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**S.E.C Registration No.**

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(Company's Full Name)

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

(Principal Office)

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

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

*Month* *Day*

**1 7 - Q**
**FORM TYPE**

*Month* *Date*
**(**Annual Meeting)

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

**MSRD**
**Dept. requiring this doc**

**N/A**
**Amended Articles number**

**Total stockholders**

**Domestic** **Foreign**

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**To be accomplished by SEC personnel concerned**

**File Number** **LCU**

**Document I.D.** **Cashier**

**STAMPS**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended March 31, 2024

2. Commission identification number CS201524712

3. BIR Tax Identification No 009-192-878

4. Exact name of issuer as specified in its charter

   WILCON DEPOT, INC. doing business under the name and style of WILCON DEPOT, WILCON HOME ESSENTIALS, DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT (Formerly, WILCON DEPOT, INC. doing business under the name and style of WILCON DEPOT and WILCON HOME ESSENTIALS)

5. Province, country or other jurisdiction of incorporation or organization

   QUEZON CITY, PHILIPPINES

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

7. Address of issuer's principal office Postal Code

   90 E. RODRIGUEZ JR. AVENUE, UGONG NORTE, QUEZON CITY, 1110

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

9. Former name, former address and former fiscal year, if changed since last report: N/A

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

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---|---|
| **COMMON SHARES** | **4,099,724,116** |

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

    Yes [√] No [ ]

    If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

    PHILIPPINES STOCK EXCHANGE COMMON SHARES

12. Indicate by check mark whether the registrant:

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

    Yes [√] No [ ]

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

    Yes [√] No [ ]

## PART I--FINANCIAL INFORMATION

**Item 1. Financial Statements.**

The unaudited interim financial statements of Wilcon Depot, Inc. Doing Business under the Name and Style of WILCON DEPOT, WILCON HOME ESSENTIALS, DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT as at March 31, 2024 and December 31, 2023 and for the three-month period ended March 31, 2024 and 2023, are filed as part of this form 17-Q.

**Item 2. Management's Discussion and Analysis of Results of Operation and Financial Condition.**

**Results of Operations for the Three-month Period Ended March 31, 2024 and 2023**

The Company recorded net income of ₱740 million for the first three-month period of 2024, down by ₱222 million or 23.1% from the ₱962 million reported during the same period in 2023 with net margins of 8.9% and 11.3%, respectively. The decline was mainly driven by higher operating expenses despite the higher gross profit margin.

***Net Sales***

Net sales for the three-month period ended March 31, 2024, amounted to ₱8,311 million, a ₱217 million or 2.5% slide from the same period last year, driven by the 7.3% decline in comparable sales despite the 4.9% increase due to the new store sales.

During the first quarter of 2024, the Company opened three new depots in Morong, Rizal, Valencia, Bukidnon and Koronadal City bringing to 93 the total number of branches.

On a per format basis, sales from the depot-format stores, which comprised 95.9% of total net sales, went down by ₱334 million or 4.0% to ₱7,973 million from the ₱8,307 million net sales for the three-month period of 2023. Sales from new depots contributed 4.1%, however, comparable sales declined by 7.9%.

The Home Essentials and Do-It-Wilcon format, recorded net sales of ₱232 million, a ₱63 million or 37.2% increase year-on-year, contributed mainly by new Do-It-Wilcon stores. Same store sales for this smaller store format declined by 10.9%.

The remaining 1.3% of total net sales was accounted for by project sales or sales to major institutional accounts, which amounted to ₱105 million, with a ₱55 million or 108.1% year-on-year increase.

***Gross Profit***

Gross profit was lower by ₱43 million or 1.3% from the 2023 first quarter level of ₱3,363 million to close at ₱3,320 million for the period for a gross profit margin rate of 39.9%. The decrease was traced mainly to lower sales for the period, despite the increase in gross profit margin rate which grew by 50 basis points year-on-year. The improvement in gross profit margin rate was traced mainly to the improved sales mix or increased contribution of the higher margin exclusive and in-house brands to total net sales to 52.6% from 50.4% in the same period in 2023.

### *Operating Expenses*

Operating expenses increased to ₱2,302 million for the period, up by ₱143 million or 6.6% from the prior year's ₱2,160 million. The increase is attributable mainly to expansion-related operating expenses such as trucking, depreciation and amortization and utilities.

### *Interest Expense*

Interest expense increased by ₱16 million or 10.4%, to total ₱169 million for the period from the prior year's three-month period of ₱154 million, attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### *Other Income (Charges)*

Other income (charges) for the three-month period ended March 31, 2024 amounted to ₱137 million down by ₱92 million or 40.4% from the ₱229 million due to lower rebates received from supplier. Meanwhile, non-operating interest income declined by ₱3 million.

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

Adjusting the 2024 and 2023 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 were as follows:

1) EBITDA for the three-month period March 31, 2024 reached ₱1,295 million, or 15.6% of net sales, was lower by 17.9% from the ₱1,577 million, or 18.5% of net sales~~,~~ recorded for the same period ended March 31, 2023.
2) EBIT for the first three (3) months of 2024 is ₱977 million or 11.8% of net sales, registered a 22.9% decline from previous year's P1,268 million EBIT or 14.9% of the 2023 net sales for the same period.

The decrease in both EBITDA and EBIT was driven by the increase in operating expenses partly offset by expansion of gross profit margin.

### *Income Tax Expense*

Consequently, the Company's income tax expense reduced by ₱72 million or 22.7% to end at ₱245 million in the first quarter of 2024 from the ₱317 million incurred during the same period last year. The decrease was due mainly to lower taxable income.

## Financial Condition as at March 31, 2024

### *Liquidity*

Net cash provided by operating activities increased by ₱466 million or 65.6% in 2024 compared to 2023, primarily driven by lower inventory purchases during the quarter. Net cash used in investing activities went up by ₱268 million or 45.8% in 2024 compared to 2023, as a result of increased capital expenditures spending. Cash used in financing activities reflected ₱473 million lease payments. Current ratio slightly declined from 2.17:1.00 to 2.05 :1.00.

Cash and cash equivalents and short-term investments totaled ₱1,714 million, a ₱151 million or 8.1% decrease from the balance as at December 31, 2023. The decline was mainly due to continued investments in new stores from internally generated funds.

***Capital Expenditure***

For the quarter, the Company's capital expenditure totaled ₱845 million, the bulk of which was spent on the renovation and 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** | **YTD March 31, 2024** | **YTD March 31, 2023** |
|---|---|---|
| Sales | 8,310,527,312 | 8,527,291,991 |
| EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense[1] | 977,304,988 | 1,268,136,627 |
| EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense[2] | 1,294,898,317 | 1,577,172,089 |
| EBIT Margin - Treating Interest on Lease Liability as Rent Expense[3] | 11.76% | 14.87% |
| EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense[4] | 15.58% | 18.50% |
| | **As at March 31, 2024** | **As at March 31, 2023** |
| Return on Equity Ratio[5] | 3.34% | 4.81% |
| Current Ratio[6] | 2.05 | 1.96 |
| Debt to Equity Ratio[7] | 0.79 | 0.84 |

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

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

**Statement of Financial Position as at March 31, 2024 and December 31, 2023**

1. Aggregate cash decreased by ₱151 million or 8.1% from ₱1,865 million at the close of 2023 to ₱1,714 million as at March 31, 2024, due primarily to acquisition of property and equipment as well as higher lease payments, and lower net cash flows from operating activities

2. Trade and other receivables totaled ₱392 million as at March 31, 2024, ₱22 million or 5.3% lower than the ₱414 million balance as at December 31, 2023. The decrease was mainly due to the decline in trade receivables as a result of higher collection from project sales.

3. Advance payments to suppliers for merchandise orders and operating expenses, decreased by ₱147 million or 42.3% from ₱346 million at the close of 2023 to ₱200 million as at March 31, 2024 due to timely delivery of merchandise inventories from suppliers.

4. Other current assets decreased by ₱176 million or 13.1% from ₱1,346 million at the close of 2023 to ₱1,170 million as at March 31, 2024 due mainly to decrease in materials and supplies, and input tax from purchases.

