



**WILCON** **DEPOT**



# ANNUAL REPORT 2023



**DAPAT  
TOTOO**





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## CORPORATE PROFILE

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

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

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



Wilcon's first foray outside Metro Manila was in 2002 when it opened a branch in Davao City. In its continued efforts to find ways of delivering the best service to its customers, Wilcon built its first depot-format store in Las Piñas in 2003. The depot - format is a pioneering concept for the industry at that time, at 10,000 sqm in size, with a more comprehensive product selection.

The depots offered a more comfortable shopping experience with free parking, air-conditioned stores, reliable delivery service and knowledgeable sales personnel. Over the next 18 years, Wilcon rapidly expanded its operation with the opening of 62 more depot format stores around the country.

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

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

After its public listing, WDI embarked on an aggressive store network expansion program, more than doubling the number of its branches from 36 at the start of 2017 to 90 by the end of 2023.





## OUR MISSION

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

## OUR VISION

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

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

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

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

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

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

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

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



# OUR RESPONSIBILITY

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

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

# OUR VALUES



**Collaboration**



**Excellence in Customer Experience**



**Customer Delight**



**Integrity to all Stakeholders**



**Innovation**



**Leadership**

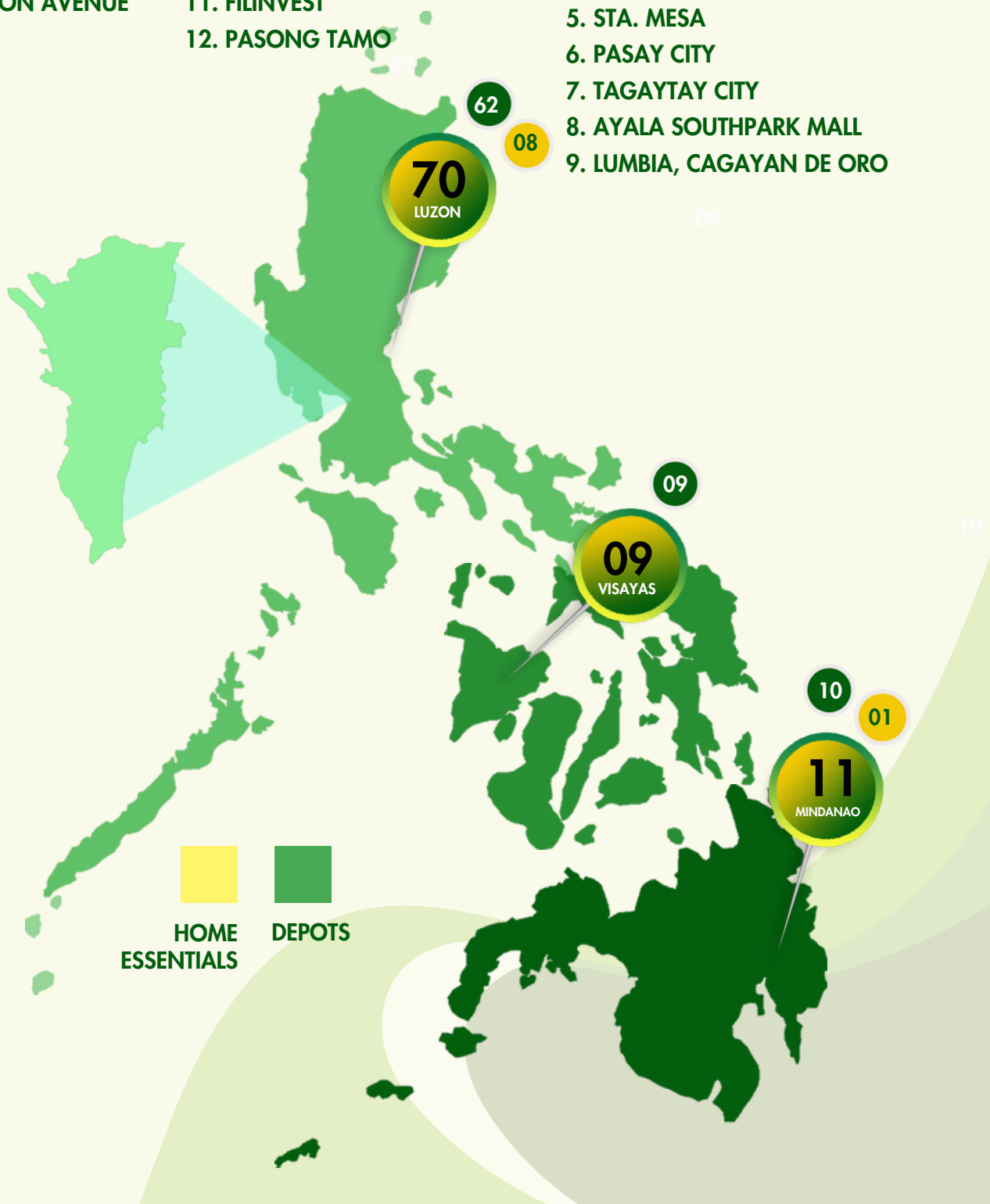
## BRANCHES NATIONWIDE

### METRO MANILA (DEPOT)

- |                    |                         |
|--------------------|-------------------------|
| 1. VALENZUELA CITY | 7. CAPITOL-COMMONWEALTH |
| 2. FAIRVIEW        | 8. WILCON IT-HUB        |
| 3. QUIRINO         | 9. SUCAT                |
| 4. BALINTAWAK      | 10. ALABANG             |
| 5. QUEZON AVENUE   | 11. FILINVEST           |
| 6. LIBIS           | 12. PASONG TAMO         |

