BRGY. SAN FRANCISCO, GENERAL TRIAS CITY, CAVITE   |
| 46 | STA. BARBARA, ILOILO   | LOT 506B BRGY. BOLONG OESTE, STA. BARBARA, ILOILO   |
| 47 | OPOL, MISAMIS ORIENTAL | ZONE 2A BRGY. BARRA, OPOL, MISAMIS ORIENTAL   |
| 48 | STO. TOMAS, BATANGAS   | MAHARLIKA HIGHWAY, BRGY. STA. ANASTACIA, STO. TOMAS, BATANGAS                               |
| 49 | ANTIPOLO II            | LOT 2-A BRGY. SAN ISIDRO CIRCUMFERENTIAL RD. ANTIPOLO CITY                                  |
| 50 | CALUMPIT               | BRGY. PIO CRUZCOSA, CALUMPIT, BULACAN   |
| 51 | IGUIG, CAGAYAN         | BRGY. BAYO, IGUIG, CAGAYAN VALLEY RD.   |
| 52 | SAN JOSE, BULACAN      | BRGY. TUNGKONG MANGGA, SAN JOSE DEL MONTE CITY, BULACAN                                     |
| 53 | COMMONWEALTH II        | MATANDANG BALARA CAPITOL, QUEZON CITY   |
| 54 | ORMOC                  | BRGY. SAN ISIDRO, ORMOC CITY, LEYTE   |
| 55 | ALBAY                  | BRGY. PEÑAFRANCIA, DARAGA, ALBAY  |
| 56 | TAGUM, DAVAO           | BRGY. CANOCOTAN, TAGUM, DAVAO DEL NORTE   |
| 57 | CORDON, ISABELA        | BRGY. MALAPAT, CORDON, ISABELA  |
| 58 | PILA, LAGUNA           | BRGY. STA. CLARA SUR, PILA, LAGUNA  |
| 59 | AKLAN                  | BRGY. CALANGCANG, MAKATO, AKLAN   |
| 60 | OLONGAPO               | NATIONAL ROAD, BRGY. BARRETTO, OLONGAPO CITY, ZAMBALES                                      |
| 61 | TAYTAY II              | RIZAL AVE., ILOG PUGAD BRGY. SAN JUAN TAYTAY, RIZAL   |
| 62 | CABUYAO, LAGUNA        | BRGY. SALA, CABUYAO, LAGUNA   |
| 63 | SORSOGON               | BRGY. MACABOG, SORSOGON CITY, SORSOGON  |
| 64 | MALAYBALAY, BUKIDNON   | SAN JOSE, MALAYBALAY CITY, BUKIDNON   |
| 65 | BOHOL                  | BRGY. BINGAG, DAUIS, BOHOL  |
| 66 | ALIMALL                | LG003/LG004 LOWER GRD FLR. ALIMALL II, ARANETA CENTER, SOCORRO, D3, CUBAO, QUEZON CITY      |
| 67 | WCC                    | ANCHOR 1, 121 VISAYAS AVE., BAHAY TORO, QUEZON CITY   |
| 68 | STA. MESA              | 425 PIÑA AVE., BRGY. 585 ZONE 057, SAMPALOC, MANILA   |
| 69 | MINDANAO AVE.          | L-5 B-7 MINDANAO AVE., BAHAY TORO I, QUEZON CITY  |
| 70 | MUÑOZ                  | 1066 EDSA, BAHAY TORO, QUEZON CITY  |
| 71 | PASAY                  | 16 C JOSE ST. COR. EDSA, MALIBAY, PASAY CITY  |
| 72 | ILOILO                 | GROUND FLOOR UNIT A25-A26, FESTIVE WALK MALL, ILOILO BUSINESS PARK, MANDURRIAO, ILOILO CITY |
| 73 | SAN FERNANDO           | MC ARTHUR HIGHWAY, BRGY. SAN NICOLAS, SAN FERNANDO, PAMPANGA                                |

# **ANNEX E**

# COVER SHEET

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**S.E.C Registration No.**

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| B | U | S | I | N | E | S | S | U | N | D | E | R | T | H | E | N | A | M | E |   |   |   |
| A | N | D | S | T | Y | L | E | O | F | W | I | L | C | O | N | D | E | P | O | T |   |   |
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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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Secondary License, (if applicable type)

**MSRD**

Dept. requiring this doc

**N/A**

Amended Articles number

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Total stockholders

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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 March 31, 2022
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<br>outstanding and amount of debt outstanding |
|---------------------|--|
|---------------------|--|

|                      |                      |
|----------------------|----------------------|
| <b>COMMON SHARES</b> | <b>4,099,724,116</b> |
|----------------------|----------------------|

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 March 31, 2022 and December 31, 2021 and for the three-month periods ended March 31, 2022 and 2021, 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 Three-month Periods Ended March 31, 2022 and 2021**

The Company recorded net income of ₱851 million for the three-month period of 2022, up by 41% or ₱246 million from the ₱604 million reported during the same period in 2021 with net margins of 11.1% and 9.1%, respectively. The increase was mainly driven by the hike in net sales and the expansion in the gross profit margin partly offset by the increase in operating expenses and income tax expense.

#### ***Net Sales***

Net sales for the three-month period ended March 31, 2022, amounted to ₱7,652 million, an increase of 14.6% or ₱976 million from the same period last year. Comparable sales grew 8.6% despite the heightened mobility restrictions imposed in January 2022 due to the Covid-19 Omicron variant surge as foot traffic quickly recovered in February and continued to ramp up in March when restrictions were eased.

The Company opened one new depot in March 2022 in Antipolo, bringing to 74 the total number of branches.

On a per format basis, sales from the depot-format stores, which comprised 97.5% of total net sales, grew by 15.0% or ₱972 million to ₱7,460 million from the ₱6,488 million net sales for the three-month period of 2021. Comparable sales growth (same store sales growth) reached 8.8%, contributing 94.6% of the total net sales increase of the format. Meanwhile, sales from new depots in 2022 comprised 5.4% of the format's net sales growth.

The smaller format "Home Essentials" recorded net sales of ₱138 million, a 1.3% or ₱2 million decline year-on-year, traced mainly to the substantial drop in foot traffic during the Covid-19 Omicron variant surge in January 2022. The format's contribution to total net sales continued its steady slide reducing further to 1.8% for the quarter from 2.1% for the same period in 2021. All Home Essentials have been operating for more than a year.

The remaining 0.7% of total net sales was accounted for by project sales or sales to major developers, amounting to ₱53 million, increasing by 11.3% or ₱5 million year-on-year.

#### ***Gross Profit***

Gross profit grew by 21.1% or ₱510 million from the 2021 first quarter level of ₱2,421 million to close at ₱2,932 million for the period for a gross profit margin of 38.3%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 200 basis points year-on-year. The improvement in gross profit margin is traced mainly to higher gross profit margin rates of both exclusive/in-house and non-exclusive brands and the increased contribution of the exclusive and in-house brands to total net sales to 51.2% from 49.4% in the same period in 2021.

### **Operating Expenses**

Operating expenses increased to ₱1,766 million for the period, up 13.8% or ₱214 million from the prior year's ₱1,552 million. The increase is attributable mainly to expansion-related expenses particularly in outsourced services, trucking, utilities, salaries, depreciation and amortization.

### **Interest Expense**

Interest expense increased by 2.4% or ₱3 million, to total ₱119 million for the period from the prior year's three-month period of ₱116 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### **Other Income (Charges)**

Other income (charges) for the three-month period ended March 31, 2022 amounted to ₱87 million up by 26.4% or ₱18 million from the ₱69 million generated in the same period in 2021.

Supplier support and other fees, delivery fees and other customer charges and rent income totaled ₱84 million, up 42.7% or ₱25 million year-on-year due to increased collection and higher volume of business. Meanwhile, non-operating interest income and net realized foreign exchange gain declined to ₱3 million mainly due to lower investible funds.

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

Adjusting the 2022 and 2021 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- 1) EBITDA as of March 31, 2022 reached ₱1,396 million, or 18.2% of net sales, rising by 35.5% from the ₱1,031 million, or 15.4% of net sales, recorded as of March 31, 2021.
- 2) EBIT for the three-month of 2022 is ₱1,132 million or 14.8% of net sales, growing by 39.0% from ₱814 million, or 12.2% of net sales, year-on-year.

The growth in both EBITDA and EBIT was driven by the improved sales performance and expansion in gross profit margin partly offset by the increase in operating expenses.

### **Income Tax Expense**

The Company's income tax expense increased by 29.9% or ₱65 million to end at ₱283 million in the three-month period of 2022 from the ₱218 million incurred during the same period last year. The increase is due mainly to higher taxable income.

## **Financial Condition as at March 31, 2022**

### **Liquidity**

Improved operating performance for the three-months ended March 31, 2022 yielded substantial operating cash flows, which provided additional liquidity for the Company to be able to pursue its store network expansion and other planned capital expenditure even as the IPO proceeds were fully deployed in March, 2021. Current ratio slightly declined from 1.94:1.00 to 1.88:1.00.

Cash and cash equivalents and short-term investments totaled ₱2,523 million, a 7.7% or ₱181 million increase from the balance as at December 31, 2021.

### **Capital Expenditure**

For the quarter, the Company's capital expenditure totaled ₱741 million, the bulk of which was spent on the construction of new stores and warehouses.

### **Capital Resources**

The Company continues to have easy access to the debt markets for both its working capital and long-term funding requirements having remained bank debt-free and with preferential lines with the Philippines' top banks.

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases. The company has no existing lease or other contracts with material contingent liability that will adversely affect the company's operations or the implementation of its strategic initiatives.