5. Trade and other payables decreased by ₱851 million or 12.0% from ₱7,088 million at the close of 2023 to ₱6,237 million as at March 31, 2024 due mainly to lower purchases and expenses on credit.

6. Income tax payable increased by ₱264 million or 110.1% from ₱240 million at the close of 2023 to ₱504 million as at March 31, 2024, mainly due to year-to-date income taxes.

7. Net retirement liability decreased by ₱4 million or 7.9% from ₱57 million at the close of 2023 to ₱53 million as at March 31, 2024 due mainly to contributions made to the retirement fund.

## Income Statement Items

1. Operating expenses increased to ₱2,302 million for the period, up by ₱143 million or 6.6% from the prior year's ₱2,160 million. The increase was attributable mainly to expansion-related operating expenses such as trucking, depreciation and amortization and utilities.

2. Interest expense increased by ₱16 million or 10.4%, to total ₱169 million for the period from the prior year's ₱154 million, attributable to the increase in lease liabilities pertaining to 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.

3. Other income (charges) for the three-month period ended March 31, 2024 amounted to ₱137 million down by ₱92 million or 40.4% from the ₱229 million generated for the same period in 2023 mainly due to lower rebates received from supplier, delivery charges and other fees received from customers and interest income from money market placements.

4. The Company's income tax expense decreased by ₱72 million or 22.7% to end at ₱245 million in the three-month period of 2024 from the ₱317 million incurred during the same period last year. The decrease is due mainly to lower taxable income.

## PART II--OTHER INFORMATION

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

## SIGNATURES

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

May 2, 2024

WILCON DEPOT, INC.

By:

LORRAINE BELO-CINCOCHAN
President - CEO

MARK ANDREW BELO
Treasurer

# WILCON DEPOT, INC.

**Doing Business under the Name and Style of**
**WILCON DEPOT, WILCON HOME ESSENTIALS,**
**DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT**

*(A Subsidiary of WILCON CORPORATION*
*Doing Business under the Name and Style of*
*WILCON CITY CENTER)*

Unaudited Interim Financial Statements
As at March 31, 2024 and December 31, 2023 and
For the Three-Month Period Ended March 31, 2024 and March 31, 2023

# WILCON DEPOT, INC.
## Doing Business under the Name and Style of
## WILCON DEPOT and WILCON HOME ESSENTIALS,
## DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT
**(A Subsidiary of WILCON CORPORATION**
**Doing Business under the Name and Style of WILCON CITY CENTER)**

# UNAUDITED INTERIM STATEMENTS OF FINANCIAL POSITION
**AS AT MARCH 31, 2024 AND DECEMBER 31, 2023**

| | Note | **2024 Unaudited** | 2023 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Current Assets** | | | |
| Cash and cash equivalents | 4 | **₱1,714,388,489** | ₱1,865,160,075 |
| Trade and other receivables | 5 | **392,442,136** | 414,373,764 |
| Advance payments to suppliers | 5 | **199,800,592** | 346,489,490 |
| Merchandise inventories | 6 | **15,947,143,952** | 15,776,748,743 |
| Other current assets | 7 | **1,169,886,645** | 1,346,213,721 |
| Total Current Assets | | **19,423,661,814** | 19,748,985,793 |
| **Noncurrent Assets** | | | |
| Property and equipment | 8 | **11,007,903,736** | 10,484,232,829 |
| Right-of-use (ROU) assets | 9 | **8,148,846,712** | 8,478,487,577 |
| Net deferred tax assets | 16 | **607,130,212** | 583,196,473 |
| Other noncurrent assets | 10 | **500,143,033** | 486,190,658 |
| Total Noncurrent Assets | | **20,264,023,693** | 20,032,107,537 |
| | | **₱39,687,685,507** | ₱39,781,093,330 |

| | Note | **2024 Unaudited** | 2023 Audited |
|---|---|---|---|
| **LIABILITIES AND EQUITY** | | | |
| **Current Liabilities** | | | |
| Trade and other payables | 11 | **₱6,236,869,699** | ₱7,088,218,136 |
| Income tax payable | | **503,946,382** | 239,858,443 |
| Dividends Payable | 13 | **1,065,928,270** | – |
| Current portion of lease liabilities | 9 | **1,682,045,566** | 1,768,920,622 |
| Total Current Liabilities | | **9,488,789,917** | 9,096,997,201 |
| **Noncurrent Liabilities** | | | |
| Lease liabilities - net of current portion | 9 | **7,962,693,040** | 8,117,298,123 |
| Net retirement liability | 12 | **52,784,550** | 57,315,132 |
| Total Noncurrent Liabilities | | **8,015,477,590** | 8,174,613,255 |
| Total Liabilities | | **17,504,267,507** | 17,271,610,456 |
| **Equity** | | | |
| Capital stock | 13 | **4,099,724,116** | 4,099,724,116 |
| Additional paid-in capital | 13 | **5,373,738,427** | 5,373,738,427 |
| Other comprehensive income | | **177,178,885** | 177,178,885 |
| Retained earnings | | **12,532,776,572** | 12,858,841,446 |
| Total Equity | | **22,183,418,000** | 22,509,482,874 |
| | | **₱39,687,685,507** | ₱39,781,093,330 |

*See accompanying Notes to Financial Statements.*

**WILCON DEPOT, INC.**
**Doing Business under the Name and Style of**
**WILCON DEPOT and WILCON HOME ESSENTIALS,**
**DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT**
**(A Subsidiary of WILCON CORPORATION**
**Doing Business under the Name and Style of WILCON CITY CENTER)**

# UNAUDITED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023**

| | | Unaudited | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| **NET SALES** | | **₱8,310,527,312** | ₱8,527,291,991 |
| **COST OF SALES** | 6 | **(4,990,653,824)** | (5,164,266,624) |
| **GROSS INCOME** | | **3,319,873,488** | 3,363,025,367 |
| **OPERATING EXPENSES** | 14 | **(2,302,122,203)** | (2,159,537,958) |
| **INTEREST EXPENSE** | 9 | **(169,456,100)** | (153,543,198) |
| **OTHER INCOME** – Net | 15 | **136,602,723** | 229,092,949 |
| **INCOME BEFORE INCOME TAX** | | **984,897,908** | 1,279,037,160 |
| **INCOME TAX EXPENSE (BENEFIT)** | 16 | | |
| Current | | **268,968,251** | 337,585,717 |
| Deferred | | **(23,933,739)** | (20,551,561) |
| | | **245,034,512** | 317,034,156 |
| **NET INCOME** | | **739,863,396** | 962,003,004 |
| **OTHER COMPREHENSIVE INCOME (LOSS)** | | – | – |
| **TOTAL COMPREHENSIVE INCOME** | | **739,863,396** | 962,003,004 |
| **BASIC AND DILUTIVE EARNINGS PER SHARE** | 19 | **₱0.18** | ₱0.23 |

*See accompanying Notes to Financial Statements.*

# WILCON DEPOT, INC.
## Doing Business under the Name and Style of
## WILCON DEPOT and WILCON HOME ESSENTIALS,
## DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT
**(A Subsidiary of WILCON CORPORATION**
**Doing Business under the Name and Style of WILCON CITY CENTER)**

## UNAUDITED INTERIM STATEMENTS OF CHANGES IN EQUITY
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023**

| | | Unaudited | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| **CAPITAL STOCK** | 13 | **₱4,099,724,116** | ₱4,099,724,116 |
| **ADDITIONAL PAID-IN CAPITAL** | | **5,373,738,427** | 5,373,738,427 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| **Cumulative Remeasurement Gains on Retirement Liability** | | **177,178,885** | 177,178,885 |
| **RETAINED EARNINGS** | | | |
| **Unappropriated** | | | |
| Balance at beginning of period | | **10,758,841,446** | 10,892,543,770 |
| Net income | | **739,863,396** | 962,003,004 |
| Cash dividends | 13 | **(1,065,928,270)** | (1,516,897,923) |
| Balance at end of period | | **10,432,776,572** | 10,337,648,851 |
| **Appropriated** | | | |
| Balance at beginning of period | 13 | **2,100,000,000** | – |
| Balance at end of period | | **2,100,000,000** | – |
| | | **12,532,776,572** | 10,337,648,851 |
| | | **₱22,183,418,000** | ₱19,988,290,279 |

