

HOME LIVING



WILCON



DEPOT

WILCON
BUILDING BIG IDEAS



POZZI



WILCON DEPOT

2022 ANNUAL REPORT
YEARS IN
BUILDING
BIG IDEAS



**Fortifying Leadership
and Embracing Innovation**

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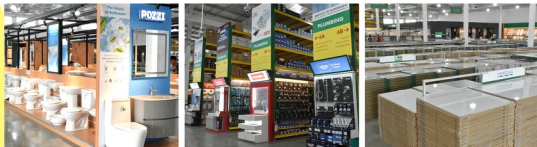
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SUSTAINABILITY
REPORT

CORPORATE PROFILE



WILCON DEPOT, INC. (PSE: WILCON) is the Philippines' leading home improvement and construction supplies retailer. It caters to the fast-growing segment of middle-to-high income homeowners whose needs range from new home construction, renovation, repair and maintenance to furnishing and design. Wilcon is top-of-mind among homebuilders and homeowners looking to build or renovate their homes with its complete spectrum of home improvement product offerings.

Wilcon carries local and international brands of tiles, sanitary wares and plumbing, hardware and tools, electrical and lighting, paints and building materials, and also household items such as furniture and home interiors, appliances and houseware, among others. Despite having a huge collection of products, Wilcon offers ease and comfort in shopping through its organized and clutter-free environment.

Wilcon traces its roots to 1977 when its founder, Mr. William T. Belo, opened his first branch, a modest 60-sqm hardware store, in Quezon City. He gradually expanded the pioneer Wilcon branch as business picked up, opening three more Metro Manila branches with an average size of 2,400 sqm from 1989 to 1995.

Wilcon's first foray outside Metro Manila was in 2002 when it opened a branch in Davao City. In its continued efforts to find ways of delivering the best service to its customers, Wilcon built its first depot-format store in Las Piñas in 2003. The depot-format is a pioneering concept for the industry at that time, at 10,000 sqm in size, with a more comprehensive product selection. The depots offered a more comfortable shopping experience with free parking, air-conditioned stores, reliable delivery service and knowledgeable sales personnel. Over the next 19 years, Wilcon rapidly expanded its operation with the opening of 71 more depot format stores around the country.

In its initial years, the business operated under several corporate entities based on the geographical location of the branches and store formats. The companies were then consolidated into Wilcon Builders Depot, Inc. (WBDI), to achieve economies of scale and promote operational efficiencies, which was completed in 2013.

On December 17, 2015, the Company, Wilcon Depot, Inc. (WDI) was incorporated to operate the retail business of WBDI, which was renamed to Wilcon Corporation (WC) in November 2016. WDI commenced operations on April 1, 2016 upon transfer of the retail operations of the parent company and was listed on the Philippine Stock Exchange on March 31, 2017. WDI was included in the Philippine Stock Exchange Index on October 11, 2021.

After its public listing, WDI embarked on an aggressive store network expansion program, more than doubling the number of its branches from 36 at the start of 2017 to 83 by the end of 2022.

MISSION & VISION



OUR MISSION

To help people build, improve, and refine their homes for a sustainable and comfortable life.



OUR VISION

Our vision is to become the preferred company in our industry for all our key stakeholders: our customers, our partners, our employees, our shareholders, the environment and the society we live in.

To deserve the trust and respect our key stakeholders place in us, we at Wilcon differentiate ourselves by the standard of excellence and commitment we adhere to.

For our customers, we are committed to delivering products and solutions of superior quality and providing excellent and reliable service.

For our partners, we are committed to nurturing a winning network of suppliers in order to create mutual and enduring value.

For our employees, we are committed to create an environment that respects their dignity as persons, cultivates knowledge and talent, and empowers them to be the best they can be through continuous career and development opportunities.

For our shareholders, we are committed to maximize long - term returns to shareholders that can enable growth and prosperity in the business, and in turn, provide more opportunities for our employees and more solutions to our customers.

For the environment that supports the life we live on this planet, we are committed to promoting and innovating practical solutions that protect and manage the use of our natural resources by continuously providing eco-friendly products, adopting technologies and business practices, and shaping the behavior of our customers for better environmental impacts of the business.

For the society we live in, we are committed to contributing the best expertise, knowledge, skills, and resources to promote stronger, safer and more sustainable homes and buildings for all kinds of people.



OUR RESPONSIBILITY

We have a responsibility to be a reliable, trustworthy and excellent source of innovative solutions for the homes and buildings of our customers.

Fully embracing our corporate responsibility starts with being attentive to the needs of our customers and stakeholders, treating all our partners fairly, developing a comfortable work environment and upholding the spirit and practice of our values in every area of our business.



OUR VALUES



Loyalty to our customers and the company



Integrity to all Stakeholders



Excellence in Customer Experience



Innovation



Customer Delight



Leadership



Collaboration

BRANCHES NATIONWIDE



ENJOY YOUR SHOPPING

WILCON
 BUILDING BIG IDEAS

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LUZON

10

VISAYAS

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MINDANAO

METRO MANILA (DEPOT)

- VALENZUELA CITY
- FAIRVIEW
- QUIRINO
- BALINTAWAK
- QUEZON AVENUE
- LIBIS
- CAPITOL-COMMONWEALTH
- WILCON IT HUB
- SUCAT
- ALABANG
- FILINVEST
- PASONG TAMO

METRO MANILA (HOME ESSENTIALS)

- MINDANAO AVENUE
- CITY CENTER, VISAYAS AVE.
- MUÑOZ
- ALI MALL
- STA. MESA
- PASAY CITY

LUZON (DEPOT)

- LAOAG, ILOCOS NORTE
- BANTAY, ILOCOS SUR
- BAUANG, LA UNION
- VILLASIS, PANGASINAN
- IGUIG, CAGAYAN
- CABANATUAN CITY, NUEVA ECUIJA

- GAPAN, NUEVA ECUIJA
- SAN JOSE, NUEVA ECUIJA
- CORDON, ISABELA
- TARLAC CITY
- PANIQUI, TARLAC
- OLONGAPO CITY
- ABUCAY, BATAAN
- DAU, PAMPANGA
- SAN FERNANDO, PAMPANGA
- MEXICO, PAMPANGA
- BALIUAG, BULACAN
- SAN JOSE DEL MONTE CITY
- CALUMPIT, BULACAN
- TAYTAY, RIZAL
- SAN JUAN, TAYTAY, RIZAL
- ANTIPOLO CITY
- MAYAMOT, ANTIPOLO CITY
- SAN ISIDRO, ANTIPOLO CITY
- DASMARIÑAS CITY
- GENERAL TRIAS CAVITE
- KAWIT, CAVITE
- BACOR CITY
- SILANG, CAVITE
- CALAMBA CITY
- CABUYAO CITY
- SAN PABLO CITY
- STA. ROSA CITY
- PILA, LAGUNA
- STO. TOMAS, CITY
- ALANGILAN, BATANGAS CITY

- LIPA CITY BATANGAS
- STA. ROSA LAGUNA
- LEMERY, BATANGAS
- TAYABAS, QUEZON
- DARAGA, ALBAY
- NAGA CITY
- SORSOGON CITY
- CALAPAN, ORIENTAL MINDORO
- PUERTO PRINCESA CITY

LUZON (HOME ESSENTIALS)

- SAN FERNANDO, PAMPANGA
- TAGAYTAY CITY

VISAYAS (DEPOT)

- JARO, ILOILO CITY
- TACLOBAN CITY, LEYTE
- TALISAY CITY, CEBU
- MANDAUE CITY, CEBU
- STA. BARBARA, ILOILO
- MAKATO, AKLAN
- TALISAY - BACOLOD, NEGROS OCCIDENTAL
- ORIMOC CITY, LEYTE
- DAUIS, BOHOL

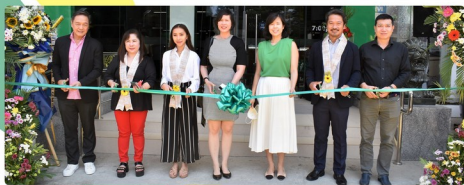
VISAYAS (HOME ESSENTIALS)

- FESTIVWALK MALL, ILOILO CITY

MINDANAO (DEPOT)

- BUTUAN CITY
- CAGAYAN DE ORO CITY MISAMIS ORIENTAL
- MATINA, DAVAO CITY
- PANACAN, DAVAO CITY
- TAGUM CITY, DAVAO DEL NORTE
- ZAMBOANGA CITY
- GENERAL SANTOS CITY
- OPOL, MISAMIS ORIENTAL
- MALAYBALAY, BUKIDNON

STORE OPENINGS



MAYAMOT, ANTIPOLLO CITY | GAPAN, NUEVA ECIJA | LEMERY, BATANGAS
TAGAYTAY CITY | BANTAY, ILOCOS SUR | ABUCAY, BATAAN |
CALAPAN, ORIENTAL MINDORO | BAUANG, LA UNION | SAN JOSE,
NUEVA ECIJA | PANIQUI, TARLAC

COMPANY HIGHLIGHTS

Traditional Trade



1977 - 2001

- Small hardware store format
- Wholesale and retail operations

Introduced & Expanded Depot Format



2002 - 2008

- Converted into a modern trade channel
- Pure retail operations offering a complete spectrum of home improvement products

Major Re-Branding / Evolution of Wilcon Logo and Brand



2009 - 2014

- Re-conceptualization of the smaller-sized into a separate format labeled "Home Essentials"
- Consolidation of operations under one entity (Wilcon Builders' Depot, Inc., now Wilcon Corporation)
- Enhanced exclusive and in-house brand offerings

Wilcon Inc. was on December



2015 -

- Retail business was transferred from Wilcon Corporation to Wilcon Depot, Inc. on April 1, 2016

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**OPERATING
STORES NATIONWIDE**

**Depot,
established
17, 2015**



**Initial Public
Offering of WDI**



**Included in the
PSEI on
October 11, 2021**



**45 Years in
operations doing
the same business**



2016

2017 - 2020

2021

2022

- Roll out of the five-year
- 29 Depot expansion plan

- In the stock market front, WDI was included in the Philippine Stock Exchange index

- Wilcon Depot, the country's leading home improvement and construction supplies retailer, celebrated its 45 years in the business on October 27, 2022 at Okada Manila



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ANNUAL REPORT

FOUNDER'S MESSAGE



Dear Fellow Shareholders,

It was another proud moment for me when we have successfully emerged from the pandemic with flying colors. Indeed, our 45-year experience in this business taught us the importance of adaptability. We stayed ahead of the curve even if the pandemic was arguably the worst crisis we ever faced as a business. Our long and varied experience, which we did not put to waste, was the foundation of our success. Through all the disruptions, political upheavals, economic downturns and changes in consumer trends and behavior we have consistently delivered quality products and excellent customer experience to our customers. This would not have been possible without the support of our partner-suppliers and the perseverance of our beloved employees.

Rest assured, that despite the tremendous success of our 2022, we remain committed to leverage on our experience and staying true to our values to continue to drive growth and profitability and most importantly to remain faithful to our mission to help people build, improve, and refine their homes for a sustainable and comfortable life.

A handwritten signature in black ink, appearing to read "William T. Belo".

William T. Belo
Founder, Chairman Emeritus

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ANNUAL REPORT

PRESIDENT'S MESSAGE

Dear Shareholders,

2022 has been a banner year for Wilcon. It was a year of significant recovery. We grew from strength to strength from when we re-opened after a two-month lockdown at the start of the pandemic in 2020 to 2022's record-breaking performance.

We dug deep into our 45-year experience and anchored on our values, effectively navigated our way out of the challenges brought about by frequent lockdowns, mobility restrictions and supply chain issues from 2020 to the first quarter of 2022. We put our heads together, re-calibrated strategies and executed successfully. We were ready to serve all the pent-up and new demand for home improvement and finishing construction supplies. Hence, our performance leaptfrogged in the second quarter and was sustained until the fourth quarter.

I could not be any prouder of our customer experience heroes and members of our support teams who showed unwavering commitment to provide excellent customer experience consistently. Truly, in the best of times and in the worst of times, our people delivered. We also would not have recovered and prospered in 2022 without the steadfast support of our partner-suppliers since the pandemic began. Indeed, we were able to develop reliable, long-standing and mutually beneficial relationships with our partner-suppliers with whom we shared strategic goals.

Our Financial Performance

It was the best-ever year for Wilcon. We achieved the highest net sales, the best total and comparable sales growth, and the highest net income.

There was marked increase in private construction activities toward the end of the first quarter up to the end of the year despite strong inflationary pressures. Our results also reflected our resilience and adaptability in coping with the myriad challenges of operating in a pandemic-disrupted environment. We seized the country's overall economic recovery with our timely investments in inventory, our people and in process improvements. This enabled us to continuously serve the requirements of our customers and provide them with our usual excellent customer experience.

For the second straight year, Wilcon opened ten stores, all in Luzon. Nine depots and one smaller format, Home Essentials, were opened, bringing to 83 the total number of branches by the end of 2022.

Net income reached ₱3.843 billion for the year, up 50.2% or ₱1.287 billion year-on-year driven mainly by the increase in sales and gross margin rate expansion partly offset by the increase in operating expenses.

Net sales totaling ₱33.571 billion rose by 22.0% or ₱6.067 billion. This was attributed mainly to the increased business volume with the resumption of private construction upon the full opening of the economy from pandemic-related restrictions after the Omicron variant surge ebbed toward the end of the first quarter. Comparable sales grew 14.2% with Metro Manila stores contributing the most to the increase. The remainder of the increase was contributed by below one-year sales from stores opened in 2021 and 2022. Net sales from depot format stores comprised the bulk, accounting for 37.2% of total net sales, the smaller format Home Essentials contributed 1.9% and project sales the remaining 0.9%.

Gross profit grew by 27.0% or ₱2.85 billion year-on-year with the expansion of the gross margin rate by 175 basis points to 39.1% for the year. The expansion in the gross margin rate was traced mainly to the increased contribution of the higher-margin in-house and exclusive brands from 51.1% in 2021 to 43.5% in 2022.

Operating expenses, in view of the increased volume of business and continuing store network expansion, hiked 17.0% or ₱1,222 billion to settle at ₱6.244 billion. Top contributing accounts include depreciation and amortization, utilities, manpower and trucking.

Net other income, excluding non-operating interest income of ₱17 million, likewise increased by 26.2% or ₱64 million, correspondingly traced to the increased volume of business.

Continuous investments in store network expansion, additional warehouse buildings in the main distribution center, store and transportation equipment, IT infrastructure and software and renovations resulted in a total capital expenditure of ₱2.643 billion for the year.

Improved operating performance for the year 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 from internally generated funds. Dividends distributed during the year were also self-funded. We distributed dividends totaling ₱81 million, equivalent to ₱0.21 per share, representing 33.6% of 2021's net income.

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.

As a result of higher income, stockholder's equity totaled ₱20.5 billion, which enabled us to declare dividends of ₱1.5 billion or ₱0.37 per share, equivalent to 38.4% of 2022's net income, approved by our board of directors on February 23, 2023.