### **Key Financial Performance Indicators**

| <b>Key Performance Indicators</b>  | <b>As at<br/>March 31, 2022</b> | <b>As at<br/>March 31, 2021</b>    |
|--|---------------------------------|------------------------------------|
| Sales  | 7,651,657,039                   | 6,675,771,804                      |
| EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense <sup>1</sup>                        | 1,131,613,525                   | 813,919,893                        |
| EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>2</sup> | 1,396,098,118                   | 1,030,628,891                      |
| EBIT Margin - Treating Interest on Lease Liability as Rent Expense <sup>3</sup>                            | 14.8%                           | 12.2%                              |
| EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>4</sup>      | 18.2%                           | 15.4%                              |
|  | <b>As at<br/>March 31, 2022</b> | <b>As at<br/>December 31, 2021</b> |
| Return on Equity Ratio <sup>5</sup>  | 4.88%                           | 14.66%                             |
| Current Ratio <sup>6</sup>   | 1.88                            | 1.94                               |
| Debt to Equity Ratio <sup>7</sup>  | 0.88                            | 0.85                               |

1 Income before tax add net interest expense less lease interest expense

2 Income before tax add net interest expense and depreciation and amortization less lease interest expense and depreciation on ROU assets

3 EBIT / Net Sales

4 EBITDA / Net Sales

5 Net Income / Total Equity

6 Current Assets / Current Liabilities

7 Total Liabilities / Total Equity

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

### **Statement of Financial Position as at March 31, 2022 and December 31, 2021**

1. Aggregate cash and short-term investments increased by ₱181 million or 7.7% from ₱2,342 million at the close of 2021 to ₱2,523 million as at March 31, 2022, traceable primarily to net cash flow provided by operating activities partly offset by payment made for capital expenditures and leases.
2. Trade and other receivables totaled ₱231 million as at March 31, 2022, 38.8% or ₱65 million higher than the ₱166 million balance as at December 31, 2021. The increase was mainly due to trade receivables.
3. Advance payments to suppliers for merchandise ordered decreased by 82.3% or ₱1,556 million from ₱1,891 million at the close of 2021 to ₱335 million as at March 31, 2022 due to receipt of merchandise inventories during the quarter.
4. Merchandise Inventories increased by ₱1,159 million or 9.8% from ₱11,876 million at the close of 2021 to ₱13,035 million as at March 31, 2022 due mainly to purchases.
5. Other Current Assets increased by ₱73 million or 7.9% from ₱913 million at the close of 2021 to ₱985 million as at March 31, 2022 due mainly to prepayments and input tax from purchases.
6. Property and equipment increased by ₱476 million or 6.0% from ₱7,942 million at the close of 2021 to ₱8,418 million as at March 31, 2022 due mainly to capital expenditures related to store network expansion.
7. Net deferred tax assets increased by ₱21 million or 5.6% from ₱375 million at the close of 2021 to ₱396 million as at March 31, 2022 due to the impact of PFRS16 accounting and additional allowance for inventory obsolescence.

### **Income Statement Items**

1. Net sales for the three-month period ended March 31, 2022 amounted to ₱7,652 million, 14.6% or ₱976 million higher than the ₱6,676 million generated during the same period in 2021.
2. Gross profit increased by 21.1% to ₱2,932 million for the period from the ₱2,421 million for the same period in 2021, mainly driven by the increase in sales and gross profit margin.
3. Operating expenses increased to ₱1,766 million for the period, up 13.8% or ₱214 million from the prior year's ₱1,552 million. The increase is attributable mainly to expansion-related expenses particularly in outsourced services, trucking, utilities, salaries, depreciation and amortization.
4. Other income (charges) for the three-month period ended March 31, 2022 amounted to ₱87 million up by 26.4% or ₱18 million from the ₱69 million generated in the same period in 2021 due to increase in supplier support, delivery charges and other fees.
5. The Company's income tax expense increased by 29.9% or ₱65 million to end at ₱283 million in the three-month period of 2022 from the ₱218 million incurred during the same period last year. The increase is due mainly to higher taxable income.



## **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.

April 25, 2022

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 March 31, 2022 and December 31, 2021 and

For the Three-Month Periods Ended March 31, 2022 and 2021

**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 MARCH 31, 2022 AND DECEMBER 31, 2021**

|  | Note | 2022<br>Unaudited      | 2021<br>Audited        |
|--|------|------------------------|------------------------|
| <b>ASSETS</b>                              |      |                        |                        |
| <b>Current Assets</b>                      |      |                        |                        |
| Cash and cash equivalents                  | 5    | ₱2,523,375,357         | ₱1,542,790,565         |
| Short-term investments                     | 6    | –                      | 799,469,125            |
| Trade and other receivables                | 7    | 230,859,978            | 166,326,457            |
| Advance payments to suppliers              | 7    | 335,412,935            | 1,891,090,011          |
| Merchandise inventories                    | 8    | 13,034,863,824         | 11,875,962,618         |
| Other current assets                       | 9    | 985,489,600            | 912,987,760            |
| Total Current Assets                       |      | 17,110,001,694         | 17,188,626,536         |
| <b>Noncurrent Assets</b>                   |      |                        |                        |
| Property and equipment                     | 10   | 8,418,465,637          | 7,942,305,897          |
| Right-of-use assets                        | 11   | 6,433,602,500          | 6,427,857,055          |
| Net deferred tax assets                    | 19   | 395,816,599            | 374,668,143            |
| Other noncurrent assets                    | 12   | 405,741,063            | 403,819,030            |
| Total Noncurrent Assets                    |      | 15,653,625,799         | 15,148,650,125         |
|  |      | <b>₱32,763,627,493</b> | <b>₱32,337,276,661</b> |
| <b>LIABILITIES AND EQUITY</b>              |      |                        |                        |
| <b>Current Liabilities</b>                 |      |                        |                        |
| Trade and other payables                   | 13   | ₱6,514,153,648         | ₱7,260,116,310         |
| Income tax payable                         |      | 517,281,394            | 217,814,930            |
| Current portion of lease liabilities       | 11   | 1,251,178,286          | 1,401,610,716          |
| Dividends Payable                          |      | 819,046,278            | –                      |
| Total Current Liabilities                  |      | 9,101,659,606          | 8,879,541,956          |
| <b>Noncurrent Liabilities</b>              |      |                        |                        |
| Lease liabilities - net of current portion | 11   | 5,993,870,127          | 5,779,377,451          |
| Net retirement liability                   | 15   | 199,970,383            | 199,953,209            |
| Total Noncurrent Liabilities               |      | 6,193,840,510          | 5,979,330,660          |
| Total Liabilities                          |      | 15,295,500,116         | 14,858,872,616         |
| <b>Equity</b>                              |      |                        |                        |
| 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                 |      | 99,770,970             | 99,770,970             |
| Retained earnings                          |      | 7,894,893,864          | 7,905,170,532          |
| Total Equity                               |      | 17,468,127,377         | 17,478,404,045         |
|  |      | <b>₱32,763,627,493</b> | <b>₱32,337,276,661</b> |

See accompanying Notes to Financial Statements.

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

**UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021**

|  |      | Unaudited              |                 |
|--|------|------------------------|-----------------|
|  | Note | 2022                   | 2021            |
| <b>NET SALES</b>                             |      | <b>₱7,651,657,039</b>  | ₱6,675,771,804  |
| <b>COST OF SALES</b>                         | 8    | <b>(4,719,891,482)</b> | (4,254,370,903) |
| <b>GROSS INCOME</b>                          |      | <b>2,931,765,557</b>   | 2,421,400,901   |
| <b>OPERATING EXPENSES</b>                    | 17   | <b>(1,765,972,116)</b> | (1,551,563,507) |
| <b>INTEREST EXPENSE</b>                      | 14   | <b>(119,153,664)</b>   | (116,359,977)   |
| <b>OTHER INCOME - Net</b>                    | 18   | <b>86,928,999</b>      | 68,755,245      |
| <b>INCOME BEFORE INCOME TAX</b>              |      | <b>1,133,568,776</b>   | 822,232,662     |
| <b>INCOME TAX EXPENSE (BENEFIT)</b>          | 19   |                        |                 |
| Current                                      |      | <b>304,051,837</b>     | 165,719,828     |
| Deferred                                     |      | <b>(21,148,456)</b>    | 52,106,703      |
|  |      | <b>282,903,381</b>     | 217,826,531     |
| <b>NET INCOME</b>                            |      | <b>850,665,395</b>     | 604,406,131     |
| <b>OTHER COMPREHENSIVE INCOME (LOSS)</b>     |      | -                      | -               |
| <b>TOTAL COMPREHENSIVE INCOME</b>            |      | <b>₱850,665,395</b>    | ₱604,406,131    |
| <b>BASIC AND DILUTIVE EARNINGS PER SHARE</b> | 22   | <b>₱0.21</b>           | ₱0.15           |

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**UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021**

|   | Note | Unaudited              |                        |
|---|------|------------------------|------------------------|
|   |      | 2022                   | 2021                   |
| <b>CAPITAL STOCK</b>  | 16   | <b>₱4,099,724,116</b>  | <b>₱4,099,724,116</b>  |
| <b>ADDITIONAL PAID-IN CAPITAL</b>                             |      | <b>5,373,738,427</b>   | <b>5,373,738,427</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>                             |      |                        |                        |
| <b>Cumulative Remeasurement Gains on Retirement Liability</b> |      |                        |                        |
| Balance at beginning of period                                |      | 99,770,970             | 573,542                |
| Balance at end of period                                      |      | 99,770,970             | 573,542                |
|   |      | <b>99,770,970</b>      | <b>573,542</b>         |
| <b>RETAINED EARNINGS</b>                                      |      |                        |                        |
| Balance at beginning of period                                |      | 7,905,170,532          | 5,835,657,219          |
| Net income  |      | 850,665,395            | 604,406,131            |
| Cash dividends  | 16   | (860,942,063)          | (491,966,894)          |
| Balance at end of period                                      |      | 7,894,893,864          | 5,948,096,456          |
|   |      | <b>₱17,468,127,377</b> | <b>₱15,422,132,541</b> |