*See accompanying Notes to Financial Statements.*

**WILCON DEPOT, INC.**
**Doing Business under the Name and Style of**
**WILCON DEPOT and WILCON HOME ESSENTIALS,**
**DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT**
**(A Subsidiary of WILCON CORPORATION**
**Doing Business under the Name and Style of WILCON CITY CENTER)**

## UNAUDITED INTERIM STATEMENTS OF CASH FLOWS
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2024 AND 2023**

| | | Unaudited | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income before income tax | | **₱984,897,908** | ₱1,279,037,160 |
| Adjustments for: | | | |
| Depreciation and amortization | 8 | **711,746,727** | 665,549,502 |
| Interest expense | 9 | **169,456,100** | 153,543,198 |
| Provision for (reversal of): | | | |
| Inventory write-down and losses | | **18,347,771** | – |
| Allowance on expected credit loss on receivables | 5 | **(11,423,189)** | 3,034,917 |
| Loss on (recovery of) written-off account receivable | | **(519,170)** | 550 |
| Retirement benefits | 12 | **9,136,814** | 7,441,141 |
| Interest income | 4 | **(7,592,920)** | (10,900,533) |
| Gain on sale of property and equipment | | **(535,714)** | (175,745) |
| Operating income before working capital changes | | **1,873,514,327** | 2,097,530,190 |
| Decrease (increase) in: | | | |
| Advance payments to suppliers | | **146,688,898** | (97,299,664) |
| Trade and other receivables | | **37,116,764** | (57,601,626) |
| Merchandise inventories | | **(188,742,981)** | (918,889,554) |
| Other current assets | | **168,817,408** | (72,852,229) |
| Decrease in trade and other payables | | **(851,348,437)** | (222,604,187) |
| Net cash generated from operations | | **1,186,045,979** | 728,282,930 |
| Contributions to retirement plan | 12 | **(13,667,396)** | (18,223,195) |
| Interest received from cash equivalents | | **4,137,222** | |
| Interest received from cash in banks | | **212,920** | 314,795 |
| Net cash provided by operating activities | | **1,176,728,725** | 710,374,530 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to: | | | |
| Property and equipment | 8 | **(831,091,686)** | (611,313,417) |
| Computer software | 10 | **(14,511,216)** | (12,862,297) |
| Decrease (increase) in: | | | |
| Short-term investments | | **–** | 25,500,000 |
| Advances to contractors | | **(9,894,533)** | 4,886,593 |
| Other noncurrent assets | | **280,827** | (884,367) |
| Interest received from investments | | **–** | 7,930,750 |
| Net proceeds from sale of property and equipment | | **535,714** | 357,144 |
| Net cash used in investing activities | | **(854,680,894)** | (586,385,594) |

(Forward)

| | Note | 2024 | 2023 |
|---|---|---|---|
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Payments of Lease liabilities | 9 | **(₱472,819,417)** | (₱424,710,316) |
| Cash used in financing activities | | **(472,819,417)** | (424,710,316) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(150,771,586)** | (300,721,380) |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD** | | **1,865,160,075** | 1,781,338,481 |
| **CASH AND CASH EQUIVALENTS AT END OF PERIOD** | 4 | **₱1,714,388,489** | ₱1,480,617,101 |

*See accompanying Notes to Financial Statements.*

**WILCON DEPOT, INC.**
**Doing Business under the Name and Style of**
**WILCON DEPOT and WILCON HOME ESSENTIALS,**
**DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT**
**(A Subsidiary of WILCON CORPORATION**
**Doing Business under the Name and Style of WILCON CITY CENTER)**

# NOTES TO FINANCIAL STATEMENTS
**AS AT MARCH 31, 2024 AND DECEMBER 31, 2023 AND**
**FOR THE YEARS ENDED MARCH 31, 2024 AND 2023**

## 1. Corporate Information

WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT, WILCON HOME ESSENTIALS, DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT (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 November 17, 2023, the Company amended its articles of incorporation and by-laws to reflect the change in its business name from “WILCON DEPOT, INC. Doing business under the name and style of WILCON DEPOT and WILCON HOME ESSENTIALS” to “WILCON DEPOT, INC. Doing business under the name and style of WILCON DEPOT, WILCON HOME ESSENTIALS, DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT.”

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 13).

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

## 2. Summary of Material Accounting Policy Information

**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 and Sustainability Reporting Standards Council and adopted by the SEC, including the SEC pronouncements.

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

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

The financial statements of the Company have been prepared on the historical cost basis of accounting, except for the following:

- Net retirement liability which is carried at the present value of the defined benefit obligation less the fair value of plan assets; and

- Lease liabilities that are initially carried at the present value of future lease payments.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of 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 12, *Retirement Plan*
- Note 21, *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 effective 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.

- 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

- 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.

- Amendments to PAS 1, *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 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 for three-month period ended March 31, 2024 are 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.

**<u>Financial Instruments</u>**

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

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting year. Otherwise, these are classified as noncurrent assets.

As at March 31, 2024 and December 31, 2023, the cash and cash equivalents, 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 cash equivalents. Cash equivalents are highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

*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.

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

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

As at March 31, 2024 and December 31, 2023, 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.

**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 amounts of inventories recognized as cost of sales in the year in which the reversal occurs.

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

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

*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.

*Prepaid Expenses*. Prepaid expenses are expenses paid in advance and recorded as asset before these are utilized. Prepaid expenses are apportioned over the period covered by the payment and charged to appropriate expense accounts in profit or loss when incurred. Prepaid expenses that are expected to be realized for no more than 12 months after the financial reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

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

*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 (8) 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.* Other comprehensive income 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 pertains to cumulative remeasurement gains (losses) on retirement liability.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss net of dividend distributions and other capital adjustments. Unappropriated retained earnings represent the portion which can be declared as dividends to stockholders. Appropriated retained earnings represent the portion which has been restricted and therefore is not available for any dividend declaration.

*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**

The Company assessed that it acts as principal in all of its revenue sources.

Revenue within the scope of PFRS 15, *Revenue from Contracts with Customers* is recognized as follows:

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

The award credits from the loyalty program are identifiable component of sale transactions in which these are granted. The fair value of the consideration received or receivable in respect to the sale is allocated between the award credits and the other components of the sale.

The Company recognizes the consideration received allocated to award credits as sale when award credits are redeemed and it fulfills its obligations to supply the award credits.

The amount of revenue recognized is based on the number of award credits that have been redeemed in exchange for awards, relative to the total number that are expected to be redeemed. Any unredeemed award credits as at reporting date are recognized as unearned revenue included under “Trade and other payables” account in the statement of financial position.

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

Revenue outside scope of PFRS 15 is recognized as follows:

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

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

**Cost and Expense Recognition**

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

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

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

**Employee Benefits**

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

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

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

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

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

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

The net retirement liability is the aggregate of the present value of the defined benefit obligation and the fair value of plan assets out of which the obligations are to be settled directly.

The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

**Leases**

**The Company as a Lessee**

*Right-of-use (ROU) assets*. ROU assets are measured at cost comprising the following:

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

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

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

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

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

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

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

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

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

**The Company as a Lessor**
Leases where a significant portion of the risks and rewards of ownership over the asset are retained by the lessor, are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis of accounting over the period of the lease.

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

*Deferred Tax.* Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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.

**Provisions**

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

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

**Contingencies**

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

**Events after the Reporting Date**

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

Events after the reporting date that are non-adjusting events are disclosed in the notes to financial statements when material.

## 3. Significant Accounting Judgments, Estimates and Assumptions

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

**Judgments**

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

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

The Company has only one (1) reportable operating segment which is the trading business and one (1) 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.

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 4.28% to 8.56% 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.

The details of the interest expense on lease liabilities, and amortization on ROU assets are disclosed in Note 9 to the financial statements.

Rent expense on short-term lease on transportation equipment and leases on land and buildings with less than 12 months term is disclosed in Note 9 to the financial statements.

The carrying amount of ROU assets and lease liabilities are disclosed in Note 9 to the financial statements.