### HOME ESSENTIALS

1. MINDANAO AVENUE
2. CITY CENTER, VISAYAS AVENUE
3. MUÑOZ
4. ALI MALL
5. STA. MESA
6. PASAY CITY
7. TAGAYTAY CITY
8. AYALA SOUTHPARK MALL
9. LUMBIA, CAGAYAN DE ORO





## LUZON (DEPOT)

13. LAOAG, ILOCOS NORTE
14. BANTAY, ILOCOS SUR
15. BAUANG, LA UNION
16. VILLASIS, PANGASINAN
17. IGUIG, CAGAYAN
18. CABANATUAN CITY, NUEVA ECIJA
19. GAPAN, NUEVA ECIJA
20. SAN JOSE, NUEVA ECIJA
21. CORDON, ISABELA
22. TARLAC CITY
23. PANIQUI, TARLAC
24. OLONGAPO CITY
25. ABUCAY, BATAAN
26. DAU, PAMPANGA
27. SAN FERNANDO, PAMPANGA
28. MEXICO, PAMPANGA
29. SAN NICOLAS,  
SAN FERNANDO, PAMPANGA
30. GUIGUINTO, BULACAN
31. BALIUAG, BULACAN
32. SAN JOSE DEL MONTE CITY
33. CALUMPIT, BULACAN
34. STA. MARIA, BULACAN
35. TAYTAY, RIZAL
36. SAN JUAN, TAYTAY, RIZAL
37. ANTIPOLO CITY
38. MAYAMOT, ANTIPOLO CITY
39. SAN ISIDRO, ANTIPOLO CITY
40. DASMARIÑAS CITY
41. GENERAL TRIAS CITY
42. KAWIT, CAVITE
43. BACOR CITY
44. SILANG, CAVITE
45. NAIC, CAVITE
46. CALAMBA CITY
47. CABUYAO CITY
48. SAN PABLO CITY
49. STA. ROSA CITY
50. PILA, LAGUNA
51. STO. TOMAS CITY
52. ALANGILAN, BATANGAS  
CITY
53. LIPA CITY
54. LEMERY, BATANGAS
55. ROSARIO, BATANGAS
56. TUY, BATANGAS
57. TAYABAS, QUEZON
58. DARAGA, ALBAY
59. NAGA CITY
60. SORSOGON CITY
61. CALAPAN, ORIENTAL  
MINDORO
62. PUERTO PRINCESA CITY

## VISAYAS (DEPOT)

63. JARO, ILO-ILO CITY
64. TACLOBAN CITY, LEYTE
65. TALISAY, CITY, CEBU
66. MANDAUE CITY, CEBU
67. STA. BARBARA, ILO-ILO
68. MAKATO, AKLAN
69. TALISAY- BACOLOD, NEGROS  
OCCIDENTAL
70. ORMOC CITY, LEYTE
71. DAUIS, BOHOL

## MINDANAO (DEPOT)

72. BUTUAN CITY
73. CAGAYAN DE ORO CITY, MISAMIS ORIENTAL
74. MATINA, DAVAO CITY
75. PANACAN, DAVAO CITY
76. TAGUM CITY, DAVAO DEL NORTE
77. ZAMBOANGA CITY
78. GENERAL SANTOS CITY
79. OPOL, MISAMIS ORIENTAL
80. MALAYBALAY, BUKIDNON
81. ILIGAN CITY, LANA O DEL NORTE