*See accompanying Notes to Financial Statements.*

**WILCON DEPOT, INC.**  
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**UNAUDITED INTERIM STATEMENTS OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2022 AND 2021**

|  |      | Unaudited       |               |
|--|------|-----------------|---------------|
|  | Note | 2022            | 2021          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>          |      |                 |               |
| Income before income tax                             |      | ₱1,133,568,776  | ₱822,232,662  |
| Adjustments for:                                     |      |                 |               |
| Depreciation and amortization                        | 10   | 582,357,402     | 509,712,773   |
| Interest expense                                     | 14   | 119,153,664     | 116,359,977   |
| Interest income                                      | 5    | (1,955,251)     | (8,312,946)   |
| Retirement benefits                                  | 15   | 13,684,570      | 10,804,195    |
| Provision for impairment losses on receivables       | 7    | 135,930         | 2,595,447     |
| Operating income before working capital changes      |      | 1,846,945,091   | 1,453,392,108 |
| Decrease (Increase) in:                              |      |                 |               |
| Trade and other receivables                          |      | (64,393,388)    | 34,880,174    |
| Advance payments to suppliers                        |      | 1,555,677,076   | (126,003,448) |
| Merchandise inventories                              |      | (1,158,901,206) | (66,040,722)  |
| Other current assets                                 |      | (77,087,211)    | (97,541,256)  |
| Decrease in trade and other payables                 |      | (787,858,450)   | (416,441,657) |
| Net cash generated from operations                   |      | 1,314,381,912   | 782,245,199   |
| Contributions to retirement plan                     | 15   | (13,667,396)    | (10,181,641)  |
| Interest received from cash in banks                 |      | 190,980         | 279,270       |
| Net cash provided by operating activities            |      | 1,300,905,496   | 772,342,828   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>          |      |                 |               |
| Additions to:  |      |                 |               |
| Property and equipment                               | 10   | (737,117,206)   | (581,816,702) |
| Computer software                                    | 12   | (3,455,675)     | (13,117,368)  |
| Decrease (increase) in:                              |      |                 |               |
| Short-term investments                               |      | 799,469,125     | 215,479,006   |
| Advances to contractors                              |      | (2,817,985)     | (2,250,298)   |
| Other noncurrent assets                              |      | 800,031         | (6,623,689)   |
| Interest received from investments                   |      | 1,488,209       | 8,031,901     |
| Net proceeds from disposal of property and equipment | 10   | 24,464          | -             |
| Net cash used in investing activities                |      | 58,390,963      | (380,297,150) |

(Forward)

|   |      | <b>Unaudited</b>      |                |
|---|------|-----------------------|----------------|
|   | Note | <b>2022</b>           | 2021           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b> |      |                       |                |
| Payments of:                                |      |                       |                |
| Lease liabilities                           | 11   | <b>(₱378,711,667)</b> | (₱332,177,684) |
| Interest on long-term debt                  |      | -                     | (218)          |
| Cash used in financing activities           |      | <b>(378,711,667)</b>  | (332,177,902)  |
| <b>NET INCREASE IN CASH</b>                 |      |                       |                |
| <b>AND CASH EQUIVALENTS</b>                 |      |                       |                |
|   |      | <b>980,584,792</b>    | 59,867,776     |
| <b>CASH AND CASH EQUIVALENTS</b>            |      |                       |                |
| <b>AT BEGINNING OF PERIOD</b>               |      |                       |                |
|   |      | <b>1,542,790,565</b>  | 1,854,893,411  |
| <b>CASH AND CASH EQUIVALENTS</b>            |      |                       |                |
| <b>AT END OF PERIOD</b>                     |      |                       |                |
|   | 5    | <b>₱2,523,375,357</b> | ₱1,914,761,187 |

See accompanying Notes to Financial Statements.



**WILCON DEPOT, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

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**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 Initial Public Offering (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.

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**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, net retirement liability that is carried at the aggregate of the present value of the defined benefit obligation and the fair value of plan assets and lease liabilities that are initially carried at the present value of minimum lease payments. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and change in fair value of the consideration received in exchange for incurring a liability.

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

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

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

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

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

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

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

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

- Note 6, *Investments*
- Note 24, *Fair Value of Financial Instruments*

#### **Adoption of Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amended PFRS 16, Leases - COVID-19-Related Rent Concessions beyond June 30, 2021.

In 2021, PFRS 16 was amended to allow lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022. The 2021 amendment is mandatory for entities that elected to apply the previous amendment. Accordingly, the Company has applied the amendment in the current year financial

statements. The adoption of the amended PFRS resulted in the reduction in lease liabilities that was recognized in profit or loss amounting to ₱1.9 million.

**Amended PFRS Issued but Not yet Effective**

Relevant amended PFRS, which are not yet effective for three-month periods ended March 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual period beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

Annual Improvements to PFRS 2018 to 2020 Cycle:

- Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period,

(ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.

Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

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

#### **Current versus Noncurrent Classification**

The Company presents assets and liabilities in the statement of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting year; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting year.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting year; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting year.

The Company classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

### **Financial Instruments**

*Date of Recognition.* The Company recognizes a financial asset or liability 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 (FVOCI). The classification of financial asset largely depends on the Company’s business model and its contractual cash flow characteristics.

As at March 31, 2022 and December 31, 2021, the Company does not have financial assets measured at FVPL.

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

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

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

Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

As at March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021, the Company does not have financial assets measured at FVOCI.

*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 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.

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 March 31, 2022 and December 31, 2021, 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 March 31, 2022 and December 31, 2021, the lease liabilities and trade and other payables (excluding statutory liabilities, unredeemed gift certificates and unearned revenue) are included in this category.

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

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

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

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



### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

### **Offsetting of Financial Instruments**

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

### **Merchandise Inventories**

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

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the year when the related revenue is recognized.

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

### **Other Current Assets**

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

*Deferred Input VAT.* Deferred input VAT represents the unamortized amount of input VAT on capital goods and input VAT on consigned goods already sold and other accruals, 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.

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.

*Materials and Supplies.* Materials and supplies are carried at cost and are recognized as expense upon consummation. Materials and supplies that are expected to be consumed for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets

*Prepaid Expenses.* Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

### **Property and Equipment**

Property and equipment, 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.

The estimated useful life of solar panels installed in the leased and owned buildings is 15 years.

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the item is derecognized.

#### **Other Noncurrent Assets**

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

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

*Computer Software.* Computer software acquired is measured on initial recognition at cost. Subsequent to initial recognition, computer software is carried at cost less accumulated amortization and any impairment losses. Internally generated computer software, excluding development costs, is not capitalized and expenditure is charged against profit or loss in the year in which the expenditure is incurred.

Computer software is amortized over the economic useful life of eight years and assessed for impairment whenever there is an indication that the computer software may be impaired. The amortization period and method for computer software are reviewed 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

*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.

#### **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) comprises 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 gains (losses) 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, Revenue from Contracts with Customers, 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; and
- 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; and
- 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; and
- 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 year (adjusting events) are reflected in the financial statements. Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

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## **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.

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 4.21% to 8.31% 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 ₱119.2 million and ₱116.4 million for the three - month periods ended March 31, 2022 and 2021, respectively. Amortization on ROU assets amounted to ₱317.9 million and ₱293.0 million for the three-month periods ended March 31, 2022 and 2021, respectively (see Note 11).

Rent expense on short-term lease on transportation equipment and leases on land and buildings with less than 12 months term amounted to ₱23.7 million and ₱45.5 million for the three-month periods ended March 30, 2022 and 2021, respectively (see Note 11).

As at March 31, 2022 and December 31, 2021, ROU assets amounted to ₱6,433.6 million and ₱6,427.9 million, respectively (see Note 11).

As at March 31, 2022 and December 31, 2021, lease liabilities amounted to ₱7,245.0 million and ₱7,181.0 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 ₱13.9 million and ₱15.0 million for the three-month periods ended March 31, 2022 and 2021, 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.

*Assessing Impairment of Trade and Other Receivables.* The Company uses 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 impairment losses recognized as at March 31, 2022 and 2021 amounted to ₱135.9 thousand and ₱2.6 million, respectively (see Note 7).

Based on management assessment, the allowance for impairment losses of trade and other receivables as at March 31, 2022 and December 31, 2021 is adequate to cover for possible losses.

The carrying amount of trade and other receivables (excluding advances to suppliers and officers and employees) amounted to ₱216.9 million and ₱149.0 million as at March 31, 2022 and December 31, 2021, respectively (see Note 7). Allowance for impairment losses amounted to ₱56.6 million and ₱56.5 million as at March 31, 2022 and December 31, 2021, respectively (see Note 7).

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

No provision for impairment losses on other financial assets at amortized cost were recognized as at March 31, 2022 and December 31, 2021.

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

|                           | Note | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|---------------------------|------|-------------------------------|--------------------------------|
| Cash and cash equivalents | 5    | ₱2,523,589,349                | ₱1,533,316,737                 |
| Security deposits         | 12   | 151,629,985                   | 150,805,498                    |
| Electricity deposits      | 12   | 66,051,273                    | 62,302,471                     |
| Container deposits        | 9    | 15,391,039                    | 13,782,800                     |
| Short-term investments    |      | –                             | 799,469,125                    |
|                           |      | <b>₱2,756,661,646</b>         | <b>₱2,559,676,631</b>          |

Other financial assets at amortized cost also include refundable cash bonds, amounting to ₱83.4 million, which the Company assessed to be unrecoverable. Accordingly, refundable cash bonds were fully provided with allowance for impairment losses since 2016 (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 ₱13,034.9 million and ₱11,876.0 million as at March 31, 2022 and December 31, 2021, respectively (see Note 8). Allowance for inventory write-down and losses amounted to ₱156.1 million and ₱126.3 million as at March 31, 2022 and December 31, 2021 (see Note 8).