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.

Rental income is disclosed in Note 9 to the financial statements.

*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 allowance for ECL is disclosed in Note 5 to the financial statements.

Based on management assessment, the allowance for ECL of trade and other receivables as at March 31, 2024 and December 31, 2023 is adequate to cover for possible losses.

The carrying amount of trade and other receivables and allowance for ECL are disclosed in Note 5 to the financial statements.

*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 as at March 31, 2024 and December 31, 2023.

The carrying amounts of other financial assets are disclosed in Notes 4, 7 and 10 to the financial statements.

Other financial assets at amortized cost also include refundable cash bonds, which were fully provided with allowance for impairment losses since 2016 (see Note 10).

*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 and net provision for inventory write-down and losses are disclosed in Note 6 to the financial statements.

The details of the allowance for inventory write-down and losses are disclosed in Note 6 to the financial statements.

*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 March 31, 2024 and December 31, 2023, there is no change in the estimated useful lives of property and equipment and computer software.

The carrying amounts of depreciable property and equipment and computer software are disclosed in Notes 8 and 10 to the financial statements.

*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 for the three-month period ending March 31, 2024 and 2023.

The carrying amount of nonfinancial assets assessed for possible impairment are disclosed in Notes 5, 7, 8, 9 and 10 to the financial statements.

*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 12 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.

The details of the Company’s retirement expense and net retirement liability are disclosed in Note 12 to the financial statements.

*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. The Company’s recognized deferred tax assets is disclosed in Note 16 to the financial statements.

## 4. Cash and Cash equivalents

Details of this account are as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Cash on hand | **₱13,004,856** | ₱15,366,295 |
| Cash in banks | **1,051,383,633** | 1,099,793,780 |
| Cash equivalents | **650,000,000** | 750,000,000 |
| | **₱1,714,388,489** | ₱1,865,160,075 |

Cash in banks earn interest at prevailing bank deposit rates. Cash equivalents represent money market placements with interest rate ranging from 6.0% to 6.5% per annum.

Details of interest income are as follows:

| | | **For the Three-month period Ended March 31 (Unaudited)** | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| Cash in banks and cash equivalents | | **₱7,592,920** | 314,795 |
| Short-term investments | | **–** | ₱10,585,738 |
| | 15 | **₱7,592,920** | ₱10,900,533 |

## 5. Trade and Other Receivables and Advance Payments to Suppliers

Details of this trade and other receivables are as follows:

| | Note | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Trade: | | | |
| Third parties | | **₱289,849,166** | ₱323,732,764 |
| Related parties | 18 | **3,590,304** | 5,705,937 |
| Suppliers support and other fees | | **46,869,473** | 76,487,034 |
| Advances to officers and employees | | **35,368,234** | 47,395,705 |
| Delivery fees and other customer charges | | **35,048,937** | 4,266,180 |
| Rent receivables | 9 | **9,662,951** | 7,481,125 |
| Accrued interest | | **4,842,778** | 1,600,000 |
| Others | | **14,487,626** | 6,405,541 |
| | | **439,719,469** | 473,074,286 |
| Allowance for impairment losses | | **(47,277,333)** | (58,700,522) |
| | | **₱392,442,136** | ₱414,373,764 |

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 (1) 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 in banks and cash equivalents.

Others mainly pertain to income from incidental services rendered, including income from related parties amounting to ₱0.6 million and ₱0.9 million in March 31, 2024 and December 31, 2023, respectively (see Note 18).

| *Amounts in Millions* | **As at March 31, 2024 (Unaudited)** | | | | |
|---|---|---|---|---|---|
| | **Total** | **Neither Past Due Nor Impaired** | **Less Than One Year** | **One Year to Less Than Three Years** | **More Than Three Years** |
| Trade: | | | | | |
| Third parties | ₱289.9 | ₱110.0 | ₱122.3 | ₱32.5 | ₱25.1 |
| Related parties | 3.6 | 1.2 | 2.4 | – | – |
| | 293.5 | 111.2 | 124.7 | 32.5 | 25.1 |
| Suppliers support and other fees | 46.9 | | 33.8 | 13.0 | 0.1 |
| Advances to officers and employees | 35.3 | 2.6 | 32.7 | – | – |
| Accrued interest | 4.8 | 4.8 | – | – | – |
| Rent receivables | 9.7 | 0.3 | 9.3 | 0.1 | – |
| Delivery fees and other customer charges | 35.0 | 33.6 | 0.8 | 0.6 | – |
| Others | 14.5 | 10.0 | 3.4 | 0.1 | 1.0 |
| | 439.7 | 162.5 | 204.7 | 46.3 | 26.2 |
| Allowance for impairment losses | (47.3) | – | (6.5) | (14.6) | (26.2) |
| | ₱392.4 | ₱162.5 | ₱198.2 | ₱31.7 | ₱– |

| *Amounts in Millions* | As at December 31, 2023 (Audited) | | | | |
|---|---|---|---|---|---|
| | **Total** | **Neither Past Due Nor Impaired** | **Less Than One Year** | **One Year to Less Than Three Years** | **More Than Three Years** |
| Trade: | ₱323.7 | ₱64.0 | ₱195.9 | ₱25.8 | ₱38.0 |
| Third parties | | | | | |
| Related parties | 5.7 | 2.7 | 3.0 | – | – |
| | 329.4 | 66.7 | 198.9 | 25.8 | 38.0 |
| Suppliers support and other fees | 76.5 | 29.7 | 33.6 | 13.1 | 0.1 |
| Advances to officers and employees | 47.4 | 6.3 | 41.1 | – | – |
| Accrued interest | 1.6 | 1.6 | – | – | – |
| Rent receivables | 7.5 | 0.2 | 7.1 | 0.2 | – |
| Delivery fees and other customer charges | 4.3 | 3.5 | 0.2 | 0.6 | – |
| Others | 6.4 | 2.9 | 2.5 | 0.1 | 0.9 |
| | 473.1 | 110.9 | 283.4 | 39.8 | 39.0 |
| Allowance for impairment losses | (58.7) | – | (6.5) | (13.2) | (39.0) |
| | ₱414.4 | ₱110.9 | ₱276.9 | ₱26.6 | ₱– |

Movements of allowance for ECL on receivables are as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **₱58,700,522** | ₱64,056,966 |
| Reversal | **(11,423,189)** | (5,356,444) |
| Balance at end of period | **₱47,277,333** | ₱58,700,522 |

Based on management assessment, the allowance for ECL on receivables as at March 31, 2024 and December 31, 2023 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 ₱199.8 million and ₱346.5 million as at March 31, 2024 and December 31, 2023. Corresponding goods will be substantially delivered on the next quarter.

6. **Merchandise Inventories**

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

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| At cost | **₱15,877,623,685** | ₱15,703,084,573 |
| At NRV | **69,520,267** | 73,664,170 |
| | **₱15,947,143,952** | ₱15,776,748,743 |

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 ₱283.7 million and ₱269.5 million as at March 31, 2024 and December 31, 2023, respectively.

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

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Beginning of period | **₱195,804,776** | ₱262,179,853 |
| Provision | **18,347,771** | – |
| Write off | **–** | (66,375,077) |
| Balance at end of period | **₱214,152,547** | ₱195,804,776 |

Based on management assessment, the allowance for inventory write-down and losses is adequate to cover for possible losses.

Inventories charged to cost of sales amounted to ₱4,990.7 million and ₱5,164.3 million for the three-month period ended March 31, 2024 and 2023, respectively, including any reversal of allowance and provision for inventory write-down and losses.

## 7. **Other Current Assets**

Details of this account are as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Materials and supplies | **₱636,166,790** | ₱715,184,002 |
| Current deferred input VAT | **335,639,570** | 374,150,345 |
| Prepaid expenses | **188,481,604** | 100,729,473 |
| Input VAT | **–** | 144,096,648 |
| Container deposits | **9,598,681** | 12,053,253 |
| | **₱1,169,886,645** | ₱1,346,213,721 |

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. This includes advance rent for leases with related parties amounting to ₱5.3 million and ₱2.3 million as at March 31, 2024 and December 31, 2023, respectively (see Note 18).