# STORE OPENINGS

# 9

## NEW STORES

**GUIGUINTO,  
BULACAN (DEPOT)**

JANUARY 27, 2023



**ROSARIO,  
BATANGAS (DEPOT)**

MARCH 31, 2023



**WILCON HOME ESSENTIALS**

**LUMBIA CDO,  
MISAMIS ORIENTAL  
(HOME ESSENTIAL)**

APRIL 14, 2023



**WILCON DEPOT**

**SAN NICOLAS  
SAN FERNANDO,  
PAMPANGA (DEPOT)**

JUNE 16, 2023



**STA. MARIA,  
BULACAN (DEPOT)**

JULY 28, 2023



**ILIGAN CITY  
(DEPOT)**

SEPTEMBER 29, 2023



**WILCON DEPOT**

**NAIC, CAVITE  
(DEPOT)**

OCTOBER 6, 2023



**WILCON DEPOT**

**TUY, BATANGAS  
(DEPOT)**

DECEMBER, 2023



**WILCON HOME ESSENTIALS**

**AYALA,  
SOUTHPARK MALL  
(HOME ESSENTIALS)**

DECEMBER 1, 2023



# COMPANY HIGHLIGHTS

## 1977-2001

### TRADITIONAL TRADE

- Small hardware store format
- Wholesale and retail operations



## 2002-2008

### INTRODUCED & EXPANDED DEPOT FORMAT

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



## 2009-2014

### MAJOR RE-BRANDING/ EVOLUTION OF WILCON LOGO AND BRAND

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



## 2015 - 2016

### WILCON DEPOT, INC. WAS ESTABLISHED ON DECEMBER 17, 2015

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



## 2017 - 2020

### INITIAL PUBLIC OFFERING OF WDI

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





# 90

## OPERATING STORES NATIONWIDE

### 2021

**INCLUDED IN THE PSEI  
ON OCTOBER 11, 2021**

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

### 2022

**45 YEARS IN OPERATIONS  
DOING THE SAME BUSINESS**

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

### 2023

**Wilcon Depot launched the  
Do It Wilcon format**



# FOUNDER'S MESSAGE

## Dear Fellow Shareholders,

I am again humbled and grateful that despite the continuing challenges of operating in the post-pandemic world, Wilcon still put out solid results in 2023. Our total sales amounted to P34.6 billion, growing by 3.1% from 2022. We still generated enough operating cash flow to continue to self-fund our expansion. We remained steadfast in our resolve to pursue our store network expansion to be more accessible to our market. We opened nine stores in 2023 to end the year with 90 branches. We expect to achieve our 100-store target within 2024, one year ahead of our original 2025 deadline.

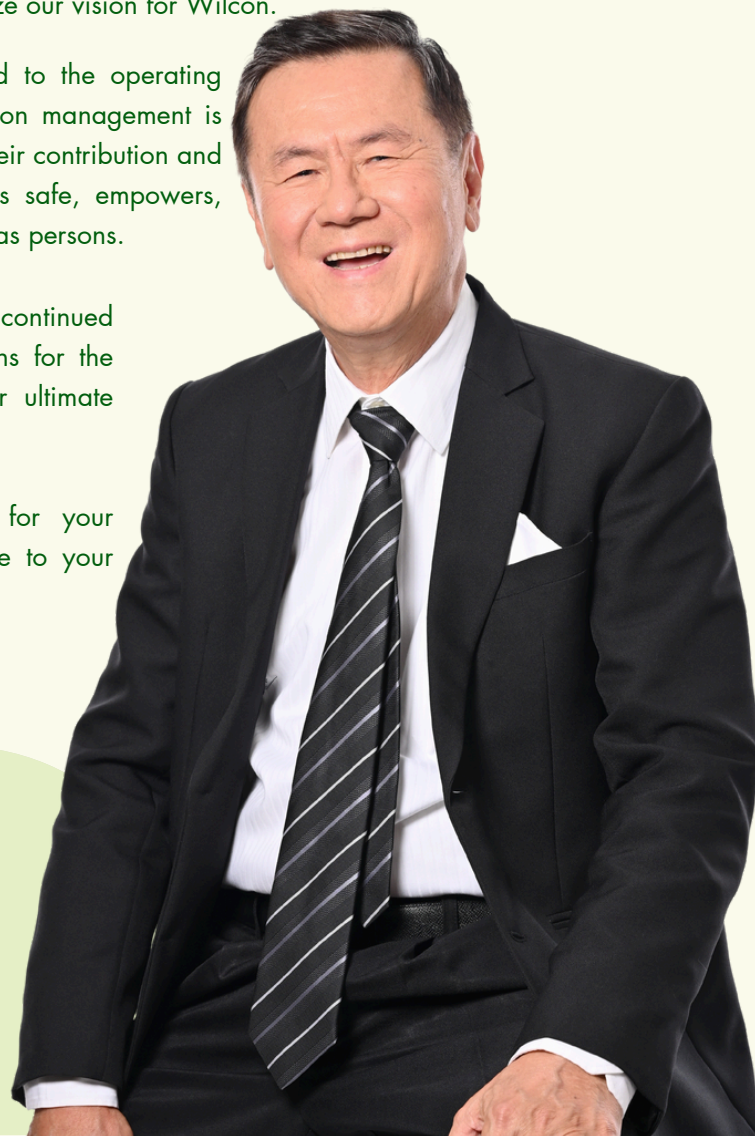
Beyond our 100th store, we believe that we can still reach out to a wider customer base through the continued expansion of our store network. We have begun the roll out of our smaller format, Do It Wilcon, stores and based on the success of our pilot branches, we shall be opening more in the coming years. We want to be more accessible to our customers to serve not only their planned major construction projects but their smaller projects and regular repair and maintenance needs as well. The format will enable us to achieve this.


In the 46 years since I've established Wilcon, serving the Filipino homeowner with their home improvement and finishing construction materials requirements, making available to them the widest array of product offerings in the most convenient way possible, we have instilled in all our employees the importance of delivering excellent customer service all the time, regardless of circumstances. It is this value along with innovation and collaboration that were most helpful to us in pivoting our operations during the severe lockdowns of 2020 and taking advantage of the surge in demand in 2021 and 2022. And it is through the hard work and excellence of our employees that we will be able to achieve our goals and realize our vision for Wilcon.

I am extremely proud of how well our employees adapted to the operating challenges and consistently delivered solid results. The Wilcon management is truly grateful for their dedication and loyalty. We recognize their contribution and are committed to provide them with an environment that is safe, empowers, cultivates their knowledge and skills and respects their dignity as persons.

I am also deeply thankful to our supplier-partners for their continued support of our strategic goals of providing the best solutions for the various home improvement needs and requirements of our ultimate customers, the Filipino homeowner.

Finally, to you my fellow shareholders, I am grateful for your unwavering trust and support in our ability to deliver value to your investment in Wilcon.