*Estimating Useful Lives of Property and Equipment and Computer Software.* The Company estimates the useful lives of property and equipment and computer software based on the years over which the assets are expected to be available for use. The estimated useful lives of property and equipment are

reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. There is no change in estimated useful lives of property and equipment and computer software in 2022 and 2021.

The carrying amount of depreciable property and equipment and computer software follows:

|                         | Note | March 31, 2021<br>(Unaudited) | December 31, 2021<br>(Audited) |
|-------------------------|------|-------------------------------|--------------------------------|
| Property and equipment* | 10   | <b>₱7,380,861,758</b>         | ₱7,218,648,165                 |
| Computer software       | 12   | <b>145,963,748</b>            | 146,059,668                    |
|                         |      | <b>₱7,526,825,506</b>         | <b>₱7,364,707,833</b>          |

\*Excluding construction in progress amounting to 1.037.6 million and 723.7 million as at March 31, 2022 and December 31, 2021, 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 2022 and 2021.

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

|  | Note  | March 31, 2021<br>(Unaudited) | December 31, 2021<br>(Audited) |
|--|-------|-------------------------------|--------------------------------|
| Property and equipment                   | 10    | ₱8,418,465,637                | ₱7,942,305,897                 |
| ROU assets                               | 11    | 6,433,602,500                 | 6,427,857,055                  |
| Input VAT (including deferred input VAT) | 9, 12 | 640,576,912                   | 604,100,084                    |
| Advance payments to suppliers            | 7     | 335,412,935                   | 1,891,090,011                  |
| Materials and supplies                   | 9     | 193,200,927                   | 209,259,229                    |
| Computer software                        | 12    | 145,963,748                   | 146,059,668                    |
|  |       | <b>₱16,167,222,659</b>        | <b>₱17,220,671,944</b>         |

*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.

Retirement expense amounted to ₱13.7 million and ₱10.8 million for the three-month periods ended March 31, 2022 and 2021, respectively (see Note 14).

Net retirement liability amounted to ₱200.0 million as at March 31, 2022 and December 31, 2021, 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.

Net deferred tax assets amounted to ₱395.8 million and ₱374.7 million as at March 31, 2021 and December 31, 2021, respectively (see Note 19).

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#### 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.

As of March 31, 2021, the Company has fully utilized the proceeds from the Offering.

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## 5. Cash and Cash Equivalents

Details of this account are as follows:

|                  | <b>March 31, 2022</b><br><b>(Unaudited)</b> | December 31, 2021<br><b>(Audited)</b> |
|------------------|---|---------------------------------------|
| Cash on hand     | <b>₱8,699,687</b>                           | ₱9,473,828                            |
| Cash in banks    | <b>1,303,545,670</b>                        | 1,076,904,737                         |
| Cash equivalents | <b>1,211,130,000</b>                        | 456,412,000                           |
|                  | <b>₱2,523,375,357</b>                       | <b>₱1,542,790,565</b>                 |

Cash in banks earn interest at prevailing bank deposit rates. Cash Equivalents represent money market placements with interest ranging from 0.4% to 1.6%.

Details of interest income are as follows:

|                           |      | <b>For the Three-month periods</b><br><b>Ended March 31 (Unaudited)</b> |                   |
|---------------------------|------|---|-------------------|
|                           | Note | 2022  | 2021              |
| Short-term investments    | 6    | <b>₱445,638</b>   | ₱6,541,569        |
| Cash and cash equivalents |      | <b>1,509,613</b>  | 1,771,377         |
|                           | 18   | <b>₱1,955,251</b>   | <b>₱8,312,946</b> |

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## 6. Investments

### Short-term investments

Short-term investments amounting to nil and ₱799.5 million as at March 31, 2021 and December 31, 2021, respectively, represent money market placements, which bears 1.4 % interest.

Interest income from these investments amounted to ₱445 thousand and ₱6.5 million for the three-month periods, respectively, (see Note 5).

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## 7. Trade and Other Receivables

Details of this account are as follows:

|                                    | Note | <b>March 31, 2022</b><br><b>(Unaudited)</b> | December 31, 2021<br><b>(Audited)</b> |
|------------------------------------|------|---|---------------------------------------|
| Trade:                             |      |   |                                       |
| Third parties                      |      | <b>₱187,334,024</b>                         | ₱139,962,542                          |
| Related parties                    | 21   | <b>3,118,756</b>                            | 2,144,144                             |
| Advances to officers and employees |      | <b>13,942,247</b>                           | 17,340,363                            |
| Rent receivables                   | 11   | <b>7,093,254</b>                            | 8,599,991                             |
| (Forward)                          |      |   |                                       |

|                                 | Note | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|---------------------------------|------|-------------------------------|--------------------------------|
| Accrued interest                |      | 473,560                       | 197,499                        |
| Others                          |      | 75,516,017                    | 54,563,868                     |
|                                 |      | <b>287,477,858</b>            | 222,808,407                    |
| Allowance for impairment losses |      | <b>(56,617,880)</b>           | (56,481,950)                   |
|                                 |      | <b>₱230,859,978</b>           | ₱166,326,457                   |

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

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

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

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

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 March 31, 2022 (Unaudited) |                                     |                       |   |                          |
|------------------------------------|----------------------------------|-------------------------------------|-----------------------|---|--------------------------|
|                                    | Total                            | Neither Past<br>Due Nor<br>Impaired | Less Than<br>One Year | One Year<br>to Less Than<br>Three Years | More Than<br>Three Years |
| Trade:                             |                                  |                                     |                       |   |                          |
| Third parties                      | ₱187.4                           | ₱110.1                              | ₱16.0                 | ₱23.9                                   | ₱37.4                    |
| Related parties                    | 3.1                              | 1.3                                 | 1.8                   | -                                       | -                        |
|                                    | 190.5                            | 111.4                               | 17.8                  | 23.9                                    | 37.4                     |
| Advances to officers and employees | 13.9                             | 13.9                                | -                     | -                                       | -                        |
| Rental                             | 7.1                              | 5.1                                 | 1.5                   | 0.5                                     | -                        |
| Accrued interest                   | 0.5                              | 0.5                                 | -                     | -                                       | -                        |
| Others                             | 75.6                             | 16.8                                | 56.5                  | 1.6                                     | 0.7                      |
|                                    | 287.6                            | 147.7                               | 75.8                  | 26.0                                    | 38.1                     |
| Allowance for impairment losses    | (56.6)                           | -                                   | (3.3)                 | (15.2)                                  | (38.1)                   |
|                                    | <b>₱231.0</b>                    | <b>₱147.7</b>                       | <b>₱72.5</b>          | <b>₱10.8</b>                            | <b>₱-</b>                |



| <i>Amounts in Millions</i>         | As at December 31, 2021 (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                      | ₱140.0                            | ₱38.3                         | ₱42.0              | ₱23.7                             | ₱36.0                 |
| Related parties                    | 2.1                               | 1.1                           | 0.7                | 0.3                               | –                     |
|                                    | 142.1                             | 39.4                          | 42.7               | 24.0                              | 36.0                  |
| Accrued interest                   | 0.2                               | 0.2                           | –                  | –                                 | –                     |
| Advances to officers and employees | 17.3                              | 17.3                          | –                  | –                                 | –                     |
| Rental                             | 8.6                               | 7.1                           | 0.5                | 1.0                               | –                     |
| Others                             | 54.6                              | 3.0                           | 19.0               | 23.5                              | 9.1                   |
|                                    | 222.8                             | 67.0                          | 62.2               | 48.5                              | 45.1                  |
| Allowance for impairment losses    | (56.5)                            | –                             | (3.6)              | (14.5)                            | (38.4)                |
|                                    | ₱166.3                            | ₱67.0                         | ₱58.6              | ₱34.0                             | ₱6.7                  |

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

|                              | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|------------------------------|-------------------------------|--------------------------------|
| Balance at beginning of year | ₱56,481,950                   | ₱64,607,570                    |
| Provision                    | 135,930                       | 13,189,963                     |
| Write-off                    | –                             | (21,315,583)                   |
| Balance at end of year       | ₱56,617,880                   | ₱56,481,950                    |

Based on management assessment, the allowance for impairment losses on receivables as at March 31, 2022 and December 31, 2021 is adequate to cover for possible losses.

#### Advance Payments to Suppliers

Advance payments to suppliers which pertain to advance payments on purchases of merchandise inventories and other goods and services amounted to ₱335.4 million and ₱1,891.1 million as at March 31, 2022 and December 31, 2021, respectively.

## 8. Merchandise Inventories

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

|         | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|---------|-------------------------------|--------------------------------|
| At cost | ₱12,997,937,089               | ₱11,843,635,801                |
| At NRV  | 36,926,735                    | 32,326,817                     |
|         | ₱13,034,863,824               | ₱11,875,962,618                |

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 ₱193.0 million and ₱158.6 million as at March 31, 2022 and December 31, 2021, respectively.

Allowance for inventory write-down and losses as at March 31, 2022 and December 31, 2021 amounted to ₱156.1 million and ₱126.3 million. Based on management assessment, the allowance for inventory write-down and losses is adequate to cover for possible losses.

Inventories charged to cost of sales amounted to ₱4,720.0 million and ₱4,254.4 million as at March 31, 2022 and 2021, respectively, including any reversal of allowance and provision for inventory write-down and losses.