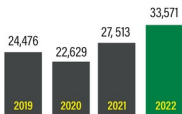
Despite this success though, we cannot rest on our laurels. We know for a fact, having been in this business for 45 years, that sustaining a topnotch performance with all the challenges that abound in the macro environment and the continuous operating improvements we need to make, requires determination, commitment and diligence. All of these we are committed to continue to apply in our day to day operations to fortify our leadership in our industry and continue to deliver superior value to you, our shareholders, today and always.




Lorraine Belo - Cincochan
Director, President and Chief Executive Officer

FINANCIAL HIGHLIGHTS (IN PHP MILLIONS)

NET SALES



GROSS INCOME



EBIT



EBITDA



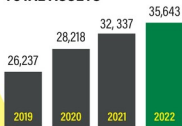
NET INCOME



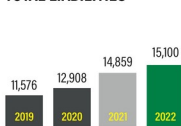
AS AT 31 DECEMBER

(IN PHP MILLIONS)

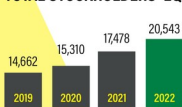
TOTAL ASSETS



TOTAL LIABILITIES



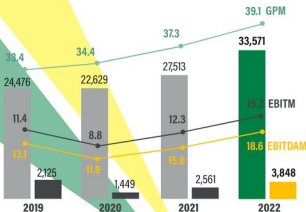
TOTAL STOCKHOLDERS' EQUITY



PER SHARE BASIC IN EARNINGS



BOOK VALUE



Note: For EBIT and EBITDA, ROU depreciation and interest expense charged on lease liability were considered as rent expense for 2019, 2020, 2021 and 2022.



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ANNUAL REPORT

MANAGEMENT'S DISCUSSION & ANALYSIS



Results of Operations for year Ended December 31, 2022 compared with the year ended December 31, 2021

The Company recorded net income of **₱3,848** million for the year 2022, up by 50.2% or **₱1,287** million from the **₱2,561** million reported in 2021 with net margins of 11.5% and 9.3%, 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 2022, amounted to **₱33,571** million, an increase of 22.0% or **₱6,057** million from last year. The increase was driven by comparable sales, which grew by 14.2% traced mainly to the increase in the number of transactions particularly in branches located in Metro Manila.

The Company closed the year with 83 stores, opening ten (10) stores to date. Three (3) depots were opened in the first half, three (3) depots and one (1) Home Essentials in the third quarter, and three (3) depots in the fourth quarter. All stores opened are in Luzon, which includes the island of Mindoro. The balance of the increase was contributed by below one-year sales of new stores.

On a per format basis, sales from the depot-format stores, which comprised 97.2% of total net sales, grew by 21.7% or **₱5,823** million to **₱32,615** million from the **₱26,792** million net sales in 2021. Comparable sales growth (same store sales growth) reached 13.9%, contributing 64.1% of the total net sales increase of the format. Meanwhile, sales from new depots comprised 35.9% of the format's net sales growth.

The smaller format "Home Essentials," recording net sales of **₱641** million accounting for 1.9% of total net sales. Comparable sales growth (same store sales growth) reached 11.9%, contributing 56.9% of the total net sales increase of the format. Meanwhile, sales from new Home Essentials in 2022 comprised 43.1% of the format's net sales growth.

The remaining 0.9% of total net sales was accounted for by project sales or sales to major developers, amounting to **₱316** million, increasing by 64.6% or **₱124** million year-on-year.

Gross Profit

Gross profit grew by 27.7% or **₱2,850** million from the 2021 level of **₱10,276** million to close at **₱13,126** million for the year for a gross profit margin of 39.1%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 175 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 with an increase in their contribution to total net sales to 51.1% from 49.5% in the same period in 2021.

Operating Expenses

Operating expenses increased to **₱7,879** million for the year, up 171% or **₱1,148** million from the prior year's **₱6,732** million. The increase is attributable mainly to expansion-related expenses, particularly in depreciation and amortization, utilities, outsourced services, trucking, advertising and promotions, and salaries. Non-PFRS 16 related rent expense decreased by 28.5% or **₱42** million to **₱105** million mainly due to transfer to PFRS 16 rent expense resulting from lease term changes.

Interest Expense

Interest expense increased by 15.8% or **₱74** million, to total **₱544** million for the year from the prior year's **₱470** 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, 2022 amounted to **₱423** million, increased by 20.6% or **₱72** million from prior year's **₱351** million mainly due to higher supplier support, incentive, and other fees driven by the improvement in sales and higher volume of business. Meanwhile, non-operating interest income declined by **₱12** million.

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 December 31, 2022 reached ₱6,256 million, or 18.6% of net sales, rising by 44.2% from the ₱4,339 million, or 15.8% of net sales, recorded as of December 31, 2021.
- 2) EBIT for the year 2022 is ₱5,108 million or 15.2% of net sales, growing by 50.4% from ₱3,396 million, or 12.3% 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 47.9% or ₱414 million to end at ₱1,277 million for the year 2022 from the ₱863 million incurred during the same period last year. The increase is due mainly to higher taxable income.

Financial Condition as at December 31, 2022

Liquidity

Improved operating performance for the year ended December 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. The current ratio increased from 1.94:1.00 to 2.27:1.00.

Capital Expenditure

The Company's capital expenditure totaled ₱2,643 million during the year 2022, 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	As at
	Dec. 31, 2022	Dec. 31, 2021
Sales	33,570,825,438 ¹	27,513,328,310
EBIT - Adjusted / Treating Interest on Lease Liability as Rent Expense ²	5,108,334,422	3,396,006,508
EBITDA - Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense ³	6,256,482,756	4,339,074,272
EBIT Margin - Treating Interest on Lease Liability as Rent Expense ⁴	15.22%	12.34%
EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense ⁵	18.64%	15.77%
Return on Equity Ratio ⁶	18.73%	14.66%
Current Ratio ⁷	2.27	1.94
Debt to Equity Ratio ⁷	0.74	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 December 31, 2022 and December 31, 2021

1. Aggregate cash and short-term investments increased by ₱190 million or 8.1% from ₱2,342 million at the close of 2021 to ₱2,532 million as at December 31, 2022, traceable primarily to net cash flow provided by operating activities partially offset by capital expenditure and payment of dividends and lease.

2. Trade and other receivables totaled ₱288 million as at December 31, 2022, 73.4% or ₱122 million higher than the ₱166 million balance as at December 31, 2021. The increase was mainly due to higher credit card sales.

3. Advance payments to suppliers, comprising of advance payments to trade and non-trade suppliers, decreased by ₱1,447 million or 76.5% from ₱1,891 million balance as at December 31, 2021 due to receipt of merchandise inventories.

4. Merchandise Inventories increased by ₱1,367 million or 11.5% from ₱11,876 million at the close of 2021 to ₱13,243 million as at December 31, 2022 due mainly to increase in inventory purchases to support store network expansion.

5. Right of use Asset increased by ₱1,477 million or 23.0% from ₱6,428 million at the close of 2021 to ₱7,905 million as at December 31, 2022 due mainly to contract renewals and new stores.

6. Property and equipment increased by ₱1,470 million or 18.5% from ₱7,942 million at the close of 2021 to ₱9,412 million as at December 31, 2022 due mainly to capital expenditures related to store network expansion.

7. Net deferred tax assets increased by ₱122 million or 32.6% from ₱375 million at the close of 2021 to ₱497 million as at December 31, 2022 due to the impact of PFRS16 accounting and additional allowance for inventory obsolescence.

8. Other Noncurrent Assets increased by ₱40 million or 10.0% from ₱404 million at the close of 2021 to ₱444 million as at December 31, 2022 due mainly to licenses and software acquisition and additional refundable deposits paid.

9. Current liabilities amounted to ₱7,659 million as at December 31, 2022, decreased by 13.7% or ₱1,221 million from the ₱8,880 million balance as at December 31, 2021. The decrease was due mainly to payment of trade liabilities partially offset by increase in lease liabilities and income tax payable.

10. Non-current liabilities totaled ₱7,441 million, higher by 24.4% or ₱1,462 million from the December 31, 2021 balance of ₱5,979 million. The increase was mainly due to additional lease liabilities recognized for new contracts.

Income Statement Items

1. Net sales for the year 2022, amounted to ₱33,571 million, an increase of 22.0% or ₱6,057 million from last year.

2. Gross profit grew by 27.7% or ₱2,850 million from the 2021 level of ₱10,276 million to close at ₱13,126 million for the year for a gross profit margin of 39.1% mainly driven by the increase in sales and gross profit margin.

3. Operating expenses increased to ₱7,879 million for the year, up 171% or ₱1,148 million from the prior year's ₱6,732 million. The increase is attributable mainly to expansion-related expenses particularly in depreciation and amortization, utilities, outsourced services, trucking, advertising and promotions, and salaries. Non-PFRS 16 related rent expense decreased by 28.5% or ₱42 million to ₱105 million.

4. Interest expense increased by 15.8% or ₱74 million, to total ₱544 million for the year from the prior year's ₱470 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. Other income (charges) for the year ended December 31, 2022 amounted to ₱423 million, increased by 20.6% or ₱72 million from prior year's ₱351 million mainly due to higher supplier support, incentive, and other fees driven by the improvement in sales and higher volume of business. Meanwhile, non-operating interest income declined by ₱12 million due to lower investible funds.

6. The Company's income tax expense increased by 47.9% or ₱414 million to end at ₱1,277 million for the year 2022 from the ₱863 million incurred during the same period last year. The increase is due mainly to higher taxable income.

Results of Operations for the quarter ended December 31, 2022 compared with quarter ended December 31, 2021

Net Sales

The Company recorded net sales of ₱6,848 million for the three-month period ended December 31, 2022, 18.5% or ₱1,383 million higher than the ₱7,465 million for the same period in 2021. The increase was driven by comparable sales, which grew by 10.4%, and the remaining from new stores.

Sales from the depot-format stores contributed the majority of total net sales comprising 96.8% or ₱8,563 million for the fourth quarter of 2022, up by 18.0% or ₱1,307 million from the ₱7,256 million net sales for the fourth quarter of 2021. The depot's same store sales growth is 10.0%.

The smaller format "Home Essentials", recording net sales of ₱180 million accounting for 2.0% of net sales, reported an increase of 29.2% or ₱41 million during the fourth quarter of 2022 from prior year's same period level of ₱139 million.

The remaining 1.2% was accounted for by project sales or sales to major developers, amounting to ₱106 million, increasing by 51.7% or ₱36 million from prior year's same period level of 2021 of ₱70 million.

The Company opened three (3) new depots located in Luzon during the quarter.

Gross Profit

Gross profit rose 23.4% or ₱665 million year-on-year to total ₱3,509 million at the close of the quarter, traced mainly to the expansion of the gross margin rate to 39.7%. The higher margin exclusive and in-house brands increased its contribution from 50.1% to 51.3% year-on-year.

Operating Expenses

Operating expenses increased to ₱2,291 million during the fourth quarter of 2022, up 19.7% or ₱378 million from the ₱1,914 million during the same period in 2021. The increase is attributable mainly to the higher volume of business and expansion-related expenses, particularly in depreciation and amortization, utilities, outsourced services, trucking, salaries, and advertising and promotions.

Interest Expense

Interest expense during the fourth quarter of 2022 and 2021 amounted to ₱150 million and ₱117 million, respectively. The ₱32 million increase is 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) during the fourth quarter of 2022 amounted to ₱114 million, up by 5.2% or ₱6 million from the ₱108 million generated in 2021 mainly due to improvement in sales and higher volume of business.

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 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, 2022 totaled ₪1,496 million, or 16.9% of net sales, up by 27.9% or ₪326 million from the 2021 balance of ₪1,170 million, or 15.7% of net sales.

2. EBIT for the fourth quarter of 2022 is ₪1,175 million or 13.3% of net sales, up by 28.2% or ₪259 million higher from the prior year's same period level of ₪917 million, or 12.3% of net sales

Income Tax Expense (Benefit)

The Company's income tax expense increased by 28.2% or ₪65 million to end at ₪294 million in 2022, versus ₪229 million incurred during 2021.

Material Changes (+/-5%) in the Financial Statements

Income Statement for the quarter ended December 31, 2022 compared with quarter ended December 31, 2021

1. Net sales for the fourth quarter ended December 31, 2022 amounted to ₪8,848 million, 18.5% or ₪1,383 million higher than the ₪7,465 million for the same period in 2021. The increase was driven by comparable sales, which grew by 10.4%, and the remaining from new stores.

2. Gross profit increased by 23.4% to ₪3,509 million for the period from the ₪2,844 million level for the same period in 2021, driven by the increase in sales and the expansion in gross profit margin.

3. Operating expenses increased to ₪2,291 million for the period, up by 19.7% or ₪378 million from the prior period's ₪1,914 million. The increase is attributable mainly to expansion-related expenses, particularly in depreciation and amortization, utilities, outsourced services, trucking, salaries, and advertising and promotions.

4. Interest expense during the fourth quarter of 2022 and 2021 amounted to ₪150 million and ₪117 million, respectively. The ₪32 million increase is 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. Other income (charges) for the period totaled ₪114 million, up by 5.2% or ₪6 million from the ₪108 million recorded in the same period of 2021 mainly due to improvement in sales and higher volume of business.

6. Income Tax for the quarter increased by 28.2% or ₪65 million from the same period in 2021 to total ₪294 million attributed mainly to higher taxable income.



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ANNUAL REPORT

BOARD OF DIRECTORS,
ADVISORY BOARD
& OFFICERS



BOARD OF DIRECTORS



Bertram B. Lim
Chairman



Lorraine Belo-Cincochan
Director, President and
Chief Executive Officer



Mark Andrew Y. Belo
Director & EVP - Treasurer



Careen Y. Belo
Director & EVP -
Chief Product Officer



Ricardo S. Pascua
Independent Director



Rolando S. Narciso
Independent Director



Delfin 'Jing' L. Warren
Independent Director

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 Crocodilus 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 is currently the Vice President for Industry Affairs of Philippine Galvanizers and Coaters Association which is affiliated with the Philippine Iron and Steel Institute. He was a former Director and Chairman of St. Joseph Group from 2015 to 2019 and a former Director and Officer of New Kanaon Construction, Inc. from 2004 to 2014. He was President and Chief Operating Officer of Steel Corporation of the Philippines from 1998 to 2004. 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. Mr. Narciso 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 2012. 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.

ADVISORY BOARD



William T. Belo
Chairman Emeritus



Rosemarie Bosch-Ong
SEVP - Chief Operating Officer

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, WAI 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.

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 Protech Consortium of the Philippines. She is a member of the Board of Trustees of Women Business Council of the Philippines, currently the Chairman of the Committee on Trade of the Philippine Chamber of Commerce and Industry, a regular columnist of The Philippine Star and she was one of the judges of The Final Pitch at CNN Philippines seasons 7 and 8. 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.