  
**William T. Belo**  
Founder and Chairman Emeritus

# PRESIDENT'S MESSAGE

## Dear Shareholders,

The home improvement retail industry has seen phenomenal growth during the pandemic period. After the severe lockdowns in 2020, the industry, globally, recovered in leaps and bounds. You have witnessed your company achieving record revenues and earnings in 2021 and 2022. In 2023, we continued to grow albeit on a slower pace than the last two years.

Despite this apparent slowdown in demand, your Company remained bullish on the future of home improvement. We pushed for the accelerated opening of new stores so we could still hit our 100-store target a year ahead of schedule. We opened nine (9) stores in 2023 and ended the year with 90 stores. We closed one (1) HE branch and the other one we replaced with a new depot. We believe that we have to be in the best position and within to serve our market once home improvement spending returns.

We launched also our re-conceptualized smaller format, "Do It Wilcon" (DIW), which will replace our "Home Essentials" (HE) stores. The DIW format is primarily a stand-alone hardware store, which is located near residential areas or in commercial areas, offering the same product categories as the depots but with lesser number of SKUs. In special instances, when merited, we may also locate our DIWs inside malls but this will not be the main thrust of our DIWs. We will complete the conversion of our HE branches into DIWs in 2024.

Throughout the pandemic years, we have been agile and quick to adjust to the fast-changing macroeconomic environment and the various challenges that went with it. We successfully managed our way through severe lockdowns, supply chain issues, labor force dynamics and a myriad of other bumps brought about by the uncertainty of the post-Covid world. Through all of these, we remained focused on our strategic goals, core values and mission. Anchoring on our 47-year experience in this sector, we remain confident that we will be able to adapt to the post-Covid home improvement market by being consistently customer-centric and improving our operations to continually give excellent value to our customers even as we expand our market reach.

Through all of these challenges, our dedicated and tireless heroes, our customer experience experts and our support teams, have performed impressively well. We are beyond proud of our employees who performed their best, providing excellent customer experience consistently, even in difficult times.

We are likewise grateful to our suppliers, who have proven to be reliable partners in our shared mission of helping the Filipino homeowners build, improve and refine their homes for a comfortable and sustainable life. We are deeply grateful and honored by the continued patronage of our customers who gave us the opportunity to serve their home improvement needs. And lastly, to you fellow shareholders, thank you for your continued trust in Wilcon.




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

For 2024 and the succeeding years, we remain committed to our key growth strategies, expanding our reach by increasing our physical presence in growth markets, enhancing our product offerings with increasing efficiency by leveraging on our competitive advantages in product development, sourcing and marketing and constantly introducing improvements to elevate customer experience when shopping in our stores.

### Full Year 2023 Performance

Net sales for the year 2023, amounted to P34,604 billion, increasing by P1.033 billion or 3.1% year-on-year, all coming from new store sales as comparable sales declined by 3.4%. Nine (9) new stores were opened during the year, seven (7) depots and two (2) HEs. The company closed the year with 90 branches.

On a per format basis, the depots, comprising 96.3% of total net sales, grew by P708 million or 2.2% to P33.323 billion year-on-year. The increase was accounted for by sales from new depots as same store sales declined by 4.1% due to lower transaction count. The HEs accounted for 2.1% with net sales of P741 million, a P100 million or 15.7% increase year-on-year, contributed wholly by below one-year sales of the format. Same store sales for the format declined by 4.8%. The remaining 1.6% of total net sales was accounted for by project sales, amounting to P540 million, increasing by P224 million or 71.0% year-on-year.

Gross profit grew by P568 million or 4.3% from the 2022 level of P13.126 billion to close at P13.694 billion for the year for a gross profit margin rate of 39.6%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin rate which grew by 50 basis points year-on-year.

Operating expenses increased to P8.94 billion for the year, up P1.061 billion or 13.5% from the prior year's P7.879 billion. The increase is attributable mainly to expansion-related expenses, particularly depreciation and amortization, outsourced services, trucking and salaries. Lease-related interest expense increased by P96 million or 17.7% year-on-year, to total P641 million, attributable to added leases for new stores.

Other income (charges) for the year amounted to P526 million, up by P103 million or 24.3% year-on-year, traced mainly to a one-off rebate from supplier and higher collection of rent income due to additional stores opened.

The Company recorded net income of P3.483 billion for the year, lower by P365 million or 9.5%, as a result of the higher increase in operating expenses versus the gross profit and other income improvement.

As we pursue our expansion strategy, we made continuous investments in the construction of new store buildings and warehouses in the main distribution center, purchase of store and transportation equipment, IT infrastructure and software and renovations. Capital expenditure totaled ₱2.358 billion for the year.

Operating performance for the year yielded sufficient operating cash flows for the Company to be able to pursue its store network expansion and other planned capital expenditure from internally generated funds. Dividends distributed during the year were also self-funded. We distributed dividends totaling ₱1.517 billion, equivalent to ₱0.37 per share, representing 39.4% of 2022's net income.

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

The company's liabilities consist mostly of trade payables and lease liabilities recognized pursuant to the adoption of PFRS 16 – Leases.