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9. **Other Current Assets**

Details of this account are as follows:

|                            | <b>March 31, 2022</b> | December 31, 2021 |
|----------------------------|-----------------------|-------------------|
|                            | <b>(Unaudited)</b>    | (Audited)         |
| Current deferred input VAT | <b>₱384,589,107</b>   | ₱321,294,934      |
| Input VAT                  | <b>223,790,736</b>    | 245,234,762       |
| Materials and supplies     | <b>193,200,924</b>    | 209,259,229       |
| Prepaid expenses           | <b>168,517,794</b>    | 123,416,035       |
| Container deposits         | <b>15,391,039</b>     | 13,782,800        |
|                            | <b>₱985,489,600</b>   | ₱912,987,760      |

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

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

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

Container deposits pertain to monetary deposits for containers used for imported goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

## 10. Property and Equipment

Details and movements of this account are as follows:

|  | March 31, 2022 (Unaudited)  |                         |                        |                          |                          | Total                 |
|--|-----------------------------|-------------------------|------------------------|--------------------------|--------------------------|-----------------------|
|  | Buildings and Improvements  | Furniture and Equipment | Leasehold Improvements | Transportation Equipment | Construction in Progress |                       |
| <b>Cost</b>                                      |                             |                         |                        |                          |                          |                       |
| Balance at beginning of period                   | ₱6,570,512,037              | ₱1,659,656,813          | ₱1,287,149,018         | ₱46,586,339              | ₱723,657,732             | ₱10,287,561,939       |
| Additions  | –                           | 103,006,370             | 2,563,822              | 320,893                  | 631,226,121              | 737,117,206           |
| Reclassifications                                | 289,405,058                 | –                       | 27,874,916             | –                        | (317,279,974)            | –                     |
| Disposal   | –                           | (48,932)                | –                      | –                        | –                        | (48,932)              |
| Balance at end of period                         | 6,859,917,095               | 1,762,614,251           | 1,317,587,756          | 46,907,232               | 1,037,603,879            | 11,024,630,213        |
| <b>Accumulated Depreciation and Amortization</b> |                             |                         |                        |                          |                          |                       |
| Balance at beginning of period                   | 826,025,963                 | 906,709,947             | 579,935,500            | 32,584,632               | –                        | 2,345,256,042         |
| Depreciation and amortization                    | 108,672,305                 | 70,473,876              | 79,730,999             | 2,055,818                | –                        | 260,932,998           |
| Disposal   | –                           | (24,464)                | –                      | –                        | –                        | (24,464)              |
| Balance at end of period                         | 934,698,268                 | 977,159,359             | 659,666,499            | 34,640,450               | –                        | 2,606,164,576         |
| <b>Carrying Value</b>                            | <b>₱5,925,218,827</b>       | <b>₱785,454,892</b>     | <b>₱657,921,257</b>    | <b>₱12,266,782</b>       | <b>₱1,037,603,879</b>    | <b>₱8,418,465,637</b> |
|  | December 31, 2021 (Audited) |                         |                        |                          |                          |                       |
|  | Buildings and Improvements  | Furniture and Equipment | Leasehold Improvements | Transportation Equipment | Construction in Progress | Total                 |
| <b>Cost</b>                                      |                             |                         |                        |                          |                          |                       |
| Balance at beginning of year                     | ₱4,421,664,971              | ₱1,412,666,480          | ₱998,833,636           | ₱46,530,839              | ₱1,292,913,963           | ₱8,172,609,889        |
| Additions  | –                           | 197,469,425             | –                      | 940,419                  | 1,917,427,125            | 2,115,836,969         |
| Reclassifications                                | 2,148,847,066               | 49,520,908              | 288,315,382            | –                        | (2,486,683,356)          | –                     |
| Disposal   | –                           | –                       | –                      | (884,919)                | –                        | (884,919)             |
| Balance at end of year                           | 6,570,512,037               | 1,659,656,813           | 1,287,149,018          | 46,586,339               | 723,657,732              | 10,287,561,939        |
| <b>Accumulated Depreciation and Amortization</b> |                             |                         |                        |                          |                          |                       |
| Balance at beginning of year                     | 469,435,977                 | 644,621,872             | 276,961,742            | 24,239,294               | –                        | 1,415,258,885         |
| Depreciation and amortization                    | 356,589,986                 | 262,088,075             | 302,973,758            | 8,897,501                | –                        | 930,549,320           |
| Disposal   | –                           | –                       | –                      | (552,163)                | –                        | (552,163)             |
| Balance at end of year                           | 826,025,963                 | 906,709,947             | 579,935,500            | 32,584,632               | –                        | 2,345,256,042         |
| <b>Carrying Value</b>                            | <b>₱5,744,486,074</b>       | <b>₱752,946,866</b>     | <b>₱707,213,518</b>    | <b>₱14,001,707</b>       | <b>₱723,657,732</b>      | <b>₱7,942,305,897</b> |

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 2022.

Depreciation and amortization are summarized below:

|                        | Note | For the Three-month periods<br>Ended March 31 (Unaudited) |              |
|------------------------|------|---|--------------|
|                        |      | 2022  | 2021         |
| ROU assets             | 11   | <b>₱317,872,809</b>                                       | ₱293,003,774 |
| Property and equipment |      | <b>260,932,998</b>  | 213,841,542  |
| Computer software      | 12   | <b>3,551,595</b>  | 2,867,457    |
|                        | 17   | <b>₱582,357,402</b>                                       | ₱509,712,773 |

The acquisition costs of fully depreciated assets still in use are summarized below:

|                        | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|------------------------|-------------------------------|--------------------------------|
| Property and equipment | <b>₱467,771,567</b>           | ₱376,026,145                   |
| ROU assets             | <b>272,379,953</b>            | 261,298,431                    |
|                        | <b>₱740,151,520</b>           | ₱637,324,576                   |

## 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. The leases are renewable upon mutual agreement by both parties (as amended for certain lease agreements in 2018) to be covered by a separate and new lease agreement upon renewal. The annual rent of most contracts of lease is subject to escalation of 5.00%.

Security deposits amounted to ₱151.6 million and ₱150.8 million as at March 31, 2022 and December 31, 2021, respectively (see Note 12).

Amounts recognized in profit and loss:

|                               | Note | For the Three-month periods<br>Ended March 31 (Unaudited) |              |
|-------------------------------|------|---|--------------|
|                               |      | 2022  | 2021         |
| Amortization on ROU assets    | 10   | <b>₱317,872,809</b>                                       | ₱293,003,774 |
| Interest on lease liabilities | 14   | <b>119,153,664</b>  | 116,359,801  |
| Rent expense                  | 17   | <b>23,720,116</b>   | 45,551,264   |
|                               |      | <b>₱460,746,589</b>                                       | ₱454,914,839 |

Rent expense in 2022 and 2021 pertains to variable lease payments pertaining to real property taxes on leased properties from related parties and short-term leases.

Movements in the ROU assets are presented below:

|                                 |      | March 31, 2022 (Unaudited) |                     |                    |                         |                   |                       |
|---------------------------------|------|----------------------------|---------------------|--------------------|-------------------------|-------------------|-----------------------|
|                                 | Note | Land                       | Land and Buildings  | Buildings          | Retail and Office Units | Computer Software | Total                 |
| <b>Cost</b>                     |      |                            |                     |                    |                         |                   |                       |
| Balances at beginning of period |      | ₱6,033,141,813             | ₱2,878,166,558      | ₱361,379,636       | ₱162,704,797            | ₱38,914,064       | ₱9,474,306,868        |
| Additions                       |      | 323,618,254                | -                   | -                  | -                       | -                 | 323,618,254           |
| Balance at end of period        |      | 6,356,760,067              | 2,878,166,558       | 361,379,636        | 162,704,797             | 38,914,064        | 9,797,925,122         |
| <b>Amortization</b>             |      |                            |                     |                    |                         |                   |                       |
| Balances at beginning of period |      | 909,861,974                | 1,742,582,802       | 246,749,619        | 108,341,354             | 38,914,064        | 3,046,449,813         |
| Amortization                    | 10   | 108,761,939                | 177,539,357         | 23,416,997         | 8,154,516               | -                 | 317,872,809           |
| Balances at end of period       |      | 1,018,623,913              | 1,920,122,159       | 270,166,616        | 116,495,870             | 38,914,064        | 3,364,322,622         |
| <b>Carrying Value</b>           | 3    | <b>₱5,338,136,154</b>      | <b>₱958,044,399</b> | <b>₱91,213,020</b> | <b>₱46,208,927</b>      | <b>₱-</b>         | <b>₱6,433,602,500</b> |

|                                |      | December 31, 2021 (Audited) |                       |                     |                         |                   |                       |
|--------------------------------|------|-----------------------------|-----------------------|---------------------|-------------------------|-------------------|-----------------------|
|                                | Note | Land                        | Land and Buildings    | Buildings           | Retail and Office Units | Computer Software | Total                 |
| <b>Cost</b>                    |      |                             |                       |                     |                         |                   |                       |
| Balances as at January 1, 2021 |      | ₱4,943,242,213              | ₱2,616,597,530        | ₱361,379,636        | ₱162,704,797            | ₱38,914,064       | ₱8,122,838,240        |
| Additions                      |      | 1,089,899,600               | 261,569,028           | -                   | -                       | -                 | 1,351,468,628         |
| Balance as at end of year      |      | 6,033,141,813               | 2,878,166,558         | 361,379,636         | 162,704,797             | 38,914,064        | 9,474,306,868         |
| <b>Amortization</b>            |      |                             |                       |                     |                         |                   |                       |
| Balances as at January 1, 2021 |      | 516,793,098                 | 1,067,803,338         | 147,793,002         | 75,692,997              | 34,590,278        | 1,842,672,713         |
| Amortization                   | 10   | 393,068,876                 | 674,779,464           | 98,956,617          | 32,648,357              | 4,323,786         | 1,203,777,100         |
| Balances as at end of the year |      | 909,861,974                 | 1,742,582,802         | 246,749,619         | 108,341,354             | 38,914,064        | 3,046,449,813         |
| <b>Carrying Value</b>          | 3    | <b>₱5,123,279,839</b>       | <b>₱1,135,583,756</b> | <b>₱114,630,017</b> | <b>₱54,363,443</b>      | <b>₱-</b>         | <b>₱6,427,857,055</b> |

Movements in the lease liabilities are presented below:

|                                    | Note | March 31, 2021<br>(Unaudited) | December 31, 2021<br>(Audited) |
|------------------------------------|------|-------------------------------|--------------------------------|
| Balance at beginning of the period |      | ₱7,180,988,167                | ₱6,786,892,546                 |
| Additions                          |      | 322,959,585                   | 1,337,322,817                  |
| Payments                           |      | (378,053,003)                 | (1,411,435,484)                |
| Interest expense                   |      | 119,153,664                   | 470,071,458                    |
| Rent concession                    | 18   | –                             | (1,863,170)                    |
| Balance at end of the period       |      | 7,245,048,413                 | 7,180,988,167                  |
| Current portion                    |      | 1,251,178,286                 | 1,401,610,716                  |
| Noncurrent portion                 |      | ₱5,993,870,127                | ₱5,779,377,451                 |

Due to the impact of the Covid-19 pandemic, the Company received rent concession from its lessors related to its leases of land and buildings. The Company adopted the amendments to PFRS 16 upon its effectivity by applying the practical expedient. The amount of reduction in lease liabilities that was recognized in profit or loss amounted to ₱1.9 million in 2021.