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.

## 8. Property and Equipment

Details and movements of this account are as follows:

| | March 31, 2024 (Unaudited) | | | | | |
|---|---|---|---|---|---|---|
| | **Buildings and Improvements** | **Furniture and Equipment** | **Leasehold Improvements** | **Transportation Equipment** | **Construction in Progress** | **Total** |
| **Cost** | | | | | | |
| Balances at beginning of period | **₱9,605,872,697** | **₱2,835,676,394** | **₱1,598,298,385** | **₱51,919,085** | **₱1,100,591,044** | **₱15,192,357,605** |
| Additions | **–** | **174,716,775** | **–** | **632,839** | **655,742,072** | **831,091,686** |
| Reclassifications | **368,225,350** | **–** | **25,400,934** | **–** | **(393,626,284)** | **–** |
| Disposal | **–** | **–** | **–** | **(1,598,709)** | **–** | **(1,598,709)** |
| Balances at end of period | **9,974,098,047** | **3,010,393,169** | **1,623,699,319** | **50,953,215** | **1,362,706,832** | **16,021,850,582** |
| **Accumulated Depreciation and Amortization** | | | | | | |
| Balances at beginning of period | **1,900,701,220** | **1,612,531,793** | **1,157,176,308** | **37,715,455** | **–** | **4,708,124,776** |
| Depreciation and amortization | **162,365,867** | **102,294,446** | **41,592,275** | **1,168,191** | **–** | **307,420,779** |
| Disposal | **–** | **–** | **–** | **(1,598,709)** | **–** | **(1,598,709)** |
| Balances at end of period | **2,063,067,087** | **1,714,826,239** | **1,198,768,583** | **37,284,937** | **–** | **5,013,946,846** |
| **Carrying Amount** | **₱7,911,030,960** | **₱1,295,566,930** | **₱424,930,736** | **₱13,668,278** | **₱1,362,706,832** | **₱11,007,903,736** |

| | December 31, 2023 (Audited) | | | | | |
|---|---|---|---|---|---|---|
| | Buildings and Improvements | Furniture and Equipment | Leasehold Improvements | Transportation Equipment | Construction in Progress | Total |
| **Cost** | | | | | | |
| Balances at beginning of year | ₱8,458,185,265 | ₱2,321,107,967 | ₱1,455,827,094 | ₱45,946,376 | ₱598,307,200 | ₱12,879,373,902 |
| Additions | – | 514,568,427 | – | 10,565,477 | 1,792,442,567 | 2,317,576,471 |
| Reclassifications | 1,147,687,432 | – | 142,471,291 | – | (1,290,158,723) | – |
| Disposal | – | – | – | (4,592,768) | – | (4,592,768) |
| Balances at end of year | 9,605,872,697 | 2,835,676,394 | 1,598,298,385 | 51,919,085 | 1,100,591,044 | 15,192,357,605 |
| **Accumulated Depreciation and Amortization** | | | | | | |
| Balances at beginning of year | 1,301,861,152 | 1,217,274,369 | 911,109,287 | 36,775,976 | – | 3,467,020,784 |
| Depreciation and amortization | 598,840,068 | 395,257,424 | 246,067,021 | 5,023,680 | – | 1,245,188,193 |
| Disposal | – | – | – | (4,084,201) | – | (4,084,201) |
| Balances at end of year | 1,900,701,220 | 1,612,531,793 | 1,157,176,308 | 37,715,455 | – | 4,708,124,776 |
| **Carrying Amount** | ₱7,705,171,477 | ₱1,223,144,601 | ₱441,122,077 | ₱14,203,630 | ₱1,100,591,044 | ₱10,484,232,829 |

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 2024.

As at March 31, 2024 and December 31, 2023, the amount of contractual commitment related to the construction in progress amounted to ₱663.0 million and ₱680.6 million, respectively.

Depreciation and amortization are summarized below:

| | | **For the Three-month period Ended March 31 (Unaudited)** | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| ROU assets | 9 | **₱394,153,400** | ₱356,514,040 |
| Property and equipment | | **307,420,779** | 299,695,791 |
| Computer software | 10 | **10,172,548** | 9,339,671 |
| | 14 | **₱711,746,727** | ₱665,549,502 |

The acquisition costs of fully depreciated assets still in use amounted to ₱1,678.9 million and ₱1,621.7 million in March 31, 2024 and December 31, 2023, respectively.

## 9. 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 ₱183.2 million and ₱183.4 million as at March 31, 2024 and December 31, 2023, respectively (see Note 10).

Amounts recognized in profit and loss:

| | | **For the Three-month period Ended March 31 (Unaudited)** | |
|---|---|---|---|
| | Note | **2024** | 2023 |
| Amortization on ROU assets | 8 | **₱394,153,400** | ₱356,514,040 |
| Interest on lease liabilities | | **169,456,100** | 153,543,198 |
| Rent expense | 14 | **56,054,724** | 41,052,086 |
| | | **₱619,664,224** | ₱551,109,324 |

Rent expense in 2024 and 2023 pertains to variable lease payments pertaining to real property taxes on leased properties from related parties and short-term leases.

Movements in the ROU assets are presented below:

| | | **March 31, 2024 (Unaudited)** | | | | |
|---|---|---|---|---|---|---|
| | **Note** | **Land** | **Land and Buildings** | **Buildings** | **Retail and Office Units** | **Total** |
| **Cost** | | | | | | |
| Balances at beginning of period | | **₱8,358,523,609** | **₱5,046,934,778** | **₱625,000,564** | **₱281,342,625** | **₱14,311,801,576** |
| Additions | | **–** | **32,575,270** | **31,937,265** | **–** | **64,512,535** |
| Balances as at end of period | | **8,358,523,609** | **5,079,510,048** | **656,937,829** | **281,342,625** | **14,376,314,111** |
| **Amortization** | | | | | | |
| Balances at beginning of period | | **1,940,955,230** | **3,260,889,070** | **451,344,627** | **180,125,072** | **5,833,313,999** |
| Amortization | 8 | **146,844,044** | **205,798,873** | **28,611,667** | **12,898,816** | **394,153,400** |
| Balances as at end of period | | **2,087,799,274** | **3,466,687,943** | **479,956,294** | **193,023,888** | **6,227,467,399** |
| **Carrying Amount** | | **₱6,270,724,335** | **₱1,612,822,105** | **₱176,981,535** | **₱88,318,737** | **₱8,148,846,712** |

| | | December 31, 2023 (Audited) | | | | |
|---|---|---|---|---|---|---|
| | Note | Land | Land and Buildings | Buildings | Retail and Office Units | Total |
| **Cost** | | | | | | |
| Balance at beginning of year | | ₱7,201,485,049 | ₱4,329,754,306 | ₱569,726,687 | ₱164,467,112 | ₱12,265,433,154 |
| Additions | | 1,157,038,560 | 717,180,472 | 55,273,877 | 116,875,513 | 2,046,368,422 |
| Balance as at end of year | | 8,358,523,609 | 5,046,934,778 | 625,000,564 | 281,342,625 | 14,311,801,576 |
| **Amortization** | | | | | | |
| Balance at beginning of year | | 1,377,489,039 | 2,495,410,122 | 346,157,870 | 141,637,232 | 4,360,694,263 |
| Amortization | 8 | 563,466,191 | 765,478,948 | 105,186,757 | 38,487,840 | 1,472,619,736 |
| Balances as at end of the year | | 1,940,955,230 | 3,260,889,070 | 451,344,627 | 180,125,072 | 5,833,313,999 |
| **Carrying Amount** | | ₱6,417,568,379 | ₱1,786,045,708 | ₱173,655,937 | ₱101,217,553 | ₱8,478,487,577 |

The noncash transactions related to ROU assets amounted to ₱64.5 million and ₱311.4 million for the three-month period ended March 31, 2024 and 2023, respectively.