OFFICERS



**Lorraine
Belo - Cincochan**
Director, President and
Chief Executive Officer



**Rosemarie
Bosch - Ong**
SEVP - Chief
Operating Officer



**Mark Andrew
Y. Belo**
Director, EVP -
Treasurer



**Careen
Y. Belo**
Director, EVP - Chief Product
Officer, CIO, CRO



**Atty. Arthur
R. Ponsaran**
Corporate
Secretary



**Atty. Sheila
Pasicolan - Camerino**
AVP - Corporate Lawyer
Asst. Corporate Secretary
Compliance Officer



**Grace
A. Tiong**
Senior Vice President -
Human Resources



**Eden
M. Godino**
Senior Vice President -
Product Development



**Michael
D. Tiong**
Vice President -
Global Sourcing



**Mary Jean
G. Alger**
Vice President -
Investor Relations



**Lauro
D.G Francisco**
Chief Audit
Executive



**Keith
S. Chan**
Vice President -
Information Technology



**Loudie Jay
C. Falguera**
Vice President -
Finance



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ANNUAL REPORT

CORPORATE GOVERNANCE





CORPORATE GOVERNANCE

On January 20, 2023, the Company was recognized by the Institute of Corporate Directors (ICD) as a top - performing publicly- listed companies in the Philippines under the 2021 ASEAN Corporate Governance Scorecard (ACGS).

In compliance with SEC Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission mandating all members of the Board of Directors and Key Officers of Publicly Listed Companies to attend a corporate governance training, the members of the Board as well as the officers of the Company on June 20, 2022, attended a corporate governance seminar via Zoom Webinar, entitled "2022 Annual Corporate Governance: Fostering Good Corporate Governance in the New Normal" conducted by the Center for Training and Development, Inc.

Board Composition

The Board is composed of seven (7) directors, elected by the Company's stockholders on 20 June 2022, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Company's By-Laws. The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the Company's industry. The Board has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board is composed of the following:

Name	Directorship	Age	Date of First Election	No. of Years as Director
Bertram B. Lim	Chairman/ Independent Director	85	22 May 2017	5
Ricardo S. Pascua	Independent Director	74	13 September 2016	6
Rolando S. Narciso	Independent Director	76	13 September 2016	6
Delfin L. Warren	Independent Director	72	22 May 2017	5
Lorraine Belo-Cincochan	Executive Director	43	30 March 2016	6
Mark Andrew Y. Belo	Executive Director	40	30 March 2016	6
Caren Y. Belo	Executive Director	39	30 March 2016	6

The Board oversees the development of and approves the Company's business objective and strategy, and monitors their implementation, in order to sustain the Company's long - term viability and strength.

The Board Members act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders. To ensure a high standard of best practice for the Company, its stockholders and other stakeholders.

Board Attendance

The Board of Directors had twenty-three (23) meetings held in 2022. The attendance of the members of the Board was duly reported to the SEC and made available on the Company's website. On December 14, 2022, the non-executive directors had a separate meeting with the external auditor and head of the internal audit without any executive present and no significant issues or matters had been discussed.

Board Performance Assessment

On January 5, 2023, the members of the Board conducted an annual board performance assessment. The objectives of the assessment are to evaluate and obtain inputs about the performance of the Board, its members and committees during the last twelve months - January 1, 2022 to December 31, 2022.

Board Training

On June 20, 2022, the members of the Board as well as officers of the Company attended the corporate governance seminar via Zoom Webinar, entitled "2022 Annual Corporate Governance: Fostering Good Corporate Governance in the New Normal" 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. This 4-hour annual CG training covered the following topics:

1. Commercial Arbitration as a means of Dispute Resolution;
2. The Principle of Independence of Corporate Governance; and
3. Digitalization: Recent Developments in Accounting and Auditing

Board Diversity

The Company has a Board Diversity Policy because it believes that a diverse Board better understands its customer base and the environment that the business operates in. This promotes different perspectives and ideas and mitigates groupthink to achieve optimal decision-making. Board diversity may refer to distinctions in age, ethnicity, culture, skills, competence, knowledge, gender, among other things.

The Company is committed to the following principles:

- Recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in the attainment of its strategic objectives and maintaining a prudent corporate governance.
- All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge, and candidates will be considered against objective criteria, which the Board as a whole requires to be effective.

Board Independence

The Board is composed of four (4) independent directors. The chairman is also an independent director. The independent directors of the Company possess all the qualifications and none of the disqualification of a regular director. They are independent of the Management, substantial shareholdings and material relations whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment.

Board Committees

To address specific tasks and responsibilities and ensure optimal performance of the Board, the Board had organized seven (7) committees, namely the Executive Committee, the Corporate Governance Committee, the Audit Committee, the Board Risk Oversight Committee, Related Party Transactions Committee, Nomination Committee and the Compensation Committee. The members of the Committees are appointed by the Board annually.

Executive Committee

The Executive Committee is composed of five (5) members of which the Chairman of the Board is the ex-officio Chairman, and the President is the ex-officio Vice Chairman, and three (3) other members elected/designated by the Board.

For 2023, the Executive Committee is composed of the following members:

Chairman	Bertram B. Lim
Vice Chairman	Lorraine Belo-Cincochan
Members	Mark Andrew Y. Belo Caren Y. Belo Delfin L. Warren

Audit Committee

The Audit Committee's primary function is to enhance the Board's oversight capability over the Company's financial reporting, internal control system, internal and external audit processes and compliance with applicable laws and regulations. It is composed of three (3) independent directors. The chairman of the Audit Committee is an independent director. The members have adequate understanding and competence of the Company's financial management systems and environment particularly, in the areas of accounting, audit and finance.

The Audit Committee had five (5) meetings in 2022 particularly on February 23, April 25, July 27, October 24 and December 14, 2022 with 100% attendance of all Audit Committee Members.

Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. It is composed of three (3) independent directors.

The chairman of the Board Risk Oversight Committee is an independent director. The members of the committee have adequate and competent understanding and experience on risk management principles and practices, in addition to thorough knowledge of the Company's Business and industry in which it operates.

Related Party Transactions Committee

The Related Party Transactions Committee shall have the primary function of reviewing all material related party transactions (RPT). It is composed of three (3) independent directors. The chairman of the Related Party Transactions Committee is an independent director.

For 2022, the Audit Committee, Board Risk Oversight Committee and Related Party Transaction Committee are composed of the following members:

Chairman	Ricardo S. Pascua
Members	Rolando S. Narciso Delfin L. Warren

Corporate Governance Committee

The Corporate Governance Committee is composed of three (3) independent directors, including the Chairman. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. The Committee had two (2) meetings in 2022.

Nomination Committee

The Nomination Committee shall assist the Board in fulfilling its corporate governance and compliance responsibilities. The Committee is composed of three (3) independent directors, including the Chairman. It shall promulgate the guidelines and criteria to govern the conduct of the nomination. The same shall be properly disclosed. The Company is allowed to engage the services of professional search firms or use other external sources of candidates when searching for candidates to the Board of Directors. The Nomination Committee had their meeting twice this year.

Remuneration and Compensation Committee

The Remuneration Compensation Committee is composed of three (3) independent directors, including the Chairman.

The Remuneration and Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates. Recommend a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the Company and evaluate and recommend to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

For 2022, the Corporate Governance Committee, Nomination Committee and Remuneration Committee are composed of the following members:

Chairman	Ricardo S. Pascua
Members	Rolando S. Narciso Delfin L. Warren

Board Remuneration

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

2022 REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

The following activities were undertaken by the Audit Committee in 2022 in fulfillment of its primary duties and responsibilities and were reported to the Board.

Financial Reporting

- Reviewed the quarterly financial reports and unaudited financial statements prior to endorsement to the Board for its approval.
- Reviewed the interim annual financial statements and consequently the audited annual financial statements (during the first quarter of the succeeding year 2023) including Management's significant judgments and accounting estimates & adjustments.

Internal and External Audit Processes

- Reviewed the external auditor's report on the Company's audited 2022 financial statements and internal control observations and endorsed these to the Board for approval.

- Reviewed Company Management's endorsement to reappoint Reyes Tacandong & Company (RT&Co.) as external auditor for 2022 based on its performance and proposed audit fees, for concurrence by the Board and approval by the stockholders in the Annual Stockholders' Meeting, audit fees, for concurrence by the Board and approval by the stockholders in the Annual Stockholders' Meeting.

- Reviewed and approved the 2022 interim and year-end External Audit Plan by RT&Co. that includes the audit team, scope of work & deliverables, audit approach, and the key risk areas.

- Reviewed the external auditor's updates on its audit of the Company's 2022 financial statements.

- Noted the Internal Audit Head's annual attestation on organizational independence, objectivity, the sound state of the Company's internal control and risk management, the absence of conflict of interest and of significant or material fraud.

- Reviewed and approved the 2022 Internal Audit Plan and Budget.

- Reviewed, discussed and evaluated Internal Audit's 2021 and 2022 quarterly and year-end accomplishment reports and audit findings, including the status of Company Management's actions to Internal Audit observations and recommendations.

- Conducted executive session separately with the external auditor and the Internal Audit Head (without the presence of any executive directors or members or representatives of Company Management).

Internal Control and Risk Management Processes

- Reviewed reports and updates on the Company's enterprise risk management.

- Evaluated the overall effectiveness of internal control system and risk management in the Company, based on the reasonable assurance provided by Senior Management, Internal Audit/ Chief Audit Executive, and the External Auditor. The Committee is generally satisfied with the systems, processes, and safeguards in place in the Company.

Compliance with Laws and Regulations

- Noted the representation by the Company's Compliance Officer and Senior Management 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, as contained and disclosed in the Company's SEC Form 17-A 2022 Annual Report filed on March 3, 2023.



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ANNUAL REPORT

AWARDS



(WINNER)

Domestic Retailer
of the Year
(Philippines)



RETAIL ASIA AWARDS 2022

Wilcon Depot wins International Recognition as Domestic Retailer of the Year in the Philippines



ASEAN CORPORATE GOVERNANCE SCORECARD (ACGS)

Recognized Wilcon Depot, Inc. as a top performing publicly-listed company in the Philippines under the 2021 ACGS



CIO100 AWARDS

Recognising the top 100 senior technology executives and teams driving innovation, strengthening resiliency, and influencing rapid change. Winners were unveiled during an in-person awards ceremony at Marina Bay Sands in Singapore



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ANNUAL REPORT

AUDITED FINANCIAL STATEMENTS





REYES TACANDONG & Co.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4762
August 16, 2021, valid until April 13, 2024
SEC Accreditation No. 4382 SEC Group A
Issued August 11, 2022
Valid for Financial Periods 2021 to 2025

RDO Towers Visayas
8th Flr. Princesa de Reyes
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9101
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

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, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022, 2021 and 2020, 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, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020, 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.



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Accounting for the Complete Recording and Valuation of Merchandise Inventories

Merchandise inventories, net of allowance for inventory write down and losses, amounted to ₱13,242.9 million as at December 31, 2022. 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 75,000 stock keeping units (SKU) as at December 31, 2022. 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 7, *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 ₱7,904.7 million and ₱8,973.0 million as at December 31, 2022, 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 22% of total assets and 59% of total liabilities, respectively. There were also significant additions in 2022 amounting to ₱2,830.0 million and ₱2,744.9 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 10, *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, 2022, 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, 2022 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.



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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.

The engagement partner on the audit resulting in this independent auditor's report is Carolina P. Angeles.

REYES TACANDONG & Co.


CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2022

Valid until October 16, 2025

PTR No. 9564562

Issued January 3, 2023, Makati City

February 22, 2023

Makati City, Metro Manila

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

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	#1,781,338,481	#1,542,790,565
Short-term investments	5	750,500,000	799,469,125
Trade and other receivables	6	288,334,258	166,326,457
Advance payments to suppliers	6	444,186,683	1,891,090,011
Merchandise inventories	7	13,242,857,275	11,875,962,618
Other current assets	8	877,586,353	912,987,760
Total Current Assets		17,384,803,050	17,188,626,536
Noncurrent Assets			
Property and equipment	9	9,412,353,119	7,942,305,897
Right-of-use assets	10	7,904,738,891	6,427,857,055
Net deferred tax assets	17	496,858,291	374,668,143
Other noncurrent assets	11	444,247,853	403,819,030
Total Noncurrent Assets		18,258,198,154	15,148,650,125
		#35,643,001,204	#32,337,276,661
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	12	#5,763,028,529	#7,260,116,310
Income tax payable		281,544,342	217,814,930
Current portion of lease liabilities	10	1,614,033,349	1,401,610,716
Total Current Liabilities		7,658,606,220	8,879,541,956
Noncurrent Liabilities			
Lease liabilities - net of current portion	10	7,358,989,633	5,779,377,451
Net retirement liability	13	82,220,153	199,953,209
Total Noncurrent Liabilities		7,441,209,786	5,979,330,660
Total Liabilities		15,099,816,006	14,858,872,616
Equity			
Capital stock	14	4,099,724,116	4,099,724,116
Additional paid-in capital	14	5,373,738,427	5,373,738,427
Other comprehensive income		177,178,885	99,770,970
Retained earnings		10,892,543,770	7,905,170,532
Total Equity		20,543,185,198	17,478,404,045
		#35,643,001,204	#32,337,276,661

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31		
		2022	2021	2020
NET SALES		₱33,570,825,431	₱27,513,328,310	₱22,628,883,188
COST OF SALES	7	(20,444,826,936)	(17,237,597,985)	(14,847,160,308)
GROSS INCOME		13,125,998,495	10,275,730,325	7,781,722,880
OPERATING EXPENSES	15	(7,879,337,131)	(6,731,570,788)	(5,738,019,171)
INTEREST EXPENSE	10	(544,466,762)	(470,071,898)	(429,019,510)
OTHER INCOME – Net	16	423,204,299	350,781,754	435,322,255
INCOME BEFORE INCOME TAX		5,125,398,901	3,424,869,393	2,050,006,454
INCOME TAX EXPENSE (BENEFIT)	17			
Current		1,425,076,387	856,849,114	656,279,581
Deferred		(147,992,787)	6,540,072	(55,116,906)
		1,277,083,600	863,389,186	601,162,675
NET INCOME		3,848,315,301	2,561,480,207	1,448,843,779
OTHER COMPREHENSIVE INCOME (LOSS)				
<i>Item not to be reclassified to profit or loss -</i>				
Remeasurement gain (loss) on retirement liability, net of deferred income tax	13	77,407,915	99,197,428	(59,178,663)
<i>Item to be reclassified to profit or loss -</i>				
Unrealized loss on fair value changes of investment in retail treasury bond		-	-	(3,523,133)
		77,407,915	99,197,428	(62,701,796)
TOTAL COMPREHENSIVE INCOME		₱3,925,723,216	₱2,660,677,635	₱1,386,141,983
BASIC AND DILUTIVE EARNINGS PER SHARE	20	₱0.94	₱0.62	₱0.35