As at March 31, 2022 and December 31, 2021, the future minimum lease payments are as follows:

|                            | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|----------------------------|-------------------------------|--------------------------------|
| Less than one year         | ₱903,769,746                  | ₱1,031,209,851                 |
| Between one and five years | 3,155,466,691                 | 3,077,044,641                  |
| More than five years       | 6,853,081,025                 | 6,648,804,887                  |
|                            | ₱10,912,317,462               | ₱10,757,059,379                |

#### *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 ₱13.9 million and ₱15.0 million for the three-month periods ended March 31, 2022 and 2021, respectively, (see Note 18). Rent receivables amounted to ₱7.1 million and ₱8.6 million as at March 31, 2021 and December 31, 2021, respectively (see Note 7).

## 12. Other Noncurrent Assets

Details of this account are as follows:

|                               | Note | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|-------------------------------|------|-------------------------------|--------------------------------|
| Security deposits             | 11   | ₱151,629,985                  | ₱150,805,498                   |
| Computer software             |      | 145,963,748                   | 146,059,668                    |
| Electricity deposits          |      | 66,051,273                    | 62,302,471                     |
| Noncurrent deferred input VAT |      | 32,197,069                    | 37,570,388                     |
| Advances to contractors       |      | 9,898,988                     | 7,081,005                      |
|                               |      | ₱405,741,063                  | ₱403,819,030                   |

Movements of computer software are as follows:

|                                 | Note | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|---------------------------------|------|-------------------------------|--------------------------------|
| <b>Cost</b>                     |      |                               |                                |
| Balance at beginning of period  |      | ₱185,548,068                  | ₱140,808,567                   |
| Additions                       |      | 3,455,675                     | 44,739,501                     |
| Balance at end of period        |      | 189,003,743                   | 185,548,068                    |
| <b>Accumulated Amortization</b> |      |                               |                                |
| Balance at beginning of period  |      | 39,488,400                    | 26,870,357                     |
| Amortization                    | 10   | 3,551,595                     | 12,618,043                     |
| Balance at end of period        |      | 43,039,995                    | 39,488,400                     |
| <b>Carrying Amount</b>          |      | <b>₱145,963,748</b>           | <b>₱146,059,668</b>            |

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

Advances to contractors pertain to payments for purchase of materials and services for the constructions of assets to be classified as property and equipment. The advances will be applied against the future billings of the contractors.

The 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 March 31, 2022 and 2021, the refund of cash bonds is still pending with the BOC. Accordingly, this has been fully provided with allowance since 2016.

### 13. Trade and Other Payables

Details of this account are as follows:

|                      | Note | March 31, 2022<br>(Unaudited) | December 31, 2021<br>(Audited) |
|----------------------|------|-------------------------------|--------------------------------|
| Trade:               |      |                               |                                |
| Third parties        |      | ₱5,033,925,792                | ₱6,043,676,240                 |
| Related parties      | 21   | 20,625                        | 7,088,979                      |
| Nontrade:            |      |                               |                                |
| Third parties        |      | 488,387,191                   | 394,471,809                    |
| Related parties      | 21   | 6,032,155                     | 3,848,685                      |
| Accrued expenses:    |      |                               |                                |
| Construction costs   |      | 123,247,273                   | 11,702,641                     |
| Salaries and wages   |      | 115,790,092                   | 155,698,950                    |
| Utilities            |      | 36,082,705                    | 33,061,845                     |
| Outside services     |      | 34,120,808                    | 77,016,582                     |
| Advertising expenses |      | 7,866,249                     | 8,248,827                      |
| Others               |      | 33,279,492                    | 17,341,973                     |
| (Forward)            |      |                               |                                |

|                         |      | <b>March 31, 2022</b> | December 31, 2021 |
|-------------------------|------|-----------------------|-------------------|
|                         | Note | <b>(Unaudited)</b>    | (Audited)         |
| Advances from customers |      | <b>418,487,394</b>    | 304,604,500       |
| Unearned revenue        |      | <b>109,475,255</b>    | 119,228,278       |
| Statutory payables      |      | <b>107,438,617</b>    | 84,127,001        |
|                         |      | <b>₱6,514,153,648</b> | ₱7,260,116,310    |

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.

Unearned revenues pertain to unearned revenue on loyalty program and unredeemed gift certificates.

Statutory payables pertain to withholding taxes and obligatory contributions as mandated by the government. These are paid within 12 months.

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#### 14. Long-term Debt

Long-term debt amounting to ₱20,000 represent loans which matured in August 2021 and bears interest ranging from 3.25% to 3.65% in 2021.

Details of interest expense follows:

|                   |      | <b>For the Three-month periods</b> |              |
|-------------------|------|------------------------------------|--------------|
|                   |      | <b>Ended March 31 (Unaudited)</b>  |              |
|                   | Note | 2022                               | 2021         |
| Lease liabilities | 11   | <b>₱119,153,664</b>                | ₱116,359,801 |
| Long-term debt    |      | -                                  | 176          |
|                   |      | <b>₱119,153,664</b>                | ₱116,359,977 |

As at March 31, 2021, 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).

There are no other financing activities other than presented in the statement of cash flows and no noncash financing activity in 2022 and 2021.

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#### 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, 2021.

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

|                      | <b>For the Three-month periods<br/>Ended March 31 (Unaudited)</b> |             |
|----------------------|---|-------------|
|                      | <b>2022</b>   | <b>2021</b> |
| Current service cost | <b>₱10,870,629</b>  | ₱6,583,497  |
| Interest expense     | <b>6,289,444</b>  | 6,522,850   |
| Interest income      | <b>(3,475,503)</b>  | (2,302,152) |
|                      | <b>₱13,684,570</b>  | ₱10,804,195 |

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

|   | <b>March 31, 2022<br/>(Unaudited)</b> | <b>December 31, 2021<br/>(Audited)</b> |
|---|---------------------------------------|--|
| Present value of defined benefit obligation | <b>₱464,075,705</b>                   | ₱446,915,632                           |
| Fair value of plan assets                   | <b>(264,105,322)</b>                  | (246,962,423)                          |
|   | <b>₱199,970,383</b>                   | ₱199,953,209                           |

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:

|                                    | <b>March 31, 2022<br/>(Unaudited)</b> | <b>December 31, 2021<br/>(Audited)</b> |
|------------------------------------|---------------------------------------|--|
| Balance at beginning of period     | <b>₱446,915,632</b>                   | ₱521,452,584                           |
| Current service cost               | <b>10,870,629</b>                     | 43,665,337                             |
| Interest expense                   | <b>6,289,444</b>                      | 20,388,796                             |
| Remeasurement loss (gain):         |                                       |  |
| Changes in financial assumptions   | -                                     | (91,884,507)                           |
| Changes in demographic assumptions | -                                     | (40,929,121)                           |
| Experience                         | -                                     | 3,165,599                              |
| Benefits paid                      | -                                     | (8,943,056)                            |
| Balance at end of period           | <b>₱464,075,705</b>                   | ₱446,915,632                           |

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

|                                 | <b>March 31, 2022</b><br><b>(Unaudited)</b> | December 31, 2021<br><b>(Audited)</b> |
|---------------------------------|---|---------------------------------------|
| Balance at beginning of period  | <b>₱246,962,423</b>                         | ₱184,039,628                          |
| Contributions                   | <b>13,667,396</b>                           | 61,089,848                            |
| Interest income                 | <b>3,475,503</b>                            | 8,215,419                             |
| Remeasurement gain              | -   | 2,560,584                             |
| Benefits paid                   | -   | (8,943,056)                           |
| <b>Balance at end of period</b> | <b>₱264,105,322</b>                         | <b>₱246,962,423</b>                   |

Details of plan assets are as follows:

|                                     |                |
|-------------------------------------|----------------|
| Cash and cash equivalents           | 2.24%          |
| Equity instruments                  | 15.30%         |
| Debt instruments - government bonds | 27.52%         |
| Debt instruments - other bonds      | 12.26%         |
| Unit investment trust funds         | 18.16%         |
| Mutual funds                        | 4.25%          |
| Loans                               | 11.84%         |
| Others                              | 8.43%          |
|                                     | <b>100.00%</b> |

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

|                             | <b>March 31, 2022</b><br><b>(Unaudited)</b> | December 31, 2021<br><b>(Audited)</b> |
|-----------------------------|---|---------------------------------------|
| Discount rate               | <b>5.63%</b>                                | 5.25%                                 |
| Annual salary increase rate | <b>4.00%</b>                                | 4.00%                                 |

Sensitivity analysis on retirement liabilities is as follows:

|               | Basis Points | Amount        |
|---------------|--------------|---------------|
| Discount rate | +100         | (₱54,388,537) |
|               | -100         | 66,180,151    |
| Salary rate   | +100         | 66,354,040    |
|               | -100         | (55,463,895)  |
| Turnover rate | -            | 175,009,979   |

As at March 31, 2022, the expected future benefits payments are as follows:

| Year         | Amount              |
|--------------|---------------------|
| 2022         | ₱69,359,897         |
| 2023         | 5,602,007           |
| 2024         | 10,272,324          |
| 2025         | 14,515,496          |
| 2026         | 15,143,362          |
| 2027 to 2031 | 105,315,710         |
|              | <b>₱220,208,796</b> |

## 16. Equity

Details of capital stock as at March 31, 2022 and December 31, 2021 are as follows:

|                            | Number of<br>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 March 31, 2022 and 2021, the Company has 4,099,724,116 listed shares.