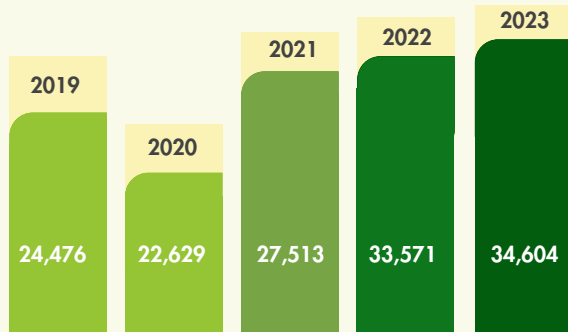
We are proud of what we have accomplished in 2023 as we have hurdled the shift in demand and the persistence of macroeconomic stressors with decent results. We are ready and committed to continuously find ways to deliver improving value to you our fellow shareholders.



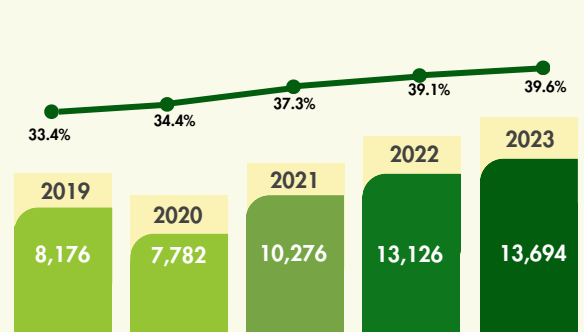
# FINANCIAL HIGHLIGHTS

## FOR THE YEAR (IN PH MILLIONS)

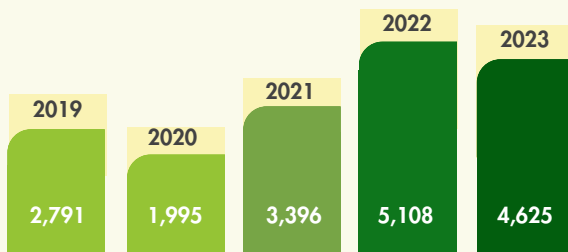
NET SALES



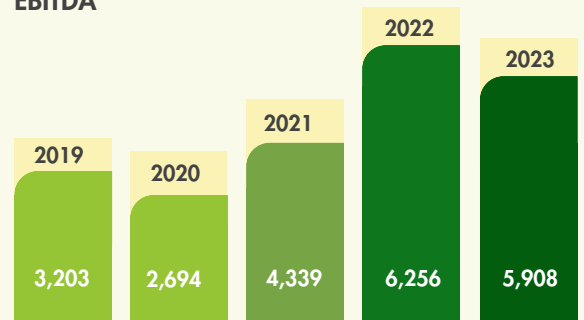
GROSS PROFIT



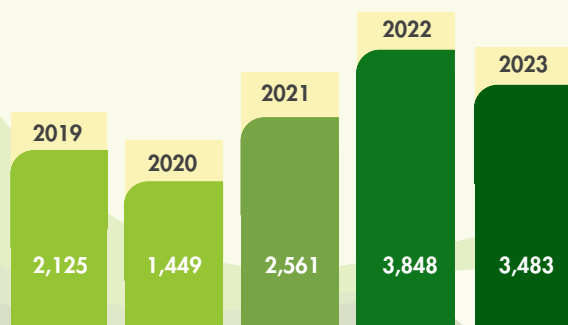
EBIT



EBITDA

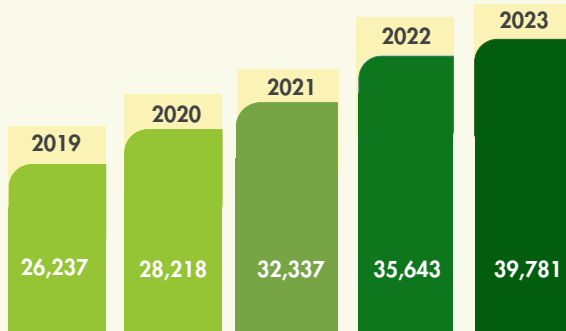


NET INCOME

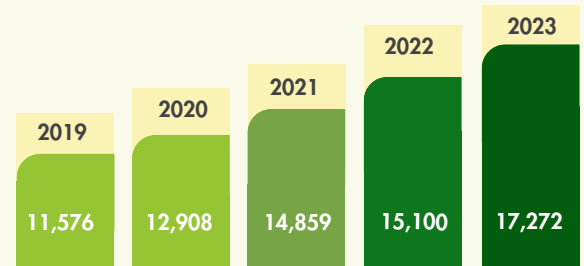


## AS AT 31 DECEMBER (IN PHP MILLIONS)

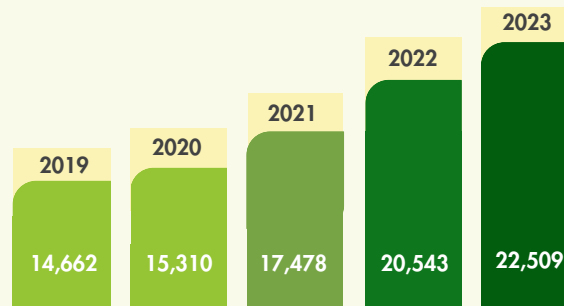
## TOTAL ASSETS



## TOTAL LIABILITIES

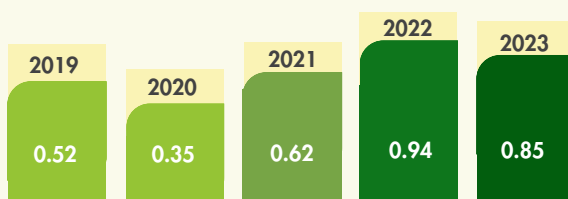


## TOTAL STOCKHOLDER'S EQUITY

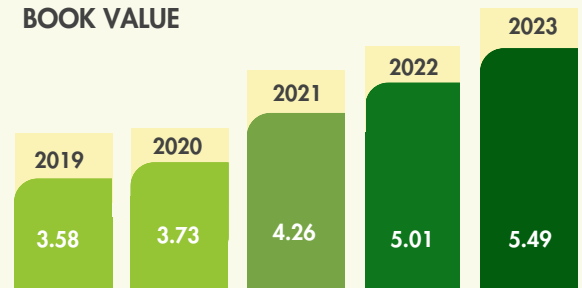


## PER SHARE

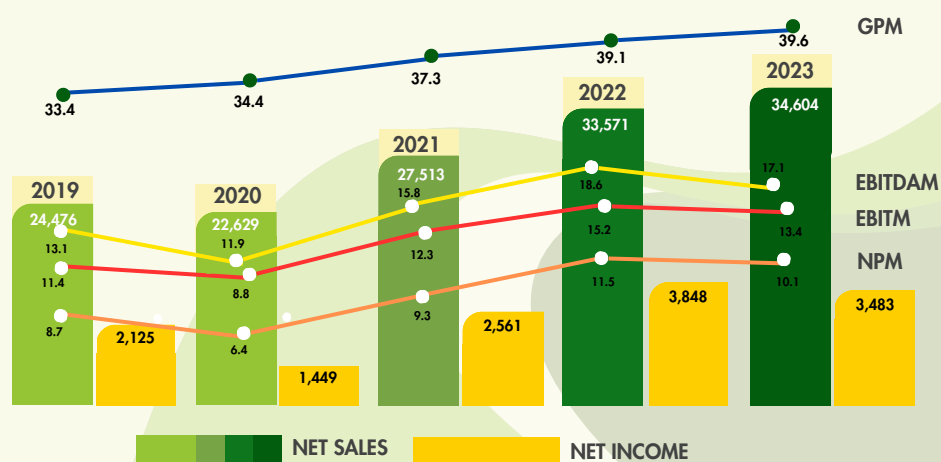
## BASIC EARNINGS



## BOOK VALUE



Note: For EBIT and EBITDA, ROU depreciation and interest expense charged on lease liability were considered as rent expense for years 2019 to 2023.



# MANAGEMENT'S **DISCUSSION & ANALYSIS**



## Results of Operations for year ended December 31, 2023 compared with the year ended December 31, 2022

The Company recorded net income of ₱3,483 million for the year 2023, lower by ₱365 million or 9.5% from the ₱3,848 million reported in 2022 with net margins of 10.1% and 11.5%, respectively. Despite higher net sales and other income and improvement in the gross profit, net income was adversely affected by the increase in operating expenses.

### Net Sales

Net sales for the year 2023, amounted to ₱34,604 million, an increase of ₱1,033 million or 3.1% from last year, driven by new store sales as comparable sales declined by 3.4%.

The Company ended the year with 90 stores, opening nine (9) new stores during the year. Seven (7) new depots were opened, six (6) of which were located in Luzon and one (1) in Mindanao. Two (2) new Home Essentials were opened during the year, one (1) each in Luzon and Mindanao with one closure and another being replaced with the larger-format depot store.