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2022	2021	2020
CAPITAL STOCK	14	₱4,099,724,116	₱4,099,724,116	₱4,099,724,116
ADDITIONAL PAID-IN CAPITAL		5,373,738,427	5,373,738,427	5,373,738,427
OTHER COMPREHENSIVE INCOME				
Cumulative Remeasurement Gains on Retirement Liability				
	13			
Balance at beginning of year		99,770,970	573,542	59,752,205
Remeasurement gain (loss), net of deferred income tax		77,407,915	99,156,461	(59,178,663)
Effect of change in income tax rate		-	40,967	-
Balance at end of year		177,178,885	99,770,970	573,542
Cumulative Unrealized Gain on Fair Value Changes of Investment in Retail Treasury Bond				
Balance at beginning of year		-	-	3,523,133
Unrealized loss		-	-	(3,523,133)
Balance at end of year		-	-	-
		177,178,885	99,770,970	573,542
RETAINED EARNINGS				
Balance at beginning of year		7,905,170,532	5,835,657,219	5,124,763,781
Net income		3,848,315,301	2,561,480,207	1,448,843,779
Cash dividends	14	(860,942,063)	(491,966,894)	(737,950,341)
Balance at end of year		10,892,543,770	7,905,170,532	5,835,657,219
		₱20,543,185,198	₱17,478,404,045	₱15,309,693,304

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		¥5,125,398,901	¥3,424,869,393	¥2,050,006,454
Adjustments for:				
Depreciation and amortization	9	2,501,306,848	2,146,944,463	1,820,548,832
Interest expense	10	544,466,762	470,071,898	429,019,510
Provision for (reversal of):				
Inventory write-down and losses	7	135,877,579	28,813,123	–
Impairment losses on receivables	6	7,575,016	(8,125,620)	15,718,838
Retirement benefits	13	41,001,348	55,838,714	44,909,067
Interest income	4	(17,064,479)	(28,862,925)	(55,135,122)
Gain on sale of property and equipment		(163,081)	(217,204)	(54,911)
Rent concession	10	–	(1,863,170)	(100,926,407)
Operating income before working capital changes		8,338,398,894	6,087,468,672	4,204,086,261
Decrease (increase) in:				
Advance payments to suppliers		1,446,903,328	(1,790,003,793)	(56,775,154)
Merchandise inventories		(1,502,772,236)	(3,212,648,126)	825,409,513
Trade and other receivables		(123,277,718)	153,295,410	48,708,521
Other current assets		(19,671,244)	(305,802,765)	(9,921,590)
Increase (decrease) in trade and other payables		(1,497,087,779)	1,681,838,440	48,135,690
Net cash generated from operations		6,642,493,245	2,614,147,838	5,059,643,241
Income tax paid		(1,310,022,133)	(795,069,130)	(688,174,095)
Contributions to retirement plan	13	(54,669,586)	(61,089,848)	(67,687,961)
Retirement benefits paid	13	(854,264)	–	–
Interest received from cash in banks		959,717	976,038	1,678,673
Net cash provided by operating activities		5,277,906,979	1,758,964,898	4,305,459,858
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to:				
Property and equipment	9	(2,597,219,026)	(2,115,836,969)	(2,465,873,741)
Computer software	11	(51,086,164)	(44,739,501)	(37,118,258)
Decrease (increase) in:				
Short-term investments		48,969,125	1,956,500,642	(2,139,479,457)
Advances to contractors		(7,768,738)	5,627,520	295,155,343
Other noncurrent assets		(6,196,950)	(1,249,515)	(4,531,346)
Interest received from investments		9,799,662	31,502,959	69,507,372
Net proceeds from:				
Disposal of property and equipment		3,809,580	549,960	200,000
Maturity and disposal of investment in retail treasury bond		–	–	2,250,000,000
Net cash used in investing activities		(¥2,599,692,511)	(¥167,644,904)	(¥2,032,140,087)

(Forward)

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	Note	Years Ended December 31		
		2022	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Lease liabilities	10	(P1,578,724,489)	(P1,411,435,484)	(P1,142,517,417)
Cash dividends	14	(860,942,063)	(491,966,894)	(737,950,341)
Long-term debt before interest		-	(20,000)	-
Interest on long-term debt	10	-	(462)	(913)
Cash used in financing activities		(2,439,666,552)	(1,903,422,840)	(1,880,468,671)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
		238,547,916	(312,102,846)	392,851,100
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR				
		1,542,790,565	1,854,893,411	1,462,042,311
CASH AND CASH EQUIVALENTS AT END OF YEAR				
	4	P1,781,338,481	P1,542,790,565	P1,854,893,411

See accompanying Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

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

The Company is a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER (the Parent Company), a holding company incorporated in the Philippines. The 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 Note 14).

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, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were approved and authorized for issue by the Board of Directors (BOD) on February 22, 2023, as reviewed and recommended for approval by the Audit Committee on the same date.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance

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

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

Measurement Bases

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

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The financial statements of the Company have been prepared on the historical cost basis of accounting, except for net retirement liability which 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 5, *Short-term Investments*
- Note 13, *Retirement Plan*
- Note 22, *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 following amended PFRS:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions resulting from COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

Due to the continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allowed 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.

- 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. There is no transition relief for first-time adopters.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets). 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.
- 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 amendment.
 - Amendment to PFRS 16, *Leases - Lease Incentives* – The amendment removed from 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.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - 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 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, *Accounting Policies, Changes in Accounting Estimates and Errors - 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, *Income Taxes - 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.
- The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

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Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – 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. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.

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 statements 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.

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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, 2022 and 2021, the Company does not have financial assets measured at FVPL and FVOCI.

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, 2022 and 2021, 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, 2022 and 2021, 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.

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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, 2022 and 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 December 31, 2022 and 2021, the trade and other payables (excluding statutory payables and unearned revenue) and lease liabilities 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. Under section 4.110-3 (c) of the Revenue regulation 13-2018, the amortization of the input VAT shall only be allowed until December 31, 2021, after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as schedules until fully utilized.

The input VAT on the purchases or imports of capital goods exceeding ₱1.0 million subsequent to December 31, 2021 may be claimed outright.

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 statements 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.

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Container Deposits. Container deposits qualify as financial assets and are disclosed under financial instruments. These are measured at cost less any impairment in value. Container deposits are refunded upon return of the empty containers to the shipping companies.

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:

Asset Type	Number of Years
Buildings and improvements	15 to 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 life of solar panels recognized as part of "Building and Leasehold improvements" installed in the leased and owned buildings is 15 years.

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

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.

The carrying 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) pertains to 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.

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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.

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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.

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, and computer software.

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 4.13% 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.

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Interest expense on lease liabilities amounted to ₱544.5 million, ₱470.1 million and ₱429.0 million in 2022, 2021 and 2020, respectively. Amortization on ROU assets amounted to ₱1,353.2 million, ₱1,203.8 million and ₱1,121.3 million in 2022, 2021 and 2020, respectively (see Note 10).

Rent expense on short-term lease on transportation equipment and leases on land and buildings with less than 12 months term amounted to ₱105.2 million, ₱147.1 million and ₱116.8 million in 2022, 2021 and 2020, respectively (see Note 10).

As at December 31, 2022 and 2021, ROU assets amounted to ₱7,904.7 million and ₱6,427.9 million, respectively (see Note 10).

As at December 31, 2022 and 2021, lease liabilities amounted to ₱8,973.0 million and ₱7,181.0 million, respectively (see Note 10).

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 ₱61.1 million, ₱61.0 million and ₱42.8 million in 2022, 2021 and 2020, respectively (see Note 10).

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 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 provision (reversal) for impairment losses amounted to ₱7.6 million, (₱8.1 million) and ₱15.7 million in 2022, 2021 and 2020, respectively (see Note 6).

Based on management assessment, the allowance for impairment losses of trade and other receivables as at December 30, 2022 and 2021 is adequate to cover for possible losses.

The carrying amount of trade and other receivables (excluding advances to officers and employees) amounted to ₱268.6 million and ₱149.0 million as at December 31, 2022 and 2021, respectively (see Note 6). Allowance for impairment losses amounted to ₱64.1 million and ₱56.5 million as at December 31, 2022 and 2021, respectively (see Note 6).

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Assessing the 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 2022, 2021 and 2020.

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

	Note	2022	2021
Cash in banks and cash equivalents	4	₱1,770,080,120	₱1,533,316,737
Short-term investments	5	750,500,000	799,469,125
Security deposits	11	167,595,254	150,805,498
Electricity deposits	11	70,672,239	62,302,471
Container deposits	8	12,860,614	13,782,800
		₱2,771,708,227	₱2,559,676,631

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 11).

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 that 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 ₱13,242.9 million and ₱11,876.0 million as at December 31, 2022 and 2021, respectively (see Note 7). Provision for inventory write-down and losses amounted to ₱135.9 million, ₱28.8 million and nil in 2022, 2021 and 2020 respectively.

Allowance for inventory write-down and losses amounted to ₱262.2 million and ₱126.3 million as at December 31, 2022 and 2021 respectively (see Note 7).

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 and computer software 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, 2022 and 2021, 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	2022	2021
Property and equipment*	9	₱8,814,045,919	₱7,218,648,165
Computer software	11	172,522,802	146,059,668
		₱8,986,568,721	₱7,364,707,833

*Excluding construction in progress amounting to ₱598.3 million and ₱723.7 million as at December 31, 2022 and 2021, 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 2022, 2021 and 2020.

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

	Note	2022	2021
Property and equipment	9	₱9,412,353,119	₱7,942,305,897
ROU assets	10	7,904,738,891	6,427,857,055
Advance payments to suppliers	6	444,186,683	1,891,090,011
Materials and supplies	8	384,617,925	209,259,229
Input VAT (including deferred)	8, 11	377,120,013	604,100,084
Computer software	11	172,522,802	146,059,668
		₱18,695,539,433	₱17,220,671,944

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 13 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.

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Retirement expense amounted to ₱41.0 million, ₱55.8 million and ₱44.9 million in 2022, 2021 and 2020, respectively (see Note 13).

Net retirement liability amounted to ₱82.2 million and ₱200.0 million as at December 31, 2022 and 2021, respectively (see Note 13).

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 ₱496.9 million and ₱374.7 million as at December 31, 2022 and 2021, respectively (see Note 17).

4. Cash and Cash equivalents

Details of this account are as follows:

	2022	2021
Cash on hand	₱11,258,361	₱9,473,828
Cash in banks	1,770,080,120	1,076,904,737
Cash equivalents	-	456,412,000
	₱1,781,338,481	₱1,542,790,565

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents represent money market placements with interest ranging from 1.5% to 1.6%.

Details of interest income are as follows:

	Note	2022	2021	2020
Short-term investments	5	₱10,493,237	₱24,283,686	₱23,869,491
Cash and cash equivalents		6,571,242	4,579,239	12,140,631
Investment in RTB		-	-	19,125,000
	16	₱17,064,479	₱28,862,925	₱55,135,122

5. Short-term Investments

Short-term investments amounting to ₱750.5 million and ₱799.5 million as at December 31, 2022 and 2021, respectively, represent money market placements, which bears interest from 1.4% to 5.6%.

Interest income from these investments amounted to ₱10.5 million, ₱24.3 million and ₱23.9 million in 2022, 2021 and 2020, respectively (see Note 4).

6. Trade and Other Receivables and Advance Payments to Suppliers

Details of this trade and other receivables are as follows:

	Note	2022	2021
Trade:			
Third parties		₱224,384,462	₱139,962,542
Related parties		1,120,250	2,144,144
Suppliers support and other fees		90,480,124	50,617,613
Advances to officers and employees		19,700,316	17,340,363
Accrued interest		6,502,599	197,499
Rent receivables	10	4,549,029	8,599,991
Delivery fees and other customer charges		2,502,544	742,123
Others		3,151,900	3,204,132
		352,391,224	222,808,407
Allowance for impairment losses		(64,056,966)	(56,481,950)
		₱288,334,258	₱166,326,457

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

Supplier support and other fees pertains to incentives and other fees received from supplier which have 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, cash equivalents and short-term investments.

Others mainly pertain to insurance claims.

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

	2022	2021	2020
Balance at beginning of year	₱56,481,950	₱64,607,570	₱75,217,902
Provision	7,575,016	13,189,963	15,718,838
Reversal	-	(21,315,583)	-
Write-off	-	-	(26,329,170)
Balance at end of year	₱64,056,966	₱56,481,950	₱64,607,570

Based on management assessment, the allowance for impairment losses on receivables as at December 31, 2022 and 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 ₱444.2 million and ₱1,891.1 million as at December 31, 2022 and 2021, respectively. Corresponding goods will be substantially delivered on the first quarter of the following year.

7. Merchandise Inventories

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

	2022	2021
At cost	P13,206,312,899	P11,843,635,801
At NRV	36,544,376	32,326,817
	P13,242,857,275	P11,875,962,618

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 P298.7 million and P158.6 million as at December 31, 2022 and 2021, respectively.

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

	2022	2021	2020
Beginning of year	P126,302,274	P97,489,151	P97,489,151
Provision	135,877,579	28,813,123	-
Balance at end of year	P262,179,853	P126,302,274	P97,489,151

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 P20,444.8 million, P17,237.6 million and P14,847.2 million in 2022, 2021 and 2020, respectively, including any reversal of allowance and provision for inventory write-down and losses.

8. Other Current Assets

Details of this account are as follows:

	2022	2021
Materials and supplies	P384,617,925	P209,259,229
Current deferred input VAT	291,385,266	321,294,934
Prepaid expenses	121,595,616	123,416,035
Input VAT	67,126,932	245,234,762
Container deposits	12,860,614	13,782,800
	P877,586,353	P912,987,760

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

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

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

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.

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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 2023.

As at December 31, 2022 and 2021, the amount of contractual commitment related to the construction in progress amounted to ₱443.8 million and ₱630.3 million, respectively.

Depreciation and amortization are summarized below:

	Note	2022	2021	2020
ROU assets	10	₱1,353,158,514	₱1,203,777,100	₱1,121,341,535
Property and equipment		1,123,525,304	930,549,320	689,744,777
Computer software	11	24,623,030	12,618,043	9,462,520
	15	₱2,501,306,848	₱2,146,944,463	₱1,820,548,832

The acquisition costs of fully depreciated assets still in use are summarized below:

	2022	2021	2020
Property and equipment	₱988,773,860	₱376,026,145	₱181,584,118
ROU assets	513,977,050	261,298,431	244,207,456
	₱1,502,750,910	₱637,324,576	₱425,791,574

10. 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 ₱167.6 million and ₱150.8 million as at December 31, 2022 and 2021, respectively (see Note 11).

Amounts recognized in profit and loss:

	Note	2022	2021	2020
Amortization on ROU assets	9	₱1,353,158,514	₱1,203,777,100	₱1,121,341,535
Interest on lease liabilities		544,466,762	470,071,458	429,018,646
Rent expense	15	105,193,272	147,069,899	116,777,063
Rent concession	16	—	(1,863,170)	(100,926,407)
		₱2,002,818,548	₱1,819,055,287	₱1,566,210,837

Rent expense in 2022, 2021 and 2020 pertains to variable lease payments of real property taxes on leased properties from related parties, and short-term leases.