On February 23, 2022, the Company's BOD approved the declaration of regular cash dividend of ₱0.15 per share and a special cash dividend of ₱0.06 per share or a total of ₱0.21 per share, an amount equivalent to ₱860.9 million to stockholders on record date of March 18, 2022 and payment date of April 12, 2022.

On February 24, 2021, the Company's BOD approved the declaration of regular cash dividend of ₱0.10 per share and a special cash dividend of ₱0.02 per share or a total of ₱0.12 per share, an amount equivalent to ₱492.0 million to stockholders on record date of March 19, 2021 and payment date of April 16, 2021.

## 17. Operating Expenses

Details of this account are as follows:

|   | Note | <b>For the Three-Month Periods<br/>Ended March 31 (Unaudited)</b> |              |
|---|------|---|--------------|
|   |      | <b>2022</b>   | <b>2021</b>  |
| Depreciation and amortization                 | 10   | <b>₱582,357,402</b>   | ₱509,712,773 |
| Salaries, wages and employee benefits         |      | <b>304,567,455</b>  | 283,663,128  |
| Outsourced services                           |      | <b>261,167,631</b>  | 227,930,689  |
| Trucking services                             |      | <b>171,477,280</b>  | 143,859,055  |
| Utilities                                     |      | <b>142,626,917</b>  | 115,905,618  |
| Taxes and licenses                            |      | <b>87,219,132</b>   | 70,644,304   |
| Credit card charges                           |      | <b>60,399,493</b>   | 51,392,304   |
| Rent  | 11   | <b>23,720,116</b>   | 45,551,264   |
| Repairs and maintenance                       |      | <b>31,108,554</b>   | 28,288,394   |
| Supplies                                      |      | <b>26,859,294</b>   | 24,721,836   |
| Advertising and promotions                    |      | <b>32,562,301</b>   | 14,357,249   |
| Postage, telephone and telegraph<br>(Forward) |      | <b>10,275,161</b>   | 9,817,603    |

|                             | Note | For the Three-Month Periods<br>Ended March 31 (Unaudited) |                       |
|-----------------------------|------|---|-----------------------|
|                             |      | 2022  | 2021                  |
| Donations and contributions |      | 1,785,404   | 5,711,788             |
| Professional fees           |      | 3,988,975   | 3,517,735             |
| Transportation and travel   |      | 3,505,271   | 1,766,748             |
| Others                      |      | 22,351,730  | 14,723,019            |
|                             |      | <b>₱1,765,972,116</b>                                     | <b>₱1,551,563,507</b> |

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

## 18. Other Income

Details of this account are as follows:

|  | Note | For the Three-Month Periods<br>Ended March 31 (Unaudited) |                    |
|--|------|---|--------------------|
|  |      | 2022  | 2021               |
| Supplier support and other fees          |      | ₱49,773,440   | ₱27,108,415        |
| Delivery fees and other customer charges |      | 20,273,684  | 16,704,503         |
| Rent                                     | 11   | 13,896,652  | 14,993,932         |
| Net realized foreign exchange gain       |      | 1,029,972   | 1,635,449          |
| Interest                                 | 5    | 1,955,251   | 8,312,946          |
|  |      | <b>₱86,928,999</b>  | <b>₱68,755,245</b> |

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

Interest income arises from investment in short-term investments and cash equivalents and cash in banks.

## 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:

|  | For the Three-Month Periods<br>Ended March 31 (Unaudited) |                     |
|--|---|---------------------|
|  | 2022  | 2021                |
| Income tax expense at statutory rate           | ₱283,392,194  | ₱205,558,165        |
| Income tax effects of:                         |   |                     |
| Interest income already subjected to final tax | (488,813)   | (2,078,236)         |
| Adjustment due to change in tax rate           | –   | 14,346,602          |
|  | <b>₱282,903,381</b>                                       | <b>₱217,826,531</b> |

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

|   | <b>March 31, 2022</b> | December 31, 2021 |
|---|-----------------------|-------------------|
|   | <b>(Unaudited)</b>    | (Audited)         |
| Deferred tax assets:                              |                       |                   |
| Lease liabilities, net of ROU assets              | <b>₱239,538,140</b>   | ₱226,375,823      |
| Retirement liability                              | <b>57,111,372</b>     | 57,339,824        |
| Allowance for inventory write-down and losses     | <b>39,027,381</b>     | 31,575,568        |
| Unearned revenue from loyalty program             | <b>25,051,603</b>     | 24,392,051        |
| Allowance for impairment of refundable cash bonds | <b>20,852,484</b>     | 20,852,483        |
| Allowance for impairment losses on receivables    | <b>14,154,470</b>     | 14,120,488        |
| Unrealized foreign exchange gain                  | <b>81,149</b>         | 11,906            |
|   | <b>₱395,816,599</b>   | ₱374,668,143      |

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

|                                    |      | <b>March 31, 2022</b> | December 31, 2021 |
|------------------------------------|------|-----------------------|-------------------|
|                                    | Note | <b>(Unaudited)</b>    | (Audited)         |
| Through profit or loss             |      | <b>₱429,073,589</b>   | ₱407,925,133      |
| Through other comprehensive income | 15   | <b>(33,256,990)</b>   | (33,256,990)      |
|                                    |      | <b>₱395,816,599</b>   | ₱374,668,143      |

On November 26, 2020, the Corporate Recovery and Tax Incentives for Enterprises (“CREATE”) Bill was approved by the Senate of the Philippines. Under the CREATE Bill, domestic corporations will be subjected to 25% or 20% income tax depending on the amount of total assets or total amount of taxable income. In addition, MCIT shall be computed at 1% of gross income for a period of three years. The changes in the income tax rates shall retrospectively become effective beginning July 1, 2020.

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No.2-2021 dated April 8, 2021 issued by the BIR, the prorated CIT rate of the Company for year ended December 31, 2020 is 27.5%. The result is lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020 amounting to ₱54.7 million. The reduced amounts are reflected in the Company’s 2020 annual income tax return. However, for financial reporting purposes, the changes are recognized in the first quarter of 2021 financial statements. In addition, a reduction in net deferred tax assets as of December 31, 2020 and higher provision for deferred income tax for the year then ended by ₱69.0 million. The re-valuation is recognized in the first quarter of 2021 financial statements.

## 20. Commitments and Contingencies

### Agreements with Importing Suppliers

Purchases from certain importing suppliers are subject to rebates based on an agreed percentage of sales from goods purchased.

### 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 March 31, 2022 and December 31, 2021.

## 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 Three-Month Periods<br>Ended March 31 (Unaudited) |                                      | As at March 31, 2022 (Unaudited)<br>and December 31, 2021 (Audited) |                                       |
|----------------------------------|-------------|---|--------------------------------------|---|---------------------------------------|
|                                  |             | Revenue from<br>Related Parties                           | Purchases<br>from Related<br>Parties | Amounts<br>Owed by<br>Related Parties                               | Amounts<br>Owed to<br>Related Parties |
| Parent Company                   | <b>2022</b> | <b>₱865,572</b>   | <b>₱186,076,363</b>                  | <b>₱226,333,912</b>   | <b>₱38,310</b>                        |
|                                  | 2021        | ₱202,289  | ₱205,380,757                         | ₱225,383,666  | ₱-                                    |
| Entities under<br>Common Control | <b>2022</b> | <b>2,022,682</b>  | <b>261,400,717</b>                   | <b>166,215,364</b>  | <b>6,635,694</b>                      |
|                                  | 2021        | 1,759,922   | 248,096,243                          | 192,195,070   | 10,904,283                            |
| Stockholders                     | <b>2022</b> | <b>633,564</b>  | <b>7,371,832</b>                     | <b>10,876,569</b>   | <b>41,843</b>                         |
|                                  | 2021        | 212,043   | 13,095,343                           | ₱10,181,764   | ₱33,381                               |
|                                  | <b>2022</b> | <b>₱3,521,818</b>   | <b>₱454,848,912</b>                  | <b>₱403,425,845</b>   | <b>₱6,715,847</b>                     |
|                                  | 2021        | ₱2,174,254  | ₱466,572,343                         | ₱427,760,500  | ₱10,937,664                           |

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱ 4.3 million and ₱ 33.5 million as at March 31, 2022 and December 31, 2021, respectively (see Note 7) and security deposits and advance rent (included as part of "Other current assets", "Right of Use Asset" or "Other noncurrent assets") aggregating ₱399.1 million and ₱394.3 million as at March 31, 2022 and December 31, 2021, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2022 and 2021. Amounts owed to related parties consist of trade and other payables aggregating ₱6.7 million and ₱10.9 million as at March 31, 2022 and December 31, 2021, 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 ₱20,575 and ₱3.0 million for the three-month periods ended March 31, 2022 and 2021, respectively.

Sale of goods and services to related parties aggregated ₱3.5 million and ₱2.2 million for the three-month periods ended March 31, 2022 and 2021, 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 ₱13.5 million and ₱66.9 million for the three-month periods ended March 31, 2022 and 2021, respectively.

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

Interest expense on lease liabilities to related parties amounted to ₱ 112.6 million and ₱111.2 million while amortization of ROU assets amounted to ₱294.9 million and ₱281.8 million for the three-month periods ended March 31, 2022 and 2021, respectively.