On a per format basis, the depots, contributing 96.3% of total net sales, grew by ₱708 million or 2.2% to ₱33,323 million from the ₱32,615 million net sales in 2022. The increase was accounted for by sales from new depots as same store sales declined by 4.1%.

The Home Essentials format, recorded net sales of ₱741 million, a ₱100 million or 15.7% increase year-on-year, contributed mainly by new Home Essentials stores. Same store sales for this smaller store format declined by 4.8%.

The remaining 1.6% of total net sales was accounted for by project sales or sales to major institutional accounts, amounting to ₱540 million, increasing by ₱224 million or 71.0% year-on-year.

### Gross Profit

Gross profit grew by ₱568 million or 4.3% from the 2022 level of ₱13,126 million to close at ₱13,694 million for the year for a gross profit margin of 39.6%. The increase was traced mainly to higher sales for the period and the expansion in gross profit margin which grew by 50 basis points year-on-year.

The improvement in gross profit margin is traced mainly to higher gross profit margin rates of exclusive and in-house brands classification, which resulted in a higher overall margin for the class with a slight increase in their contribution to total net sales at 51.2% from 51.1% in 2022.

### Operating Expenses

Operating expenses increased to ₱8,940 million for the year, up ₱1,061 million or 13.5% from the prior year's ₱7,879 million. The increase is attributable mainly to expansion-related expenses, particularly in depreciation and amortization, outsourced services, trucking and salaries.

Rent expense increased by ₱62 million or 55.9% to ₱172 million mainly due to re-classification of renewed leases with lease term changes.

### Interest Expense

Interest expense increased by ₱96 million or 17.7%, to total ₱641 million for the year from the prior year's ₱544 million, attributable to the increase in lease liabilities for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.