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Movements in the ROU assets are presented below:

2022							
Cost	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
Balance at beginning of year		₱6,033,141,813	₱2,878,166,558	₱361,379,636	₱162,704,797	₱38,914,064	₱9,474,306,868
Additions		1,168,343,236	1,451,587,748	208,347,051	1,762,315	-	2,830,040,350
Balance as at end of year		7,201,485,049	4,329,754,306	569,726,687	164,467,112	38,914,064	12,304,347,218
Amortization		909,861,974	1,742,582,802	246,749,619	108,341,354	38,914,064	3,046,449,813
Amortization	9	467,627,065	752,827,320	99,408,251	33,295,878	-	1,351,158,514
Balance as at end of year		1,377,489,039	2,495,410,122	346,157,870	141,637,232	38,914,064	4,359,608,327
Carrying Amount		₱5,823,996,010	₱1,834,344,184	₱223,568,817	₱22,829,880	₱-	₱7,904,738,891

2021							
Cost	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Computer Software	Total
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
Amortization		516,793,098	1,067,803,338	147,793,002	75,692,997	34,590,278	1,842,672,713
Amortization	9	393,068,876	674,779,464	98,956,617	32,648,357	4,323,786	1,203,777,100
Balance as at end of year		909,861,974	1,742,582,802	246,749,619	108,341,354	38,914,064	3,046,449,813
Carrying Amount		₱5,123,279,839	₱1,135,583,756	₱114,630,017	₱54,363,443	₱-	₱6,427,857,055

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Movements in the lease liabilities are presented below:

	Note	2022	2021
Balance at beginning of year		₱7,180,988,167	₱6,786,892,546
Additions		2,744,928,754	1,337,322,817
Payments		(1,497,360,701)	(1,411,435,484)
Interest expense		544,466,762	470,071,458
Rent concession	16	-	(1,863,170)
Balance at end of year		8,973,022,982	7,180,988,167
Current portion		1,614,033,349	1,401,610,716
Noncurrent portion		₱7,358,989,633	₱5,779,377,451

As at December 31, 2022 and 2021, the future minimum lease payments are as follows:

	2022	2021
Less than one year	₱1,428,828,377	₱1,031,209,851
Between one and five years	4,306,158,541	3,077,044,641
More than five years	7,193,942,407	6,648,804,887
	₱12,928,929,325	₱10,757,059,379

Details of interest expense follows:

	2022	2021	2020
Lease liabilities	₱544,466,762	₱470,071,458	₱429,018,646
Long-term debt	-	440	864
	₱544,466,762	₱470,071,898	₱429,019,510

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 ₱61.1 million, ₱61.0 million and ₱42.8 million in 2022, 2021 and 2020, respectively (see Note 16). Rent receivables amounted to ₱4.5 million and ₱8.6 million as at December 31, 2022 and 2021, respectively (see Note 6).

11. Other Noncurrent Assets

Details of this account are as follows:

	Note	2022	2021
Computer software		₱172,522,802	₱146,059,668
Security deposits	10	167,595,254	150,805,498
Electricity deposits		70,672,239	62,302,471
Noncurrent deferred input VAT		18,607,815	37,570,388
Advances to contractors		14,849,743	7,081,005
		₱444,247,853	₱403,819,030

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Movements of computer software are as follows:

	Note	2022	2021
Cost			
Balance at beginning of year		₱185,548,068	₱140,808,567
Additions		51,086,164	44,739,501
Balance at end of year		236,634,232	185,548,068
Accumulated Amortization			
Balance at beginning of year		39,488,400	26,870,357
Amortization	9	24,623,030	12,618,043
Balance at end of year		64,111,430	39,488,400
Carrying Amount		₱172,522,802	₱146,059,668

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, 2022 and 2021, the refund of cash bonds is still pending with the BOC. Accordingly, this has been fully provided with allowance since 2016.

12. Trade and Other Payables

Details of this account are as follows:

	2022	2021
Trade:		
Third parties	₱4,264,512,317	₱6,043,676,240
Related parties	3,032	7,088,979
Accrued expenses:		
Salaries and wages	222,490,187	155,698,950
Construction costs	149,797,496	11,702,641
Utilities	44,639,908	33,061,845
Outside services	34,644,204	77,016,582
Others	58,019,236	25,590,800
Nontrade:		
Third parties	397,991,835	394,471,809
Related parties	361,020	3,848,685
Advances from customers	421,919,790	304,604,500
Statutory payables	89,963,840	84,127,001
Unearned revenue	78,685,664	119,228,278
	₱5,763,028,529	₱7,260,116,310

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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.

Statutory payables pertain to withholding taxes and obligatory contributions as mandated by the government. These are paid within 12 months.

Unearned revenues pertain to unearned revenue on loyalty program and unredeemed gift certificates.

13. 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, 2022.

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

	2022	2021	2020
Current service cost	₱30,503,804	₱43,665,337	₱32,227,506
Interest expense	23,463,071	20,388,796	20,752,521
Interest income	(12,965,527)	(8,215,419)	(8,070,960)
	₱41,001,348	₱55,838,714	₱44,909,067

The cumulative remeasurement gains recognized in other comprehensive income follows:

	2022		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 17)	Net
Balance at beginning of year	₱133,027,959	₱33,256,990	₱99,770,970
Remeasurement gain	103,210,554	25,802,639	77,407,915
Balance at end of year	₱236,238,513	₱59,059,629	₱177,178,885

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	2021		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 17)	Net
Balance at beginning of year	₱819,346	₱245,804	₱573,542
Remeasurement gain	132,208,613	33,052,153	99,156,461
Effect of change in income tax rate	–	(40,967)	40,967
Balance at end of year	₱133,027,959	₱33,256,990	₱99,770,970

	2020		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 17)	Net
Balance at beginning of year	₱85,360,293	(₱25,608,088)	₱59,752,205
Remeasurement loss	(84,540,947)	25,362,284	(59,178,663)
Balance at end of year	₱819,346	₱245,804	₱573,542

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

	2022	2021
Present value of defined benefit obligation	₱378,318,846	₱446,915,632
Fair value of plan assets	(296,098,693)	(246,962,423)
	₱82,220,153	₱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 discount rate assumption is based on market yields as of December 31, 2022.

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

	2022	2021
Balance at beginning of year	₱446,915,632	₱521,452,584
Remeasurement loss (gain):		
Changes in financial assumptions	(118,041,467)	(91,884,507)
Experience	3,726,046	3,165,599
Changes in demographic assumptions	–	(40,929,121)
Current service cost	30,503,804	43,665,337
Interest expense	23,463,071	20,388,796
Benefits paid from plan assets	(7,393,976)	(8,943,056)
Benefits shouldered by the Company	(854,264)	–
Balance at end of year	₱378,318,846	₱446,915,632

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

	2022	2021
Balance at beginning of year	R246,962,423	R184,039,628
Contributions to plan assets	54,669,586	61,089,848
Contributions for benefits shouldered by the Company	854,264	-
Interest income	12,965,527	8,215,419
Remeasurement gain (loss)	(11,104,867)	2,560,584
Benefits paid from plan assets	(7,393,976)	(8,943,056)
Benefits shouldered by the Company	(854,264)	-
Balance at end of year	R296,098,693	R246,962,423

Details of plan assets are as follows:

	2022	2021
Cash & cash equivalents	4.63%	2.24%
Debt instruments	56.07%	39.78%
Equity instruments	15.43%	15.30%
Loans	0.08%	11.84%
Mutual funds	0.27%	4.25%
Unit Investment Trust Funds	10.37%	18.16%
Others	13.15%	8.43%
	100.00%	100.00%

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

	2022	2021
Discount rate	7.40%	5.25%
Annual salary increase rate	4.00%	4.00%

Sensitivity analysis on retirement liabilities is as follows:

	Basis Points	Amount
Discount rate	+100	(R41,031,511)
	-100	49,098,669
Salary rate	+100	47,766,735
	-100	(40,544,472)

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As at December 31, 2022 and 2021, the expected future benefits payments are as follows:

Year	2022	2021
1 year	₱69,931,439	₱69,359,897
2 years	7,575,057	5,602,007
3 years	12,180,532	10,272,324
4 years	13,307,749	14,515,496
5 years	7,468,345	15,143,362
6 – 10 years	112,299,666	105,315,710
	₱222,762,788	₱220,208,796

The weighted average duration of the defined benefit obligation at the end of the reporting period is 15 years.

14. Equity

Details of capital stock as at December 31, 2022 and 2021 are as follows:

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

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of ₱5.05 a share. Net proceeds from the IPO amounted to ₱6,749.3 million, net of offer expenses of ₱289.9 million (see Note 1). Net additional paid-in capital amounted to ₱5,373.7 million.

As at December 31, 2022 and 2021, the Company has 4,099,724,116 listed shares.

Cash Dividends

The BOD of the Company approved the declaration and payment of the following cash dividends to stockholders as follows:

Date of Declaration	Date of Record	Date of Payment	Dividend per share	Total Cash dividends
February 23, 2022	March 18, 2022	April 12, 2022	₱0.21	₱860,942,063
February 24, 2021	March 19, 2021	April 16, 2021	0.12	491,966,894
February 24, 2020	March 20, 2020	April 16, 2020	0.18	737,950,341

15. Operating Expenses

Details of this account are as follows:

	Note	2022	2021	2020
Depreciation and amortization	9	₱2,501,306,848	₱2,146,944,463	₱1,820,548,832
Salaries, wages and employee benefits		1,437,492,005	1,369,296,922	1,146,448,905
Outsourced services		1,143,809,409	963,813,732	860,823,857
Trucking services		722,365,203	586,566,083	456,297,193
Utilities		721,264,514	535,291,426	419,641,349
Taxes and licenses		355,499,765	298,352,320	311,898,040
Credit card charges		259,127,136	209,014,407	175,511,886
Advertising and promotions		139,441,898	70,685,508	48,097,754
Repairs and maintenance		136,818,118	136,823,558	91,955,590
Supplies		134,895,150	111,162,284	91,283,115
Rent	10	105,193,272	147,069,899	116,777,063
Fuel and oil		56,340,175	36,418,745	12,467,638
Postage, telephone and telegraph		48,670,603	37,675,591	33,793,393
Sponsorships and events		33,529,213	12,809,231	17,343,113
Transportation and travel		25,538,799	12,840,557	13,161,071
Professional fees		13,539,422	15,395,075	10,825,627
Donations and contributions		6,204,661	20,550,474	73,063,471
Others		38,300,940	20,860,513	38,081,274
		₱7,879,337,131	₱6,731,570,788	₱5,738,019,171

Other expenses include director's fees, insurance expense, net provision for impairment losses on receivables, loss on direct write-off of receivable and other operating costs.

16. Other Income

Details of this account are as follows:

	Note	2022	2021	2020
Supplier support and other fees		₱244,407,469	₱186,791,110	₱168,436,873
Delivery fees and other customer charges		100,604,487	72,249,769	68,046,684
Rent income	10	61,127,864	61,014,780	42,777,169
Interest	4	17,064,479	28,862,925	55,135,122
Rent concession	10	-	1,863,170	100,926,407
		₱423,204,299	₱350,781,754	₱435,322,255

Supplier support and other fees pertains to incentives and other fees received from supplier.

Delivery fees and other customer charges pertains to fees received from customers for the delivery and other services rendered.

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

Rent concession in 2021 and 2020 pertains to discounts received from lessors of land and buildings due to the impact of the Covid-19 pandemic.

17. 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:

	2022	2021	2020
Income tax expense at statutory rate	₱1,281,349,720	₱856,217,348	₱615,001,936
Income tax effects of:			
Interest income already subjected to final tax	(4,266,120)	(7,215,731)	(16,540,537)
Nondeductible expenses	-	-	2,701,276
Adjustment due to change in tax rate	-	14,387,569	-
	₱1,277,083,600	₱863,389,186	₱601,162,675

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 the 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	₱856,849,114

In addition, net deferred tax assets as at December 31, 2021 were reduced by ₱69.1 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:

	2022	2021
Deferred tax assets:		
Lease liabilities, net of ROU assets	P347,463,187	P226,375,823
Allowance for inventory write-down and losses	65,544,964	31,575,568
Retirement liability	30,050,933	57,339,824
Allowance for impairment of refundable cash bonds	20,852,483	20,852,483
Unearned revenue from loyalty program	16,799,516	24,392,051
Allowance for impairment losses on receivables	16,014,242	14,120,488
Unrealized foreign exchange loss	132,966	11,906
	P496,858,291	P374,668,143

Deferred income expense (benefit) is recognized as follows:

	Note	2022	2021	2020
Through profit or loss		P555,917,920	P407,925,133	P414,465,205
Through other comprehensive income				(245,804)
	13	(59,059,629)	(33,256,990)	
		P496,858,291	P374,668,143	P414,219,401

18. 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, 2022 and 2021.

19. Related Party Transactions and Balances

The Company has an approval policy on material related party transactions (RPT) wherein all individual material RPT shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the independent directors voting to approve the material RPT.

In case that a majority of the independent director's vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

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

Related Party	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	2022	₱2,611,519	₱792,577,989	₱243,371,343	₱-
	2021	3,633,102	708,602,166	225,383,666	-
	2020	716,154	752,083,415	226,782,386	413,951
Entities under Common Control	2022	6,838,400	825,003,450	197,293,426	1,040,654
	2021	228,540	1,037,144,897	192,195,070	10,904,283
	2020	25,945,405	1,337,715,542	168,983,561	135,408,171
Stockholders	2022	2,450,398	33,850,149	11,538,123	-
	2021	1,064,953	54,999,457	10,181,764	33,381
	2020	1,090,028	30,770,060	10,567,619	108,931
	2022	₱11,900,317	₱1,651,431,588	₱452,202,892	₱1,040,654
	2021	4,926,605	1,800,746,520	427,760,500	10,937,664
	2020	27,751,587	2,120,569,017	406,333,566	135,931,053

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱1.2 million and ₱33.5 million as at December 31, 2022 and 2021, respectively and security deposits and advance rent (included as part of "Other current assets" or "Other noncurrent assets") aggregating ₱451.0 million and ₱394.3 million as at December 31, 2022 and 2021, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2022, 2021 and 2020.

Amounts owed to related parties consist of trade and other payables aggregating ₱1.0 million and ₱10.9 million as at December 31, 2022 and 2021, respectively.

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

- Lease agreements with the Parent Company and related parties for the use of land, buildings, computer software for a period of 1 to 15 years (see Note 10).

Interest expense on lease liabilities to related parties amounted to ₱412.0 million, ₱446.8 million and ₱406.9 million in 2022, 2021 and 2020, respectively, while amortization of ROU assets amounted to ₱1,104.4 million, ₱1,139.3 million and ₱1,030.0 million in 2022, 2021 and 2020, respectively. Total lease payments, including payments on lease liabilities, amounted to ₱1,464.0 million, ₱1,401.8 million and ₱1,030.3 million in 2022, 2021 and 2020, respectively.