Total lease payments, including payments on lease liabilities, amounted to ₱384.9 million and ₱321.9 million for the three-month periods ended March 31, 2022 and 2021, respectively.

Rent expense from related parties amounted to ₱33.8 million and ₱3.7 million for the three-month periods ended March 31, 2022 and 2021, respectively.

- d. As at March 31, 2021, 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).

Balances are unsecured and are normally settled in cash. Lease payments are due within the first 10 days of the month. Reimbursement of expenses and purchases and sales of goods and services normally have a repayment term of 30 days.

No guarantees have been provided or received for these balances. Impairment review is undertaken each financial year. No impairment loss on amounts owed by related parties was recognized as at March 31, 2022 and December 31, 2021.

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

|                              | For the Three-month Periods<br>Ended March 31 (Unaudited) |             |
|------------------------------|---|-------------|
|                              | 2022  | 2021        |
| Short-term employee benefits | <b>₱36,201,451</b>  | ₱33,988,335 |
| Retirement benefits          | <b>2,135,453</b>  | 1,623,301   |
|                              | <b>₱38,336,904</b>  | ₱35,611,636 |

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## 22. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

|   | For the Three-month Periods<br>Ended March 31 (Unaudited) |               |
|---|---|---------------|
|   | 2022  | 2021          |
| Net income  | ₱850,665,395  | ₱604,406,131  |
| Divided by the weighted average<br>number of outstanding shares | 4,099,724,116   | 4,099,724,116 |
|   | <b>₱0.21</b>  | <b>₱0.15</b>  |

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## 23. Financial Risk Management Objectives and Policies

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

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

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

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

*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:

|                      | <b>March 31, 2022</b>  | December 31, 2021 |
|----------------------|------------------------|-------------------|
|                      | <b>(Unaudited)</b>     | (Audited)         |
| Total debt           | <b>₱15,295,500,116</b> | ₱14,858,872,616   |
| Total equity         | <b>17,468,127,377</b>  | 17,478,404,045    |
| Debt-to-equity ratio | <b>0.88:1</b>          | 0.85:1            |

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

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## **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.

*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 2022 and 2021, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE PERIOD ENDED MARCH 31, 2022**

|   |                |
|---|----------------|
| Retained earnings at beginning of period as shown in the financial statements | ₱7,905,170,532 |
| Net income during the period closed to retained earnings                      | 850,665,395    |
| Dividends declared during the period  | (860,942,063)  |
| Net deferred tax assets as at March 31, 2022                                  | (395,816,599)  |

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|  |                       |
|--|-----------------------|
| Retained earnings as at end of period available for dividend declaration | <u>₱7,499,077,265</u> |
|--|-----------------------|

**Reconciliation**

|   |                |
|---|----------------|
| Retained earnings at end of period as shown in the financial statements | ₱7,894,893,864 |
| Net deferred tax assets as at March 31, 2022                            | (395,816,599)  |

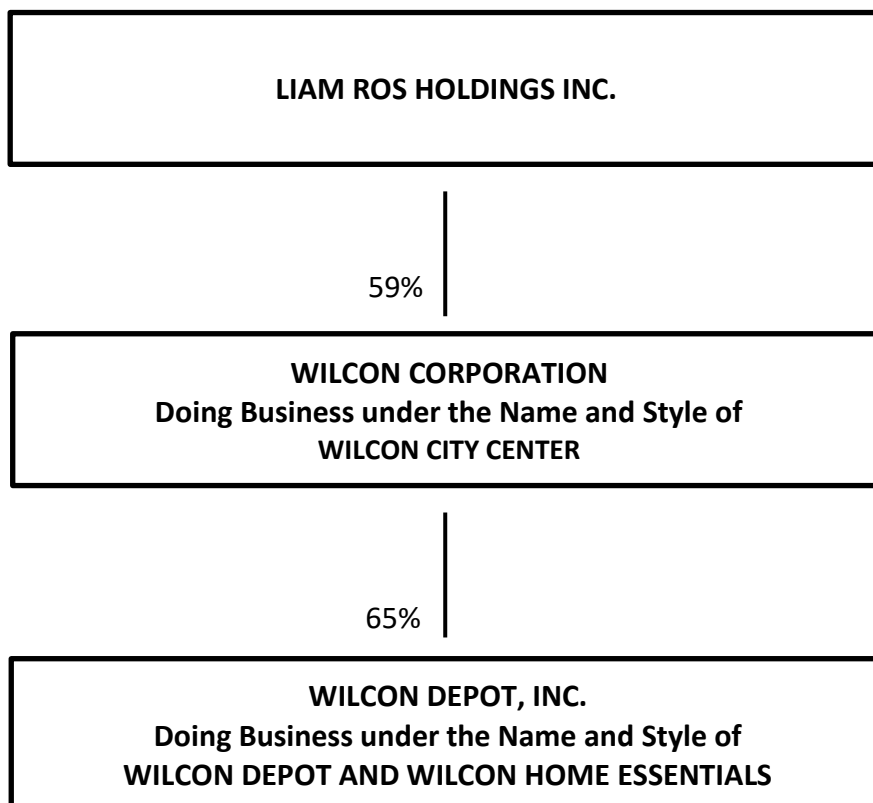
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|  |                       |
|--|-----------------------|
| Retained earnings as at end of period available for dividend declaration | <u>₱7,499,077,265</u> |
|--|-----------------------|

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**CORPORATE STRUCTURE**  
**AS AT MARCH 31, 2022**



**WILCON DEPOT, INC.**  
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**SUPPLEMENTARY SCHEDULE OF APPLICATION OF**  
**PROCEEDS FROM INITIAL PUBLIC OFFERING**  
**AS AT MARCH 31, 2022**

As at March 31, 2021, the Company has fully utilized the proceed from the Offering. The details of the actual use of proceeds are presented below:

|                            |                                   |
|----------------------------|-----------------------------------|
| Store network expansion    | ₱6,121,228,507                    |
| Debt repayment             | 428,100,000                       |
| Offer expenses             | 289,897,803                       |
| General corporate purposes | 200,000,000                       |
|                            | <hr/> <b>₱7,039,226,310</b> <hr/> |

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**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE PERIODS ENDED MARCH 31, 2022 AND 2021**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022**

| <b>Formula</b>             |   | <b>March 31,<br/>2022<br/>(Unaudited)</b>   | <b>March 31,<br/>2021<br/>(Unaudited)</b> | <b>December 31,<br/>2021<br/>(Audited)</b> |
|----------------------------|---|---|---|--|
| <b>Liquidity ratio</b>     |   |   |   |  |
| Current ratio              | Total Current Assets<br>Divide by: Total Current Liabilities<br>Current ratio   | ₱17,110,001,694<br>9,101,658,474<br><u>1.88</u>   | <b>1.88 : 1</b>                           | 1.85 : 1<br>1.94 : 1                       |
| Acid test ratio            | Total Current Assets<br>Less: Merchandise Inventories<br>Other Current Assets<br>Quick Assets<br>Divided by: Total Current Liabilities<br>Acid test ratio | ₱17,110,001,694<br>13,034,863,824<br>985,489,600<br>3,089,648,270<br>9,101,658,474<br><u>0.34</u> | <b>0.34 : 1</b>                           | 0.63 : 1<br>0.50 : 1                       |
| <b>Solvency ratio</b>      |   |   |   |  |
| Debt to equity ratio       | Total Liabilities<br>Divide by: Total Equity<br>Debt to equity ratio  | ₱15,295,498,984<br>17,468,128,509<br><u>0.88</u>  | <b>0.88 : 1</b>                           | 0.86 : 1<br>0.85 : 1                       |
| Asset to equity ratio      | Total Assets<br>Divided by: Total Equity<br>Asset to equity ratio   | ₱32,763,627,493<br>17,468,128,509<br><u>1.88</u>  | <b>1.88</b>                               | 1.86<br>1.85                               |
| <b>Profitability ratio</b> |   |   |   |  |
| Return on assets           | Net Income<br>Divided by: Total Assets<br>Return on assets  | ₱850,665,395<br>33,003,559,153<br><u>2.58%</u>  | <b>2.58%</b>                              | 2.12%<br>7.92%                             |
| Return on equity           | Net Income<br>Divided by: Average Equity<br>Return on equity  | ₱850,665,395<br>17,420,623,857<br><u>4.88%</u>  | <b>4.88%</b>                              | 3.89%<br>14.66%                            |
| Book value per share       | Total Equity<br>Divided by: Number of outstanding<br>shares   | ₱17,468,128,509<br>4,099,724,116<br><u>₱4.26</u>  | <b>₱4.26</b>                              | ₱3.76<br>₱4.26                             |

|                   | <b>Formula</b>   |  | <b>March 31,<br/>2022<br/>(Unaudited)</b> | March 31,<br>2021<br>(Unaudited) | December 31,<br>2021<br>(Audited) |
|-------------------|--|--|---|----------------------------------|-----------------------------------|
| Gross income      | Gross income<br>Divided by: Net Sales  | ₱2,931,765,556<br>7,651,657,039<br><u>38.32%</u>   | <b>38.32%</b>                             | 36.27%                           | 37.35%                            |
| EBITDA margin     | Income before Income Tax<br>Add: Depreciation and<br>Amortization<br>Net Interest Expense<br>Earnings Before Interest, Tax,<br>Depreciation, and<br>Amortization<br>Divided by: Net Sales<br>EBITDA margin | ₱1,133,568,776<br>582,357,402<br>117,198,413<br><u>1,833,124,591</u><br>7,651,657,039<br><u>23.96%</u> | <b>23.96%</b>                             | 21.57%                           | 21.85%                            |
| Net income margin | Net Income<br>Divided by: Net Sales<br>Net income margin   | ₱850,665,395<br>7,651,657,039<br><u>11.12%</u>   | <b>11.12%</b>                             | 9.05%                            | 9.31%                             |