Movements in the lease liabilities are presented below:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **₱9,886,218,745** | ₱8,973,022,982 |
| Additions | **60,964,292** | 1,986,732,246 |
| Payments | **(471,900,531)** | (1,714,151,823) |
| Interest expense | **169,456,100** | 640,615,340 |
| Balance at end of period | **9,644,738,606** | 9,886,218,745 |
| Current portion | **1,682,045,566** | 1,768,920,622 |
| Noncurrent portion | **₱7,962,693,040** | ₱8,117,298,123 |

As at March 31, 2024 and December 31, 2023, the future minimum lease payments are as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Less than one (1) year | **₱1,793,800,998** | ₱1,920,545,588 |
| Between one (1) and five (5) years | **4,504,652,755** | 4,607,812,958 |
| More than five (5) years | **7,728,269,349** | 7,890,192,805 |
| | **₱14,026,723,102** | ₱14,418,551,351 |

The interest expense on lease liabilities amounted to ₱169.5 million and ₱153.5 million for the three-month period ended March 31, 2024 and 2023, respectively.

Advance rentals paid for new leases amounted to ₱0.9 million and ₱51.1 million as at March 31, 2024 and December 31, 2023, respectively.

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

Rent income amounted to ₱22.0 million and ₱16.5 million for the three-month period ended March 31, 2024 and 2023, respectively, (see Note 15). Rent receivables amounted to ₱9.7 million and ₱7.5 million as at March 31, 2024 and December 31, 2023, respectively (see Note 5).

**Cash Flows from Financing Activities**
The reconciliation of movements of liabilities arising from financing activities is presented below:

| | **2023** | **Noncash** | **Cash Payments** | **2024** |
|---|---|---|---|---|
| Lease liabilities | **₱9,886,218,745** | **₱230,420,392** | **(₱471,900,531)** | **₱9,644,738,606** |
| Advance rental for new leases | **–** | **918,883** | **(918,883)** | **–** |
| Cash dividends | **–** | **1,065,928,270** | **–** | **1,065,928,270** |
| | **₱9,886,218,745** | **₱1,297,267,545** | **(₱472,819,414)** | **₱10,710,666,876** |

| | 2022 | Noncash | Cash Payments | 2023 |
|---|---|---|---|---|
| Lease liabilities | ₱8,973,022,982 | ₱2,627,347,586 | (₱1,714,151,823) | ₱9,886,218,745 |
| Advance rental for new leases | – | 51,122,645 | (51,122,645) | – |
| Cash dividends | – | 1,516,897,923 | (1,516,897,923) | – |
| | ₱8,973,022,982 | ₱4,195,368,154 | (₱3,282,172,391) | ₱9,886,218,745 |

10. **Other Noncurrent Assets**

Details of this account are as follows:

| | Note | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Security deposits | 9 | **₱183,152,683** | ₱183,389,469 |
| Computer software | | **180,677,631** | 176,338,963 |
| Electricity deposits | | **78,839,569** | 78,720,920 |
| Advances to contractors | | **50,008,244** | 40,113,711 |
| Noncurrent deferred input VAT | | **5,923,154** | 7,627,595 |
| Prepaid expenses – noncurrent portion | 7 | **1,541,752** | – |
| | | **₱500,143,033** | ₱486,190,658 |

Security deposits include deposits to related parties amounting to ₱139.7 million and ₱137.7 million in March 31, 2024 and December 31, 2023, respectively (see Note 18).

Movements of computer software are as follows:

| | Note | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| **Cost** | | | |
| Balance at beginning of period | | **₱278,140,221** | ₱236,634,232 |
| Additions | | **14,511,216** | 41,505,989 |
| Balance at end of period | | **292,651,437** | 278,140,221 |
| **Accumulated Amortization** | | | |
| Balance at beginning of period | | **101,801,258** | 64,111,430 |
| Amortization | 8 | **10,172,548** | 37,689,828 |
| Balance at end of period | | **111,973,806** | 101,801,258 |
| **Carrying Amount** | | **₱180,677,631** | ₱176,338,963 |

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

Advances to contractors pertain to payments for purchase of materials and services for the constructions of assets to be classified as property and equipment. The advances will be applied against the future billings of the contractors.

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at March 31, 2024 and December 31, 2023 the refund of cash bonds is still pending with the BOC. Accordingly, this has been fully provided with allowance since 2016.

## 11. Trade and Other Payables

Details of this account are as follows:

| | Note | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|---|
| Trade: | | | |
| Third parties | | **₱4,699,598,976** | ₱5,042,448,068 |
| Related parties | 18 | **11,305** | 11,305 |
| Nontrade: | | | |
| Third parties | | **527,201,367** | 635,175,911 |
| Related parties | 18 | **49,784,944** | 475,434,869 |
| Advances from customers | | **434,237,144** | 377,915,631 |
| Accrued expenses: | | | |
| Construction costs | | **185,468,950** | 120,684,045 |
| Utilities | | **57,811,467** | 64,765,642 |
| Salaries and wages | | **30,690,845** | 141,005,253 |
| Outside services | | **17,135,274** | 21,987,930 |
| Rent | | **8,565,143** | – |
| Communication and postage | | **3,519,385** | – |
| Others | | **13,652,688** | 9,695,320 |
| Statutory payables | | **106,382,635** | 104,050,728 |
| Unearned revenue | | **102,809,576** | 95,043,434 |
| | | **₱6,236,869,699** | ₱7,088,218,136 |

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. This includes advances from related parties amounting to ₱0.6 million and ₱0.5 million as at March 31, 2024 and December 31, 2023, respectively.

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.

12. **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. The management assessed that the retirement liability as at March 31, 2024 is a reasonable approximation of the retirement benefits despite the absence of an updated actuarial valuation report.

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

| | **For the Three-month period Ended March 31 (Unaudited)** | |
|---|---|---|
| | **2024** | 2023 |
| Current service cost | **₱8,253,301** | ₱5,920,069 |
| Interest expense | **6,582,815** | 6,998,899 |
| Interest income | **(5,699,302)** | (5,477,827) |
| | **₱9,136,814** | ₱7,441,141 |

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

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Present value of defined benefit obligation | **₱431,569,418** | ₱421,257,446 |
| Fair value of plan assets | **(378,784,868)** | (363,942,314) |
| | **₱52,784,550** | ₱57,315,132 |

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:

| | **March 31, 2024 (Unaudited)** | December 31,2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **₱421,257,446** | ₱378,318,846 |
| Current service cost | **8,253,301** | 23,680,274 |
| Interest expense | **6,582,815** | 27,995,595 |
| Benefits paid from plan assets | **(4,524,144)** | (8,737,269) |
| Balance at end of period | **₱431,569,418** | ₱421,257,446 |

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

| | **March 31, 2024 (Unaudited)** | December 31,2023 (Audited) |
|---|---|---|
| Balance at beginning of period | **₱363,942,314** | ₱296,098,693 |
| Contributions to retirement plan | **13,667,396** | 54,669,587 |
| Interest income | **5,699,302** | 21,911,303 |
| Benefits paid from plan assets | **(4,524,144)** | (8,737,269) |
| Balance at end of period | **₱378,784,868** | ₱363,942,314 |

Details of plan assets are as follows:

| | Rates |
|---|---|
| Cash and cash equivalents | 0.96% |
| Time deposits | 11.07% |
| Debt instruments | 62.01% |
| Equity instruments | 11.94% |
| Others | 14.02% |
| | 100% |

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

| | **March 31, 2024 (Unaudited)** | December 31,2023 (Audited) |
|---|---|---|
| Discount rate | **7.40%** | 7.40% |
| Annual salary increase rate | **4.00%** | 4.00% |

Sensitivity analysis on retirement liabilities is as follows:

| | Basis Points | Amount |
|---|---|---|
| Discount rate | +100 | (₱41,031,511) |
| | -100 | 49,098,669 |
| Salary rate | +100 | 47,766,735 |
| | -100 | (40,544,472) |

As at March 31, 2024, the expected future benefits payments are as follows:

| Year | Amount |
|---|---|
| 1 year | ₱69,931,439 |
| 2 years | 7,575,057 |
| 3 years | 12,180,532 |
| 4 years | 13,307,749 |
| 5 years | 7,468,345 |
| 6 – 10 years | 112,299,666 |
| | ₱222,762,788 |

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

13. **Equity**

Details of capital stock as at March 31, 2024 and December 31, 2023 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 March 31, 2024 and December 31, 2023, the Company has 4,099,724,116 listed shares.