Rent expense from related parties amounted to ₱78.8 million, ₱71.8 million and ₱71.4 million in 2022, 2021 and 2020, respectively.

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

Purchases of goods and services from related parties aggregated ₱43,038, ₱86.3 million and ₱553.8 million in 2022, 2021 and 2020, respectively.

Sale of goods and services to related parties aggregated ₱11.9 million, ₱4.9 million and ₱27.8 million in 2022, 2021 and 2020, respectively.

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- 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 ₱56.2 million, ₱56.5 million and ₱58.5 million in 2022, 2021 and 2020, respectively.
- d. Certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million in 2021. These loans already matured as of August 2021 freeing the related collateral properties.

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 2022, 2021 and 2020.

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

	2022	2021	2020
Short-term employee benefits	₱186,703,472	₱203,577,216	₱126,184,332
Retirement benefits	8,922,137	10,236,392	6,178,419
	₱195,625,609	₱213,813,608	₱132,362,751

20. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

	2022	2021	2020
Net income	₱3,848,315,301	₱2,561,480,207	₱1,448,843,779
Divided by the weighted average number of outstanding shares	4,099,724,116	4,099,724,116	4,099,724,116
	₱0.94	₱0.62	₱0.35

21. 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 payables and unearned revenue) and lease liabilities. 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.

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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:

	2022	2021
Cash in banks and cash equivalents	₱1,770,080,120	₱1,533,316,737
Short-term investments	750,500,000	799,469,125
Trade and other receivables*	332,690,908	205,468,044
Security deposits	167,595,254	150,805,498
Refundable cash bonds	83,409,934	83,409,934
Electricity deposits	70,672,239	62,302,471
Container deposits	12,860,614	13,782,800
	₱3,187,809,069	₱2,848,554,609

*Excluding advances to officers and employees amounting to ₱19.7 million and ₱17.3 million as at December 31, 2022 and 2021, respectively.

The Company does not have major concentration of credit risk.

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

	2022					Total
	Neither Past Due Nor Impaired	Past Due but not impaired			More Than Three Years	
		Less than One Year	One Year to Less Than Three Years	Less Than Three Years		
Cash in banks and cash equivalents	₱1,770,080,120	₱-	₱-	₱-	₱-	₱1,770,080,120
Short-term investments	750,500,000	-	-	-	-	750,500,000
Trade and other receivables*	115,933,419	163,228,015	8,802,623	44,726,851	-	332,690,908
Security deposits	167,595,254	-	-	-	-	167,595,254
Refundable cash bonds	-	-	-	83,409,934	-	83,409,934
Electricity deposits	70,672,239	-	-	-	-	70,672,239
Container deposits	12,860,614	-	-	-	-	12,860,614
	₱2,887,641,646	₱163,228,015	₱8,802,623	₱128,136,785	₱3,187,809,069	

*Excluding advances to officers and employees aggregating ₱19.7 million.

	2021					Total
	Neither Past Due Nor Impaired	Past Due but not impaired			More Than Three Years	
		Less than One Year	One Year to Less Than Three Years	Less Than 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
	₱2,605,663,622	₱65,869,364	₱48,531,289	₱128,490,334	₱2,848,554,609	

*Excluding advances to officers and employees aggregating ₱17.3 million.

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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:

	2022	2021
Cash in banks and cash equivalents	₱1,770,080,120	₱1,533,316,737
Short-term investments	750,500,000	799,469,125
Trade and other receivables*	332,690,908	205,468,044
Security deposits	167,595,254	150,805,498
Refundable cash bonds	83,409,934	83,409,934
Electricity deposits	70,672,239	62,302,471
Container deposits	12,860,614	13,782,800
	₱3,187,809,069	₱2,848,554,609

*Excluding advances to officers and employees amounting to ₱19.7 million and ₱17.3 million as at December 31, 2022 and 2021, respectively.

The Company does not have major concentration of credit risk.

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

	2022					Total
	Neither Past Due Nor Impaired	Past Due but not impaired			More Than Three Years	
		Less than One Year	One Year to Less Than Three Years	Less Than Three Years		
Cash in banks and cash equivalents	₱1,770,080,120	₱-	₱-	₱-	₱-	₱1,770,080,120
Short-term investments	750,500,000	-	-	-	-	750,500,000
Trade and other receivables*	115,933,419	163,228,015	8,802,623	44,726,851	-	332,690,908
Security deposits	167,595,254	-	-	-	-	167,595,254
Refundable cash bonds	-	-	-	83,409,934	-	83,409,934
Electricity deposits	70,672,239	-	-	-	-	70,672,239
Container deposits	12,860,614	-	-	-	-	12,860,614
	₱2,887,641,646	₱163,228,015	₱8,802,623	₱128,136,785	₱3,187,809,069	

*Excluding advances to officers and employees aggregating ₱19.7 million.

	2021					Total
	Neither Past Due Nor Impaired	Past Due but not impaired			More Than Three Years	
		Less than One Year	One Year to Less Than Three Years	Less Than 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
	₱2,605,663,622	₱65,869,364	₱48,531,289	₱128,490,334	₱2,848,554,609	

*Excluding advances to officers and employees aggregating ₱17.3 million.

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"Past due but not impaired" are accounts with history of frequent defaults, nevertheless, the amounts are still collectible, while "More than three years" are items that are fully covered by allowance.

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

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

	2022				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*	P=	₱5,065,529,520	₱442,976,482	₱85,872,923	₱5,594,379,025
Lease liabilities	-	405,273,526	1,140,401,840	4,189,311,552	5,734,986,918
	P=	₱5,470,803,146	₱1,583,378,322	₱4,275,184,475	₱11,329,365,943

*Excluding statutory payables and unearned revenue aggregating ₱168.6 million.

	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*	P=	₱5,792,560,380	₱1,214,603,895	₱60,787,195	₱7,067,951,470
Lease liabilities	-	378,277,191	723,421,768	3,006,595,533	4,108,254,492
	P=	₱6,170,837,571	₱1,938,025,663	₱3,067,342,728	₱11,176,205,962

*Excluding statutory payables and unearned revenue aggregating ₱203.4 million.

As at December 31, 2022 and 2021, 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, and short-term investments. The interest rates on these assets are disclosed in Notes 4 and 5. 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, cash equivalents and short-term investments with all other variables held constant.

	2022		2021	
	+/-%	Effect on Profit or Loss	+/-%	Effect on Profit or Loss
Short-term investments	0.31%	(₱95,791)	0.36%	(₱40,470)
Cash equivalents	-	-	0.36%	26,334

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The changes in interest rates used in the analysis of cash equivalents and short-term investments 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:

	2022	2021
Total debt	₱15,099,816,006	₱14,858,872,616
Total equity	20,543,185,198	17,478,404,045
Debt-to-equity ratio	0.74:1	0.85:1

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

22. Fair Value of Financial Instruments

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

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱1,781,338,481	₱1,781,338,481	₱1,542,790,565	₱1,542,790,565
Short-term investments	750,500,000	750,500,000	799,469,125	799,469,125
Trade and other receivables*	268,633,943	268,633,943	148,986,094	148,986,094
Security deposits	167,595,254	116,385,244	150,805,498	114,728,222
Electricity deposits	70,672,239	70,672,239	62,302,471	62,302,471
Container deposits	12,860,614	12,860,614	13,782,800	13,782,800
	₱3,051,600,531	₱3,000,390,521	₱2,718,136,553	₱2,682,059,277
Financial Liabilities				
Trade and other payables**	₱5,594,379,025	₱5,594,379,025	₱7,067,771,269	₱7,067,771,269
Lease liabilities	8,973,022,982	8,273,098,040	7,180,988,167	8,798,595,141
	₱14,567,402,007	₱13,867,477,065	₱14,248,759,436	₱15,866,366,410

*Excluding advances to officers and employees aggregating ₱19.7 million and ₱17.3 million as at December 31, 2022 and 2021, respectively.

**Excluding statutory payables and unearned revenue aggregating ₱168.6 million and ₱203.4 million as at December 31, 2022 and 2021, 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.

In 2022 and 2021, 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, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, on which we have rendered our report dated February 22, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 152 stockholder owning more than 100 shares as at December 31, 2022 and 2021.

REYES TACANDONG & Co.


CAROLINA P. ANGELES
Partner

CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
SEC Accreditation No. 86981-SEC Group A
Issued March 24, 2020
Valid for Financial Periods 2019 to 2023
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 9564562
Issued January 3, 2023, Makati City

February 22, 2023
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, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, and have issued our report thereon dated February 22, 2023. 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, 2022
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2022 and 2021
- Schedules Required under Annex 68-J of Securities Regulation Code (SRC) Rule 68, as amended, as at and for the year ended December 31, 2022
- Corporate Structure as at December 31, 2022

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, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 and no material exceptions were noted.



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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.
CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

SEC Accreditation No. 86981-SEC Group A

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BIR Accreditation No. 08-005144-007-2022

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PTR No. 9564562

Issued January 3, 2023, Makati City

February 22, 2023

Makati City, Metro Manila

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

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Retained earnings at beginning of year as shown in the financial statements	P7,905,170,532
Net income during the year closed to retained earnings	3,848,315,301
Dividends declared during the year	(860,942,063)
Net deferred tax assets as at December 31, 2022	(496,858,291)
<hr/>	
Retained earnings as at end of year available for dividend declaration	P10,395,685,479
<hr/>	
Reconciliation	
Retained earnings at end of year as shown in the financial statements	P10,892,543,770
Net deferred tax assets as at December 31, 2022	(496,858,291)
<hr/>	
Retained earnings as at end of year available for dividend declaration	P10,395,685,479

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

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

Schedules Required under Annex 68-J of Revised Securities Regulation Code Rule 68
As at and For the Year Ended December 31, 2022

Table of Contents

Schedule	Description	Page
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	N/A
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	3

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, 2022

Amounts in Thousands

Description	Number of Shares or Principal Amount of Bonds	Amount Shown in the Statement of Financial Position	Income Received and Accrued
Cash in Banks			
Banco de Oro (BDO)	-	₱184,256	₱187
Philippine National Bank (PNB)	-	260,322	176
Metropolitan Bank and Trust Companies (MBTC)	-	460,044	206
Bank of the Philippine Island (BPI)	-	237,309	159
China Bank Savings, Inc. (CBS)	-	460,530	98
China Banking Corporation (CBC)	-	117,783	78
Asia United Bank (AUB)	-	21,882	15
Rizal Commercial Banking Corporation (RCBC)	-	15,550	35
Eastwest Banking Corporation (EBC)	-	9,181	6
Robinsons Bank (RB)	-	2,499	-
Landbank of the Philippines (LBP)	-	461	-
Union Bank of the Philippines, Inc. (UB)	-	263	-
		1,770,080	960
Cash Equivalents			
Philippine National Bank (PNB)	-	-	1,334
China Banking Corporation (CBC)	-	-	198
Metrobank Card Corporation (MCC)	-	-	246
First Metro Investment Corporation (FMIC)	-	-	-
China Bank Savings, Inc. (CBS)	-	-	3,834
		-	5,612
Short-term Investments			
First Metro Investment Corporation (FMIC)	-	-	446
China Banking Corporation (CBC)	-	750,500	10,047
Philippine National Bank (PNB)	-	-	-
		750,500	10,493
Trade and Other Receivables*			
Trade	-	175,955	-
Rent	-	4,549	-
Others	-	88,130	-
		-	268,634
Other financial assets**			
	-	251,128	-
		₱3,040,342	₱17,065

*Balances are net of aggregate allowance for expected credit losses amounting to ₱64.1 million.

**Other financial assets pertain to container, security and electricity deposits.

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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, 2022

Amounts in Thousands

Name and Designation of Debtor Advances to officers and employees	Balance at Beginning of Year	Additions	Amounts Collected		Current	Non-current	Balance at End of Year
			Collected	Written Off			
	P17,340	P120,800	(P118,440)	P-	P19,700	P-	P 19,700

SCHEDULE G

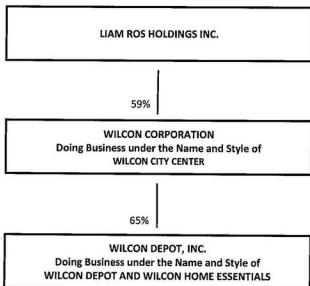
WILCON DEPOT, INC.
Doing Business under the Name and Style of
WILCON DEPOT AND WILCON HOME ESSENTIALS
 (A Subsidiary of WILCON CORPORATION)
Doing Business under the Name and Style of WILCON CITY CENTER

CAPITAL STOCK
DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Conversion, and other Rights	Number of Shares held by Related Parties	Number of Shares held by Directors and Officers	Number of Shares held by Others
Common shares - at \$1 par value	5,000,000,000	4,099,724,116	-	2,685,417,936	22,367,200	1,391,939,000

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, 2022



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, 2022

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

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
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SUPPLEMENTARY SCHEDULE OF APPLICATION OF
PROCEEDS FROM INITIAL PUBLIC OFFERING
AS AT DECEMBER 31, 2022

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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)
	(6,750,094,309)	(6,749,328,507)	(6,749,328,507)
Unapplied Proceeds	₱-	₱-	₱-

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.
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 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, 2022 and 2021

	Formula		2022	2021
Liquidity ratio				
Current ratio	Total Current Assets	₱17,384,803,050	2.27 : 1	1.94 : 1
	Divide by: Total Current Liabilities	7,658,606,220		
	Current ratio	<u>2.27</u>		
Acid test ratio	Total Current Assets	₱17,384,803,050	0.43 : 1	0.50 : 1
	Less: Merchandise Inventories	13,242,857,275		
	Other Current Assets	877,586,353		
	Quick Assets	3,264,359,422		
	Divide by: Total Current Liabilities	7,658,606,220		
Acid test ratio	<u>0.43</u>			
Solvency ratio				
Debt to equity ratio	Total Liabilities	₱15,099,816,006	0.74 : 1	0.85 : 1
	Divide by: Total Equity	20,543,185,198		
	Debt to equity ratio	<u>0.74</u>		
Asset to equity ratio	Total Assets	₱35,643,001,204	1.74	1.85
	Divided by: Total Equity	20,543,185,198		
	Asset to equity ratio	<u>1.74</u>		
Profitability ratio				
Return on assets	Net Income	₱3,848,315,301	10.80%	7.92%
	Divided by: Total Assets	35,643,001,204		
	Return on assets	<u>10.80%</u>		
Return on equity	Net Income	₱3,848,315,301	18.73%	14.66%
	Divide by: Total Equity	20,543,185,198		
	Return on equity	<u>18.73%</u>		
Book value per share	Total Equity	₱20,543,185,198	₱5.01	₱4.26
	Divide by: Number of outstanding Shares	4,099,724,116		
		<u>₱5.01</u>		

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	Formula		2022	2021
Gross income	Gross income	₱13,125,998,495	39.10%	37.35%
	Divide by: Net Sales	<u>33,570,825,431</u>		
	Gross income	<u>39.10%</u>		
EBITDA margin	Income before Income Tax	₱5,125,398,901	24.29%	21.85%
	Add: Depreciation and Amortization	2,501,306,848		
	Net Interest Expense	<u>527,402,283</u>		
	Earnings Before Interest, Tax, Depreciation, and Amortization	8,154,108,032		
	Divided by: Net Sales	<u>33,570,825,431</u>		
	EBITDA margin	<u>24.29%</u>		
Net income margin	Net Income	₱3,848,315,301	11.46%	9.31%
	Divide by: Net Sales	<u>33,570,825,431</u>		
	Net income margin	<u>11.46%</u>		



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ANNUAL REPORT

SUSTAINABILITY REPORT

Virtual
Store



WILCON

WILCON

BUILDING BIG IDEAS

Better



2022 SUSTAINABILITY REPORT

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MESSAGE FROM THE CEO

Sustainable living has always been one of Wilcon's aspirations especially for our customers, as embodied in our mission statement – to help our customers build, improve and refine their homes for a sustainable and comfortable life. Through the years, we have invariably been in the forefront of making available to our customers the latest innovative products that would help them achieve this.