### Other Income (Charges)

Other income (charges) for the year ended December 31, 2023 amounted to ₱526 million, increased by ₱103 million or 24.3% from prior year's ₱423 million traced mainly to a one-off rebate from supplier and higher collection of rent income due to additional stores opened. 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 2023 and 2022 depreciation and amortization to exclude depreciation for the right-of-use (ROU) assets and interest expense on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:



1. EBITDA as of December 31, 2023 reached ₱5,908 million, or 17.1% of net sales, declining by 5.6% from the ₱6,256 million, or 18.6% of net sales, recorded as of December 31, 2022.
2. EBIT for the year 2023 is ₱4,625 million or 13.4% of net sales, decreasing by 9.5% from ₱5,108 million, or 15.2% of net sales, year-on-year.

The decline in both EBITDA and EBIT was driven by the increase in operating expenses partly offset by improved sales performance and expansion of gross profit and other income.

### Income Tax Expense

The Company's income tax expense decreased by ₱121 million or 9.5% to end at ₱1,156 million for the year 2023 from the ₱1,277 million incurred during the same period last year. The decline is due mainly to lower taxable income.

### Financial Condition as at December 31, 2023

#### Liquidity

Net cash provided by operating activities decreased by ₱285 million or 5.4% in 2023 compared to 2022, primarily driven by the decline in net income. Cash used in investing activities went down by ₱973 million or 37.4% in 2023 compared to 2022, primarily resulting from reduced capital expenditures spending. Cash used in financing activities reflected ₱1,765 million lease payments and ₱1,517 million dividend payments. Current ratio slightly declined from 2.27:1.00 to 2.17 :1.00.

Cash and cash equivalents and short-term investments totaled P1,865 million, a ₱667 million or 26.3% decrease from the balance as at December 31, 2022. The decline is mainly due to continued investment in new stores from internally generated funds and payment of dividends.

#### Capital Expenditure

The Company's capital expenditure totaled ₱2,358 million during the year 2023, the bulk of which was spent on the construction of new stores and warehouses.

#### Capital Resources

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

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

### Key Financial Performance Indicators

KEY PERFORMANCE INDICATORS	AS AT DECEMBER 31, 2023	AS AT DECEMBER 31, 2022
Sales	34,603,965,512	33,570,825,431
EBIT – Adjusted / Treating Interest on Lease Liability as Rent Expense	4,625,082,255	5,108,334,422
EBITDA – Adjusted / Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>2</sup>	5,907,960,277	6,256,482,756
EBIT Margin - Treating Interest on Lease Liability as Rent Expense <sup>3</sup>	13.37%	15.22%
EBITDA Margin- Treating ROU Depreciation and Interest on Lease Liability as Rent Expense <sup>4</sup>	17.07%	18.64%
	As at December 31, 2023	As at December 31, 2022
Return on Equity Ratio <sup>5</sup>	15.47%	18.73%
Current Ratio <sup>6</sup>	2.17	2.27
Debt to Equity Ratio <sup>7</sup>	0.77	0.74

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

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

#### Statement of Financial Position as at December 31, 2023 and December 31, 2022

1. Aggregate cash and short-term investments decreased by ₱667 million or 26.3% from ₱2,532 million at the close of 2022 to ₱1,865 million as at December 31, 2023, traceable primarily to net cash flow used for acquisition of property and equipment, lease payments as well as payment of dividends.
2. Trade and other receivables totaled ₱414 million as at December 31, 2023, ₱126 million or 43.7% higher than the ₱288 million balance as at December 31, 2022. The increase was mainly due to the increase in trade receivables as a result of higher project sales.

3. Advance payments to suppliers, comprising of advance payments to trade and non-trade suppliers, decreased by ₱98 million or 22.0% from ₱444 million balance as at December 31, 2023 due to timely delivery of merchandise inventories from suppliers.

4. Merchandise Inventories increased by ₱2,534 million or 19.1% from ₱13,243 million at the close of 2022 to ₱15,777 million as at December 31, 2023 due mainly to store network expansion.

5. Other current assets increased by ₱469 million or 53.4% from ₱878 million at the close of 2022 to ₱1,346 million as at December 31, 2023 due mainly to increase in materials and supplies, and input tax from purchases.

6. Right of use Asset increased by ₱573 million or 7.3% from ₱7,905 million at the close of 2022 to ₱8,478 million as at December 31, 2023 due mainly to contract renewals and new stores.

7. Property and equipment increased by ₱1,072 million or 11.4% from ₱9,412 million at the close of 2022 to ₱10,484 million as at December 31, 2023 due mainly to capital expenditures related to store network expansion.

8. Net deferred tax assets increased by ₱86 million or 17.4% from ₱497 million at the close of 2022 to ₱583 million as at December 31, 2023 due to the impact of PFRS16 accounting and increase in unearned revenue from loyalty program.

9. Other Noncurrent Assets increased by ₱42 million or 9.4% from ₱444 million at the close of 2022 to ₱486 million as at December 31, 2023 due mainly to increase in advances related to construction and security deposits to lessors.

10. Trade and Other Payables increased by ₱1,325 million or 23.0% from ₱5,763 million at the close of 2022 to ₱7,088 million as at December 31, 2023 due mainly to higher purchases and expenses on credit.

11. Income tax payable decreased by ₱42 million or 14.8% from ₱282 million at the close of 2022 to ₱240 million as at December 31, 2023 mainly due to lower taxable income.