On December 13, 2023, the BOD approved the appropriation of retained earnings as at December 31, 2023 amounting to ₱2,100.0 million for the construction of new stores and warehouses until December 31, 2024

<u>Cash Dividends</u>
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 |
|---|---|---|---|---|
| **March 20,2024** | **April 18, 2024** | **May 8, 2024** | **₱0.26** | **₱1,065,928,270** |
| February 23, 2023 | March 22, 2023 | April 18, 2023 | 0.37 | 1,516,897,923 |
| February 23, 2022 | March 18, 2022 | April 12, 2022 | 0.21 | 860,942,063 |

14. **Operating Expenses**

Details of this account are as follows:

| | Note | For the Three-Month Period Ended March 31 (Unaudited) 2024 | 2023 |
|---|---|---|---|
| Depreciation and amortization | 8 | **₱711,746,727** | ₱665,549,502 |
| Salaries, wages and employee benefits | | **344,713,023** | 349,819,452 |
| Outsourced services | | **317,812,731** | 318,674,153 |
| Trucking services | | **270,601,893** | 219,719,382 |
| Utilities | | **196,540,865** | 179,253,683 |
| Taxes and licenses | | **143,155,525** | 126,599,858 |
| Credit card charges | | **67,799,741** | 68,654,204 |
| Repairs and maintenance | | **65,410,133** | 36,049,372 |
| Rent | 9 | **56,054,724** | 41,052,086 |
| Advertising and promotions | | **30,841,458** | 46,451,549 |
| Supplies | | **22,319,790** | 36,585,672 |
| Communications and postage | | **14,556,321** | 12,112,691 |
| Transportation and travel | | **10,801,509** | 9,292,948 |
| Donations and contributions | | **9,766,694** | 6,324,524 |
| Insurance | | **7,270,971** | 6,946,853 |
| Professional fees | | **1,910,935** | 6,779,360 |
| Others | | **30,819,163** | 29,672,669 |
| | | **₱2,302,122,203** | ₱2,159,537,958 |

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

15. **Other Income**

Details of this account are as follows:

| | Note | For the Three-Month Period Ended March 31 (Unaudited) 2024 | 2023 |
|---|---|---|---|
| Supplier support and other fees | | **₱82,166,862** | ₱170,501,501 |
| Delivery fees and other customer charges | | **24,779,630** | 30,305,362 |
| Rent income | 9 | **22,003,125** | 16,478,353 |
| Interest income | 4 | **7,592,920** | 10,900,533 |
| Net realized foreign exchange gain | | **60,186** | 907,200 |
| | | **₱136,602,723** | ₱229,092,949 |

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.

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

16. **Income Tax**

The current income tax expense represents the regular corporate income tax (RCIT). The income tax rate used for the three-month period ended March 31, 2024 and 2023 is 25%.

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

| | **For the Three-Month Period Ended March 31 (Unaudited)** | |
|---|---|---|
| | **2024** | 2023 |
| Income tax expense at statutory rate | **₱246,224,477** | ₱319,759,289 |
| Income tax effects of interest income already subjected to final tax | **(1,189,965)** | (2,725,133) |
| | **₱245,034,512** | ₱317,034,156 |

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

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Deferred tax assets: | | |
| Effects of PFRS16 | **₱472,493,768** | ₱449,719,762 |
| Allowance for inventory write-down and losses | **53,538,137** | 48,951,195 |
| Retirement liability | **26,549,148** | 28,155,621 |
| Unearned revenue from loyalty program | **21,875,840** | 20,847,587 |
| Allowance for impairment of refundable cash bonds | **20,852,482** | 20,852,482 |
| Allowance for ECL on receivables | **11,819,333** | 14,675,130 |
| Unrealized foreign exchange loss | **150,756** | 7,887 |
| Deferred tax liability: | | |
| Unrealized foreign exchange gain | **(149,252)** | (13,191) |
| | **₱607,130,212** | ₱583,196,473 |

Deferred income expense (benefit) is recognized as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Through profit or loss | **₱666,189,841** | ₱642,256,102 |
| Through other comprehensive income | **(59,059,629)** | (59,059,629) |
| | **₱607,130,212** | ₱583,196,473 |

17. **Commitments and Contingencies**

<u>Agreements with Importing Suppliers</u>
Purchases from certain importing suppliers are subject to rebates based on an agreed percentage of sales from goods purchased.

<u>Contingencies</u>
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 March 31, 2024 and December 31, 2023.

## 18. 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.

| | Year | For the Three-Month Period Ended March 31 (Unaudited) | | As at March 31, 2024 (Unaudited) And December 31, 2023 (Audited) | |
|---|---|---|---|---|---|
| Related Party | | Revenue from Related Parties | Purchases from Related Parties | Amounts Owed by Related Parties | Amounts Owed to Related Parties |
| Parent Company | **2024** | **₱105,027** | **₱ 226,217,307** | **₱178,781,227** | **₱–** |
| | 2023 | 1,955,632 | 214,033,563 | 255,595,707 | 199,537,294 |
| Entities under Common Control | **2024** | **5,633,562** | **351,030,934** | **229,290,298** | **50,313,406** |
| | 2023 | 5,250,161 | 237,176,801 | 227,469,729 | 267,195,786 |
| Directors and Officers | **2024** | **1,628,921** | **9,708,677** | **9,596,193** | **33,286** |
| | 2023 | 575,913 | 9,171,784 | 11,341,775 | 9,233,120 |
| | **2024** | **₱7,367,510** | **₱586,956,918** | **₱417,667,718** | **₱50,346,692** |
| | 2023 | 7,781,706 | 460,382,148 | 494,407,211 | 475,966,200 |

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱4.2 million and ₱6.6 million as at March 31, 2024 and December 31, 2023, respectively and security deposits and advance rent (included as part of “Other current assets” or “Other noncurrent assets”) aggregating ₱413.5 million and ₱487.8 million as at March 31, 2024 and December 31, 2023, respectively. No impairment loss was recognized on trade and other receivables and security deposits in 2024 and 2023.

Amounts owed to related parties consist of trade and other payables aggregating ₱50.3 million and ₱476.0 million as at March 31, 2024 and December 31, 2023, respectively.

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

a. Lease agreements with the Parent Company and related parties for the use of land, buildings, computer software for a period of 1 to 15 years (see Note 9).

Interest expense on lease liabilities to related parties amounted to ₱159.7 million and ₱119.4 million while amortization of ROU assets amounted to ₱365.4 million and ₱292.6 million for the three-month period ended March 31, 2024 and 2023, respectively. Total lease payments, including payments on lease liabilities, amounted to ₱515.6 million and ₱422.9 million for the three-month period ended March 31, 2024 and 2023, respectively.

Rent expense from related parties amounted to ₱48.8 million and ₱32.3 million for the three-month period ended March 31, 2024 and 2023, respectively.

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

   Purchases of goods and services from related parties aggregated nil and ₱4,951 for the three-month period ended March 31, 2024 and 2023, respectively.

   Sale of goods and services to related parties aggregated ₱7.4 million and ₱7.8 million for the three-month period ended March 31, 2024 and 2023, respectively.

c. Reimbursement of certain expenses mainly pertain to taxes, power and electricity, water, postage, telephone and telegraph. Reimbursement of certain expenses from related parties amounted to ₱13.1 million and ₱16.1 million for the three-month period ended March 31, 2024 and 2023, respectively.

Balances are unsecured and are normally settled in cash. Lease payments are due within the first 10 days of the month. Reimbursement of expenses and purchases and sales of goods and services normally have a repayment term of 30 days.

No guarantees have been provided or received for these balances. Impairment review is undertaken each financial year. No impairment loss on amounts owed by related parties was recognized as at March 31, 2024 and December 31, 2023.