Having been in operation for 45 years doing the same business and an industry leader are testaments of how we have built and strengthened our relationships with our various stakeholders and communities. We could not have delivered excellent service and experience to our customers if we did not take care of our employees. We provide our employees plenty of growth opportunities as well. We have long-standing relationships with our major supplier-partners, many of whom have been supportive and aligned with our sustainability journey. We have had collaborative efforts with some of them in supporting each other's sustainability projects. As of the end of 2022, we were 83-store strong and as such we are a part of as many communities. We have been responsible members of our different communities and have helped out not only in times of disaster but participated in various uplifting projects and events. In our own little ways we have contributed in various environmental projects of civic groups and made a giant leap with our investment in solar energy which we initiated in 2016. To give more focus on our various contributions to environment-related projects, we have articulated and incorporated in our mission statement our commitment to better environmental impacts of our business.



LORRAINE BELO-CINCOCHAN
President and Chief Executive Officer

In 2022, with the sustainability reporting requirement of the SEC as our jump-off point we crafted our five-year sustainability roadmap to organize and give focus to our ESG-related efforts and hence maximize the impact and benefits of these activities. We have been true to our motto of building big ideas for decades and now with our more focused ESG journey, we are building big ideas better.



LORRAINE BELO-CINCOCHAN
Director, President and Chief Executive Officer

ABOUT OUR COMPANY

Company Overview

Wilcon Depot, Inc. is the Philippines' leading home improvement and finishing construction supplies retailer. We are a one-stop shop carrying the complete spectrum of home improvement products. We have the most extensive product selection of trusted local and international brands of tiles and flooring, plumbing and sanitary ware, building materials, paints, electrical and lighting, hardware and tools, furniture, houseware and appliances.

In business since 1977, we have built an extensive network of supplier-partners, and a wide customer base of homeowners, professionals and contractors, and property developers.

A pioneer in introducing modern trade in the construction supply industry in the Philippines, we revolutionized our sector by enhancing the customer's shopping experience, evolving our original traditional hardware chain into a network of depot format branches.

After our public listing in March, 2017, we embarked on an aggressive store network expansion program, more than doubling the number of our branches from 36 at the start of 2017 to 83 by the end of 2022.



Company Information

Company details

Name of Organization	Wilcon Depot (PSE: WILCON)
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.
Source: https://edge.ase.com.ph/containers/financials/financials_46-644	
Reporting Period	31 December 2022
Highest Ranking Person for this report	Lorraine Belo-Cincochan, President - CEO

ABOUT OUR COMPANY

Company Overview

Wilcon Depot, Inc. is the Philippines' leading home improvement and finishing construction supplies retailer. We are a one-stop shop carrying the complete spectrum of home improvement products. We have the most extensive product selection of trusted local and international brands of tiles and flooring, plumbing and sanitary ware, building materials, paints, electrical and lighting, hardware and tools, furniture, houseware and appliances.

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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.
Source: https://investor.wilcon.com.ph/eng/infocenter/infocenter.do?cmov=infocnt	
Reporting Period	31 December 2022
Highest Ranking Person for this report	Lorraine Belo-Cincochan, President - CEO

INTRODUCTION

Sustainability is built into the business of Wilcon. We have been in the industry for 45 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.

In 2022, to continue to advance our work in this area, we completed a carefully and thoughtfully crafted 5-year Sustainability Strategy, which outlines Wilcon's sustainability action plans and ambitions for 2028.

This Sustainability Strategy was also developed in consideration of the United Nation's Global Goals (the SDGs). These goals were created to help solve the world's toughest challenges such as poverty, inequality and climate change by the year 2030. Internal stocktaking of our operations and activities have enabled us to create positive synergies and conditions that can address several developmental challenges, such as responsible consumption and production, providing decent work, taking action on climate change, sustainably using natural resources, and addressing gender equality.

We believe our Strategy is well aligned with the global goals and we will continue to innovate our operations to demonstrate our support for tackling these compelling issues.



UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS

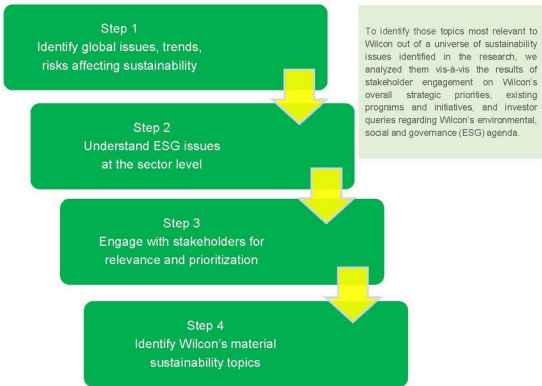
Initially, the Securities and Exchange Commission's sustainability reporting requirement among publicly listed companies was an opportunity for Wilcon to take stock of everything that we have done to deliver on our commitment and find ways to build our big ideas better. In 2019, we undertook a rigorous 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.

UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS



Toward the end of 2021, management saw the need to take stock of the Company's ESG progress in the light of the disruptions brought about by the Covid-19 pandemic. ESG material topics were likewise assessed, prioritized and updated by the first quarter of 2022.

Up to fifteen internal and external stakeholders' interviews were conducted to update and expand the 2019 materiality process results and findings to include current business targets as well as aligning with future business plans.

We recognize that as we achieve our short-term goals, our longer-term targets may evolve and as such our work plans will be constantly updated. We are confident that this new strategy will consistently provide Wilcon with a roadmap for success and will bring us all closer to *Building Big Ideas Better* and living in a sustainable world.

OUR MATERIAL ESG TOPICS AND MANAGEMENT ACTIONS



Business expansion and creating shared value



Impacts of climate change on business performance



Impacts on local communities (job creation, CSR, Infrastructure Development)



Responsible sourcing

ECONOMIC



Emissions from energy use and transport & delivery



Waste management

ENVIRONMENTAL



People: Training, OHS & DEI



Customer satisfaction and protection (data privacy, H&S)



Technology strategy (big data, cyber security, and e-commerce)



Meaningful communications and market shaping



Ethics and compliance (governance of ESG at Board level, anti-corruption)

SOCIAL & GOVERNANCE

Wilcon's 2019 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.

OUR MATERIAL ESG TOPICS AND MANAGEMENT ACTIONS



Business expansion and creating shared value



Impacts of climate change on business performance



Impacts on local communities (job creation, CSR, Infrastructure Development)



Responsible sourcing

ECONOMIC



Emissions from energy use and transport & delivery



Waste management

ENVIRONMENTAL



People: Training, OHS & D&I



Customer satisfaction and protection (data privacy, H&S)



Technology strategy (IoT, data, cyber security, and e-commerce)



Meaningful communications and market shaping



Ethics and compliance (governance of ESG at Board level, anti-corruption)

SOCIAL & GOVERNANCE

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 2023;
- 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.
- The 2022 ESG materiality re-assessment exercise resulted in the additional focus areas under People on labor rights, gender equality and community development.

OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilson'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.



Wilson has demonstrate its Resilience in the face of risks from climate change



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



Wilson 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.



- 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

- 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

- Cultural difference 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

- Non-availability of products that meet evolving customer preferences and Wilson'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



- Increased profitability through new markets

- Growing preference for sustainable products

- Operational efficiencies and better use of resources like materials, energy, fuel and water

- Ability to offer superior, more durable, more sustainable products that can withstand harsh weather conditions

- Position Wilson as a partner in building and rebuilding

- Shape the market and educate them on the benefits of sustainable products

- Local employment spurring economic growth in emerging cities

- Be recognized as an inclusive brand by the community through appropriate and meaningful marketing

- 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



STAKEHOLDER VIEW



LEGEND

ESG RISK



ESG OPPORTUNITY

OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



Wilson's growth translate 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



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

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

- Faster product innovation using waste as possible raw material



Wilson 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



Wilson recognizes that in order to successfully execute its growth strategies, its employees need to be empowered to maximize their contribution to the company's growth goals. Equitable opportunities should also be accorded to each of its employees pursuant to the basic labor right of fair and just treatment in the workplace

- Availability of suitable human resource of specific genders for specific functions and responsibilities
- Cost of structure and process change to decentralize control and empower downlines
- Cost of training

- More comprehensive talent pool critical for accelerated growth



STAKEHOLDER VIEW



LEGEND

ESG RISK



ESG OPPORTUNITY

OUR MATERIAL ESG AND KEY FINDINGS

MATERIAL ESG TOPICS



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

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

-Lags and operational delays from data breaches system failures

-Requires less energy to operate and generate 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 businesses to contribute to sustainable development while ensuring value creation and long-term resilience require responsible leadership and a adoption of sustainability at the Board level

-Subject to fines for non-compliance to future regulations on ESG governance

-Establish a governance structure and management approach towards sustainability

-Ability to better respond to investor queries



STAKEHOLDER VIEW



ESG RISK



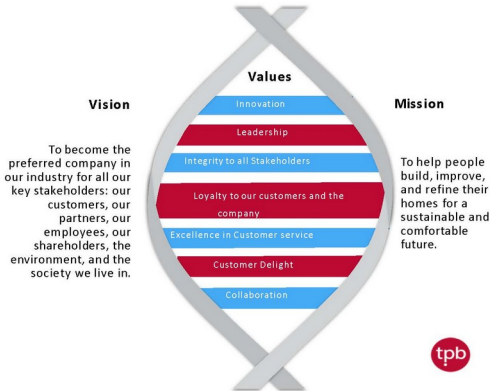
ESG OPPORTUNITY

STRATEGIC AMBITION AND FRAMEWORK

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.

By integrating our long-standing mission of *Building Big Ideas Better* into our strategic sustainability ambition, we aim to lead our industry's evolution to genuine sustainability by helping our customers build, improve, and refine their homes for a more sustainable and comfortable life. As such, we are committed to contributing the best expertise, knowledge, resources, and skills that promote stronger, safer, and more sustainable spaces from the long-lasting, quality products and solutions we provide.

Our principles of integrity, true value, and doing the right thing all make this possible.



STRATEGIC AMBITION AND FRAMEWORK

Vision for 2028

To lead our industry and continually enhance the customer experience by innovating to offer more sustainable products, reducing our footprint, and taking care of our people and communities.

All of which is underpinned by strong sustainability governance standards embedded across our operations.

Strategy Framework



STRATEGY FRAMEWORK

Innovate for More Sustainable Products

– By 2028 we will...

Focus Areas

- Product quality and safety
- Supply chain management and engagement
- Product innovation, design and life cycle management

Commitments

- Ensure the best customer experience
- Provide employees with the knowledge they need to implement supply chain innovation efforts
- Expand availability of locally made, sustainable products
- Empower customers via transparent product information



Innovate and expand our offering to include more sustainable, ethically made and safe products for customers by nurturing supplier relationships and considering the full product lifecycle.

Take Care of our People and Communities

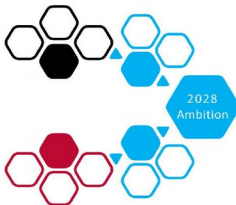
– By 2028 we will...

Focus Areas

- Employee health and safety
- Employee training and development
- Workplace culture, engagement and wellbeing
- Labor rights and employee welfare
- Community development

Commitments

- Consistently instill a sense of psychological and physical safety and security for our team
- Continue to be the best by developing from within and nurturing the best talent
- Promote excellence in the workplace by sustaining a caring culture where safety comes first
- Meaningfully serve the local communities to which we belong



Enable our people to champion sustainability and community engagement with the confidence that comes from working in a safe, collaborative, and caring working environment.

STRATEGY FRAMEWORK

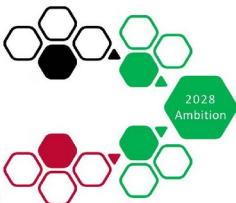
Reduce Our Footprint – By 2028 we will...

Focus Areas

- Climate change adaptation
- Energy use and emissions management
- Waste management
- Water consumption and management

Commitments

- Reduce the environmental impact of the products we sell
- Minimize our operational requirements for energy, water, and waste
- Reduce emissions across our operations and encourage the same across our value chain



Limit the ecological footprint of our operations by reducing our reliance on natural resources and decreasing waste and emissions.

Embed Sustainability – By 2028 we will...

Focus Areas

- Corporate Governance
- Business Ethics

Commitments

- Ensure the highest levels of accountability across all staff and leadership levels
- Adhere to our principles of integrity, true value and doing the right thing



Create a corporate culture of ethics, integrity, and sustainability by following sound corporate governance practices.

2022 ESG HIGHLIGHTS

**Php
860.9M**

Dividends given to
stockholders

10 MW

of Solar Power

339,478

Recyclable
Papers & Scraps
(in kg)

Php 2.2B

Taxes given to
government

**Php
566.1M**

TOTAL SOLAR
CAPEX TO DATE

51,267

GHG Emission
(in Tonnes CO₂e)

Php 20.5M

Investments to
Community

**Php
386.4M**

TOTAL SOLAR
SAVINGS TO DATE

1,980

No. of Safety Drills

43

Branches with
Solar System

14,858,324

Energy consumption
Renewable sources
(in kWh)

100%

Covered by
OHSAS

ECONOMIC DATA

Economic Performance

Direct economic value generated and distributed (in Php)

	2021	2022
Direct economic value generated (Revenue)	27,864,110,064	33,994,029,730
Direct economic value distributed		
A. Operating costs	6,731,570,788	7,879,337,131
B. Employee wages and benefits	1,369,296,922	1,437,492,006
C. Payments to suppliers, other operating costs	27,202,407,825	31,508,131,854
D. Dividends given to stockholders and interest payments to loan providers	491,967,335	860,942,064
E. Taxes given to government	1,616,050,200	2,171,199,488
F. Investments to community	20,550,473	20,505,987

Collaboration to Create Value

Record 2022 revenues and earnings were not an accident for Wilcon. These outstanding results were the product of years of building relationships and collaborating with our various stakeholders, particularly with our partner suppliers.

As a management approach, we have built long-term, mutually beneficial relationships with our partner suppliers, aligning our strategic goals to support the realization of our respective missions and visions.

In 2022, we've laid out initiatives and objectives, which included critical collaborations with partner suppliers focusing on product quality and safety, supply chain management and engagement and product innovation, design and lifecycle.



No. 1

Home improvement/
construction retail space

83

Stores
nationwide

660

Suppliers

892,704

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.

ECONOMIC DATA

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.

Top of Mind

A stellar sales performance is testament to our proven reliability in terms of offering quality products and excellent customer experience. We were the home improvement store of choice by customers during the pandemic and more so in 2022 when mobility restrictions were lifted.

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 resulted in industry-best performance during and after the pandemic.

retail asia AWARDS 2022
(WINNER)
Domestic Retailer of the Year (Philippines)

WILCON **DEPOT**

WILCON DEPOT wins International Recognition as Domestic Retailer of the Year in the Philippines

We were awarded the Domestic Retailer of the Year in the 2022 Retail Asia Awards.

The award was in recognition of our solid performance as a brick-and-mortar retailer delivering exceptional value to our customers amid industry challenges such as the ever-changing customer preferences and e-commerce boom.

ENVIRONMENT DATA

Environment Performance		
Energy consumption within the organization (in kWh)		
	2021	2022
Energy consumption (renewable sources)	10,173,138	14,858,324
Energy consumption (electricity)	62,517,150	70,725,240
Energy reduction of energy consumption (in kWh)		
Energy reduction (renewable sources)	10,173,138	14,858,324
Energy reduction (electricity)	62,517,150	70,725,240
Air emission disclosures (in Tonnes CO ₂ e)		
Scope 1 GHG emissions	928	897
Scope 2 GHG emissions	44,543	50,371
Total GHG emission	45,471	51,267
Water consumption within the organization (in CBM)		
Water withdrawal	268,926	455,003
Water consumption	268,926	455,003
Water recycled and reused	0.00	0.00
Solid and hazardous waste generated (in kg)		
Recyclable (papers & scraps)	377,722	339,478
Landfilled	Not collected in 2021	Not collected in 2022
Hazardous waste generated	15,546	11,292
Hazardous waste transported	Not collected in 2021	Not collected in 2022*
Environmental compliance		
Monetary fines for non-compliance (Php)	153,990*	300,000**
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.

51,267

GHG Emission

Shift towards renewables: solar energy

Target: almost half of energy mix to come from solar

Environmental Performance: Business Comeback and Baseline Setting

In 2022, the great majority of our business and support units are back to the office with the lifting of mobility restrictions. For the second year in a row, we also opened ten branches, the most number in a year. It was expected that power and water consumption will further rise in view of the increased activities and number of people in our branches and head office. Power consumption on an average per store basis remained steady while water consumption significantly increased given the rise in the number of users in the company's premises and branches.

As committed, we crafted a more deliberate environment agenda with the goal of reducing our footprint by focusing on climate change adaptation, energy use and emissions management, waste management and water consumption and management. The roll out is scheduled to commence in 2023. In preparation, we started housekeeping efforts, backtracking and correcting documentation gaps on over ten-year old store buildings for a smoother implementation of our planned programs and projects.

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.

*Agreement with transporter on - going
**late submission of supporting documents

ENVIRONMENT DATA

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.

As we pursued our expansion plans, we likewise continued to roll out our solar power project, adding seven more branches with installed solar panels in 2022 for a total of 43 solar-powered branches. The power generated from the seven additional installations resulted in a corresponding increase in energy consumption from renewable sources, which is equivalent to a reduction in electricity consumption.

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.

- 100% of qualified branches to include solar power by 2024
- 20 additional branches for installation of solar power systems in 2023



ENVIRONMENT DATA

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 including water-saving fixtures, energy-efficient lighting, clean-air paint products and wood from renewable forests and recycled materials, among others.

In our continuing mission to help our customers build and refine their homes for a sustainable life, we crafted a revised sustainability framework having product quality and safety as one of its pillars. The goal is to innovate and expand our product offering to include more sustainable, ethically made and safe products for customers by nurturing supplier relationships and considering the full product life cycle.

Waste Reduction

We generated lower recyclable materials in 2022 as we continue to introduce efficiency improvements in our processes. 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 continued after its resumption in 2021.



SOCIAL DATA

Employee Data

Employee data	Female	Male
Employees by gender	1,544	1,762

Employee benefits (% who availed)	Female	Male
SSS	30.64%	29.30%
PhilHealth	4.21%	1.53%
Pag-ibig	40.61%	45.01%

Parental leaves:

Maternity / Paternity Leave	6.28%	10.49%
Solo Parent	0.73%	0.00%

Magna Carta	0.26%	0.00%
Vacation leaves	88.96%	90.10%
Sick leaves	2.01%	1.36%
Medical benefits (aside from PhilHealth)	19.85%	11.20%
Housing assistance (aside from Pag-ibig)	0.00%	0.00%
Retirement fund (aside from SSS)	0.33%	0.07%
Further education support	0.00%	0.00%
Company stocks option	0.00%	0.00%
Telecommuting	11.01%	11.12%
Flexible-working hours	25.06%	19.58%

Employee training and development

	Female	Male
Total training hours provided	175.5	183.5
Ave. training hours provided	20.38	17.71

Labor Management Relations

% of employees covered in CBA		21%
Number of consultations conducted with employees concerning employee-related policies		2

47%

Female employee

53%

Male employee

8 DECENT WORK AND ECONOMIC GROWTH



All Female C-Suite

5:1

Female: Male
Senior Management

48% vs 52%

Female Male
In Key
Management Positions

I Am Wilcon : Mentoring Future Leaders

Wilcon nurtures its employees from hiring and develops those with potential into future leaders. As an offshoot of our aggressive expansion program, there have been more opportunities for outstanding employees to move up the organization faster. In our core business units, we only source managers from our current pool of talents. We provide leadership training and mentoring programs, participated no less by our top management team members including our founder.

Gender Equality and Fair Treatment in the Workplace

In our recent workshop for our 5-year Sustainability Strategy, SDG 5 – Gender Equality came out as one of our focus areas. In 2022, we initiated the crafting of an anti-discrimination policy, which was subsequently approved and implemented in the first quarter of 2023. Our business as it is related to the construction industry has always been perceived as a male-dominated business. Our commitment to uphold our value of integrity to all stakeholders and its practical application of fair treatment in the workplace is manifested in the make of our leadership team. Our key management positions are 46% occupied by women while we currently have an all-female C-Suite and five out of six of our senior management team are all women. Meanwhile, our board of directors is composed of 28% women (two out of seven), both of whom are executive directors.

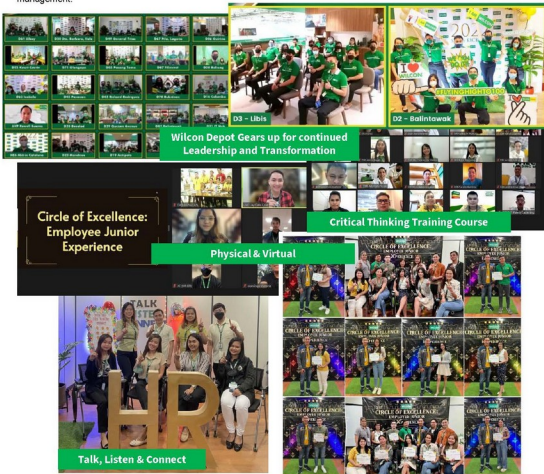
SOCIAL DATA

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 2022 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 program 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.



SOCIAL DATA

Workplace conditions, labor standards, and human rights	Female	Male
Safe Man-Hours	1,544	1,762
No. of work-related injuries*	16	63
No. of work-related fatalities	0	0
No. of work related ill-health	0	0
No. of safety drills	1,980	

Labor Laws and Human Rights	
No. of legal actions or employee grievances involving forced or child labor	0
Forced labor (y/n)	Y
Child labor (y/n)	Y
Human rights (y/n)	Y

Supply Chain Management	Does Wilcon consider the following when accrediting suppliers
Environmental Performance	Y
Forced labor	Y
Child labor	Y
Human rights	Y
Bribery and corruption	Y

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

Year	Attrition Rate
2019	5.83%
2020	8.63%
2021	6.84%
2022	14.94%

100%

Covered by OHSAS

0

Employees from IP

Taking Care of Our People

Wilcon was not spared by the global phenomenon of manpower shortage with employees opting to leave current employment largely after a "Return-to-Office" policy. There was scarcity of suitable replacements also with the proliferation of alternative income sources in the advent of the digital economy boom during the pandemic.

Improvements in efficiencies and investments in technology and training have cushioned the impact of the doubling of our attrition rate. Our philosophy of nurturing and taking care of our people stood solid. We remain to be committed to our mission of creating an environment that respects our employees' dignity as persons, cultivates knowledge and talent, and empowers them to be the best they can be through continuous career and development opportunities.

We continuously invest 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.

To help us minimize hazards and prevent injuries at the branches, we continue to implement a health and safety governance structure consisting of occupational health and safety officers and pollution officers. We conduct regular assessment on equipment and stocks for safety and maintenance and installed safety signages for warning zones. We continuously engaged with contractor-suppliers on our safety policies and requirements including the use of safety gears and equipment.

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. We also have a private lactation area for breastfeeding mothers in the workplace.

SOCIAL DATA

Customer Management

Customer Satisfaction

Score

Customer Survey

On – going*

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

Excellence in Customer Experience

Wilcon Depot is known for creating a personalized and customer-based in-store experience. Through the years we have actualized our responsibility to be a reliable, trustworthy and excellent source of innovative solutions for the homes and buildings of our customers. Fully embracing our corporate responsibility starts with being attentive to the needs of our customers as a critical stakeholder in our business. In good times and in crisis, we have time and again shown this commitment as manifested by our continued leadership position in the industry and notable performance even during the pandemic.

We launched our e-commerce platform in 2019 and re-launched an enhanced, integrated platform in May, 2021. We continue to improve our online channel to be up to speed with our in-store customer experience standards. We increased the number of our online sales agents to provide our customers the same in-store personalized service. Our online platform is designed not to replace our brick-and-mortar outlets but to provide our customers with flexibility depending on their immediate shopping preference.

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.



*On – going collaboration with third party providers

SOCIAL DATA

Our Broad Range of Products: Fit For Every Need

We have over 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

POZZI
BATHROOM SOLUTIONS

Käsch

Arte
CERAMICHE

VERONA
TILES

HEIM
HOME ESSENTIALS



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.



GOVERNANCE

Embedding Sustainability

Aligned with our strategic ambition to create a corporate culture of ethics, integrity, and sustainability by following sound corporate governance practices, we continuously monitored, updated and revised when necessary and re-oriented our employees on these policies and practices.

In 2022, we have initiated the implementation of our revised anti-bribery and corruption policy. We required all our new domestic trade and non-trade suppliers to submit an anti-bribery sworn undertaking as a pre-requisite to a supply or service contract. The plan is to roll this requirement out to all our existing suppliers.

Pursuant to our target to incorporate ESG risks into risk management systems and protocols by identifying and quantifying ESG risks through workshops, we conducted several trainings and workshops on business continuity management.

We also conducted our annual corporate governance seminar for our board and top management. To achieve a more robust corporate governance culture within the company, corporate governance trainings are also planned for all staff each year.



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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	BALIWAG	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. DUNSON-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. LALAN 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 OPOL, MISAMIS	LOT 508B BRGY. BOLONG OESTE, STA. BARBARA, ILOILO
47	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	MAYAMOT, ANTIPOLO III	MARCOS HI-WAY, BRGY. MAYAMOT, ANTIPOLO
56	ALBAY	BRGY. PEÑAFRANCIA, DARAGA, ALBAY
57	TAGUM, DAVAO	BRGY. CANOCOTAN, TAGUM, DAVAO DEL NORTE
58	CORDON, ISABELA	BRGY. MALAPAT, CORDON, ISABELA
59	PILA, LAGUNA	BRGY. STA. CLARA SUR, PILA, LAGUNA
60	AKLAN	BRGY. CALANGCANG, MAKATO, AKLAN
61	OLONGAPO	NATIONAL ROAD, BRGY. BARRETTO, OLONGAPO CITY, ZAMBALES
62	TAYTAY II	RIZAL AVE., ILOG PUGAD BRGY. SAN JUAN TAYTAY, RIZAL
63	CABUYAO, LAGUNA	BRGY. SALA, CABUYAO, LAGUNA
64	LA UNION	BRGY. PARINGAO, BAUANG, LA UNION
65	SORSOGON	BRGY. MACABOG, SORSOGON CITY, SORSOGON
66	GAPAN, NUEVA ECIJA	STO. CRISTO NORTE, GAPAN NUEVA ECIJA
67	MALAYBALAY, BUKIDNON	SAN JOSE, MALAYBALAY CITY, BUKIDNON
68	BOHOL	BRGY. BINGAG, DAUIS, BOHOL
69	CALAPAN, ORIENTAL MINDORO	PUTING TUBIG, CALAPAN CITY, ORIENTAL MINDORO
70	BANTAY, ILOCOS SUR	AGGAY, BANTAY, ILOCOS SUR
71	LEMERY, BATANGAS	BRGY. TUBIGAN, LEMERY, BATANGAS
72	ABUCAY, BATAAN	BRGY. CAPITANGAN, ABUCAY, BATAAN
73	SAN JOSE, NUEVA ECIJA	BRGY. MANICLA, SAN JOSE CITY, NUEVA ECIJA

Appendix A: List of Operations Location (cont.)

	Branch Name	Location
74	PANIQUEI, TARLAC	BRGY. APULID, PANIQUEI, TARLAC
75	ALIMALL	LG003/LG004 LOWER GRD FLR. ALIMALL II, ARANETA CENTER, SOCORRO, D3, CUBAO, QUEZON CITY
76	WCC	ANCHOR 1, 121 VISAYAS AVE., BAHAY TORO, QUEZON CITY
77	STA. MESA	425 PIÑA AVE., BRGY. 585 ZONE 057, SAMPALOC, MANILA
78	MINDANAO AVE.	L-5 B-7 MINDANAO AVE., BAHAY TORO I, QUEZON CITY
79	MUÑOZ	1066 EDSA, BAHAY TORO, QUEZON CITY
80	PASAY	16 C JOSE ST. COR. EDSA, MALIBAY, PASAY CITY
81	ILOILO	GROUND FLOOR UNIT A25-A26, FESTIVE WALK MALL, ILOILO BUSINESS PARK, MANDURRIAO, ILOILO CITY
82	SAN FERNANDO	MC ARTHUR HIGHWAY, BRGY. SAN NICOLAS, SAN FERNANDO, PAMPANGA
83	TAGAYTAY	BRGY. FRANCISCO, TAGAYTAY CITY

WILCON **DEPOT**

45 YEARS IN BUILDING BIG IDEAS

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