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

| | **For the Three-month Period Ended March 31 (Unaudited)** | |
|---|---|---|
| | **2024** | 2023 |
| Short-term employee benefits | **₱44,496,420** | ₱98,670,896 |
| Retirement benefits | **1,642,474** | 2,797,850 |
| | **₱46,138,894** | ₱101,468,746 |

## 19. Earnings per Share

Basic and dilutive earnings per share were computed as follows:

| | For the Three-month Period Ended March 31 (Unaudited) | |
|---|---|---|
| | **2024** | 2023 |
| Net income | **₱739,863,396** | ₱962,003,004 |
| Divided by the weighted average number of outstanding shares | **4,099,724,116** | 4,099,724,116 |
| | **₱0.18** | ₱0.23 |

## 20. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, 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.

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.

*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.

*Interest Rate Risk.* Interest rate risk pertains to the fluctuations in interest of cash in banks and cash equivalents. The interest rates on these assets are disclosed in Note 4. The Company regularly monitors interest rate movements and on the basis of current and projected economic and monetary data, decides on the best alternative to take.

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

**Capital Management**

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

The debt-to-equity ratio is as follows:

| | **March 31, 2024 (Unaudited)** | December 31, 2023 (Audited) |
|---|---|---|
| Total debt | **₱17,504,267,507** | ₱17,271,610,456 |
| Total equity | **22,183,418,000** | 22,509,482,874 |
| Debt-to-equity ratio | **0.79:1** | 0.77:1 |

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

The Company has no externally imposed capital requirements.

## 21. Fair Value of Financial Instruments

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

*Cash and Cash Equivalents, Trade and Other Receivables, Container Deposits, Refundable Cash Bonds, and Trade and Other Payables*. The carrying amounts of cash and cash equivalents, 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 2024 and 2023, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.

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

## SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**FOR THE PERIOD ENDED MARCH 31, 2024**

| | | Amount |
|---|---|---|
| Unappropriated retained earnings, beginning of reporting period | | ₱10,758,841,446 |
| Less: | Dividend declaration during the reporting period | (1,065,928,270) |
| | Appropriations of retained earnings during the reporting period | – |
| Unappropriated retained earnings, as adjusted | | 9,692,913,176 |
| Add: | Net income for the current year | 739,863,396 |
| Less: | Net movement of deferred tax asset not considered in the reconciling items under the previous categories | (607,130,212) |
| **Total retained earnings, end of the reporting period available for dividend** | | ₱9,825,646,360 |

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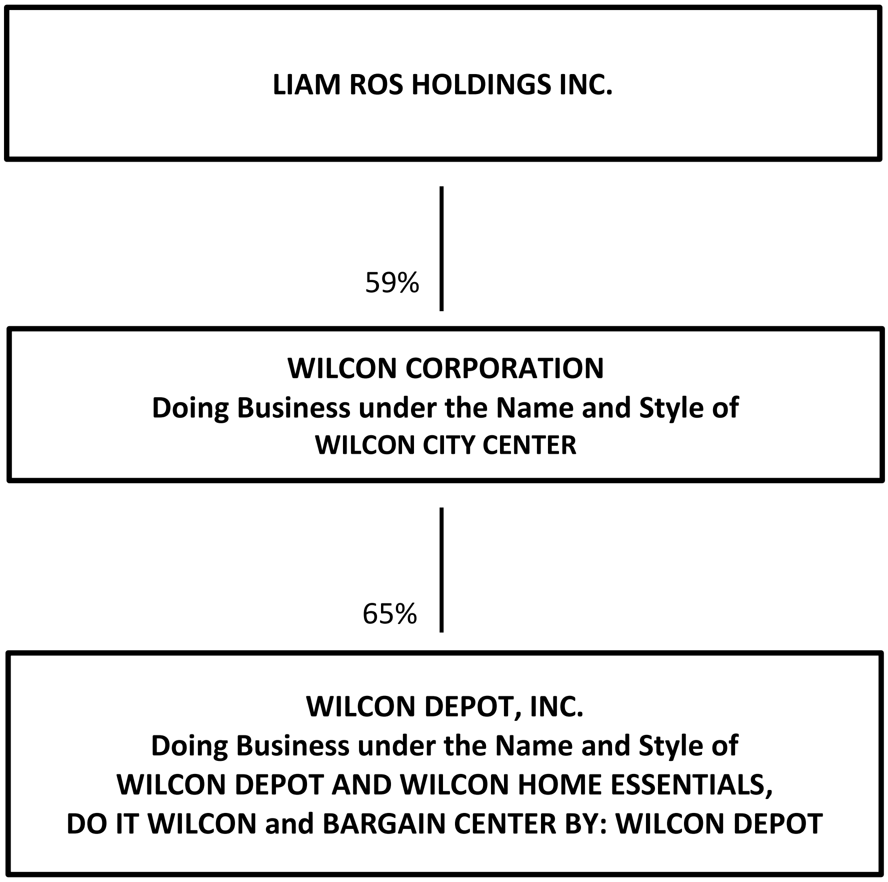
## CORPORATE STRUCTURE
**AS AT MARCH 31, 2024**



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## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
### AS AT AND FOR THE PERIOD ENDED MARCH 31, 2024 AND 2023
### AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023

| | Formula | | **March 31, 2024 (Unaudited)** | March 31, 2023 (Unaudited) | December 31, 2023 (Audited) |
|---|---|---|---|---|---|
| **Liquidity ratio** | | | | | |
| Current ratio | Total Current Assets | ₱19,423,661,814 | **2.05 : 1** | 1.96 : 1 | 2.17: 1 |
| | Divide by: Total Current Liabilities | 9,488,789,917 | | | |
| | Current ratio | 2.05 | | | |
| Acid test ratio | Total Current Assets | ₱19,423,661,814 | **0.24 : 1** | 0.33 : 1 | 0.29 : 1 |
| | Less: Merchandise Inventories | 15,947,143,952 | | | |
| | Other Current Assets | 1,169,886,645 | | | |
| | Quick Assets | 2,306,631,217 | | | |
| | Divide by: Total Current Liabilities | 9,488,789,917 | | | |
| | Acid test ratio | 0.24 | | | |
| **Solvency ratio** | | | | | |
| Debt to equity ratio | Total Liabilities | ₱17,504,267,507 | **0.79 : 1** | 0.84 : 1 | 0.77 : 1 |
| | Divide by: Total Equity | 22,183,418,000 | | | |
| | Debt to equity ratio | 0.79 | | | |
| Asset to equity ratio | Total Assets | ₱39,687,685,507 | **1.79** | 1.84 | 1.77 |
| | Divided by: Total Equity | 22,183,418,000 | | | |
| | Asset to equity ratio | 1.79 | | | |
| **Profitability ratio** | | | | | |
| Return on assets | Net Income | ₱739,863,396 | **1.86%** | 2.62% | 8.76% |
| | Divided by: Total Assets | 39,687,685,507 | | | |
| | Return on assets | 1.86% | | | |
| Return on equity | Net Income | ₱739,863,396 | **3.34%** | 4.81% | 15.47% |
| | Divide by: Total Equity | 22,183,418,000 | | | |
| | Return on equity | 3.34% | | | |
| Book value per share | Total Equity | ₱22,183,418,000 | **₱5.41** | ₱4.88 | ₱5.49 |
| | Divide by: Number of outstanding Shares | 4,099,724,116 | | | |
| | | ₱5.41 | | | |

| | Formula | | **March 31, 2024 (Unaudited)** | March 31, 2023 (Unaudited) | December 31, 2023 (Audited) |
|---|---|---|---|---|---|
| Gross income | Gross income | ₱3,319,873,488 | **39.95%** | 39.44% | 39.57% |
| | Divide by: Net Sales | 8,310,527,312 | | | |
| | Gross income | 39.95% | | | |
| EBITDA margin | Income before Income Tax | ₱984,897,908 | **22.36%** | 24.48% | 23.18% |
| | Add: Depreciation and Amortization | 711,746,727 | | | |
| | Net Interest Expense | 161,863,180 | | | |
| | Earnings Before Interest, Tax, Depreciation, and Amortization | 1,858,507,815 | | | |
| | Divided by: Net Sales | 8,310,527,312 | | | |
| | EBITDA margin | 22.36% | | | |
| Net income margin | Net Income | ₱739,863,396 | **8.90%** | 11.28% | 10.07% |
| | Divide by: Net Sales | 8,310,527,312 | | | |
| | Net income margin | 8.90% | | | |