12. The current portion of lease liability increased by ₱155 million or 9.6% from ₱1,614 million at the close of 2022 to ₱1,769 million as at December 31, 2023 due mainly to contract renewals and new stores.

13. The non-current portion of lease liability increased by ₱758 million or 10.3% from ₱7,359 million at the close of 2022 to ₱8,117 million as at December 31, 2023 due mainly to contract renewals and new stores.

14. Net retirement liability decreased by ₱25 million or 30.3% from ₱82 million at the close of 2022 to ₱57 million as at December 31, 2023 due mainly to higher interest income and lower retirement expense recognized.

#### Income Statement Items

1. Operating expenses increased to ₱8,940 million for the year, up ₱1,061 million or 13.5% from the prior year's ₱7,879 million. The increase is attributable mainly to expansion-related expenses, particularly in depreciation and amortization, outsourced services, trucking and salaries.

2. Interest expense increased by ₱96 million or 17.7%, to total ₱641 million for the year from the prior year's ₱544 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 year ended December 31, 2023 amounted to ₱526 million, increased by ₱103 million or 24.3% from prior year's ₱423 million traced mainly to a one-off rebate from supplier and higher collection of rent income due to additional stores opened. Meanwhile, non-operating interest income declined by ₱3 million due to lower investible funds.

4. The Company's income tax expense decreased by ₱121 million or 9.5% to end at ₱1,156 million for the year 2023 from the ₱1,277 million incurred during the same period last year. The decline is due mainly to lower taxable income.

#### Results of Operations for the quarter ended December 31, 2023 compared with quarter ended December 31, 2022

The Company recorded net income of ₱757 million for the fourth quarter of 2023, lower by ₱131 million or 14.7% from the ₱888 million reported in 2022 with net margins of 8.7% and 10.0%, respectively. The decrease was mainly driven by the increase in operating expenses and decline in the gross profit margin.

### Net Sales

The Company recorded net sales of ₱8,661 million for the three-month period ended December 31, 2023, ₱187 million or 2.1% lower than the ₱8,848 million for the same period in 2022. Total net sales slid even as new stores generated a 5.1% increase as comparable sales dropped 7.1%.

Sales from the depot-format stores contributed the majority of total net sales comprising ₱8,298 million or 95.8% for the fourth quarter of 2023, lower by ₱265 million or 3.1% from the ₱8,563 million net sales for the fourth quarter of 2022. The format's comparable sales declined by 7.9% offsetting the 4.9% increase in net sales generated by new depots.

The smaller format "Home Essentials", recording net sales of ₱192 million accounting for 2.2% of net sales, reported an increase of ₱12 million or 6.7% during the fourth quarter of 2023 from prior year's same period level of ₱180 million, mainly due to the contribution of new Home Essential branches.

The remaining 2.0% was accounted for by project sales or sales to major developers, amounting to ₱171 million, increasing by ₱65 million or 62.1% from prior year's same period level of 2022 of ₱106 million.

The Company opened two (2) new depots and one (1) new Home Essentials located in Luzon during the quarter.

### Gross Profit

Gross profit decreased by ₱63 million or 1.8% year-on-year to total ₱3,446 million at the close of the quarter, traced mainly to the decline in net sales. The higher margin exclusive and in-house brands increased its contribution from 51.3% to 52.1% year-on-year resulting in an increase in gross profit margin rate to 39.8%.

### Operating Expenses

Operating expenses increased to ₱2,378 million during the fourth quarter of 2023, up ₱87 million or 3.8% from the ₱2,291 million during the same period in 2022. The increase is attributable mainly to the higher volume of business and expansion-related expenses, particularly in outsourced services, trucking, depreciation and amortization.

### Interest Expense

*Interest expense during the fourth quarter of 2023 and 2022 amounted to ₱167 million and ₱150 million, respectively. The ₱17 million increase is attributable to added leases for new stores.*

*All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.*

### Other income (Charges)

Other income (charges) during the fourth quarter of 2023 amounted to ₱108 million, lower by ₱6 million or 4.9% from the ₱114 million generated in 2022 mainly due to lower collection of rent income.

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

Adjusting the 2023 and 2022 depreciation and amortization to exclude right-of-use (ROU) depreciation and interest expense to exclude interest on lease liability and consider these as rent expense, EBITDA and EBIT are as follows:

- EBITDA for the quarter ended December 31, 2023 totaled ₱1,329 million, or 15.3% of net sales, lower by ₱167 million or 11.2% from the 2022 balance of ₱1,496 million, or 16.9% of net sales.
- EBIT for the fourth quarter of 2023 is ₱1,008 million or 11.6% of net sales, lower by ₱167 million or 14.3% from the prior year's same period level of ₱1,175 million, or 13.3% of net sales.

### Income Tax Expense (Benefit)

The Company's income tax expense decreased by ₱42 million or 14.3% to end at ₱252 million in 2023, versus ₱294 million incurred during 2022.

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

#### Income Statement for the quarter ended December 31, 2023 compared with quarter ended December 31, 2022

1. Interest expense during the fourth quarter of 2023 and 2022 amounted to ₱167 million and ₱150 million, respectively. The ₱17 million or 11.7% increase is attributable to added leases for new stores. All interest expense represents non-cash interest charged on lease liability recognized for the period in relation to the adoption by the Company of PFRS 16 on leases.
2. Income Tax for the quarter decreased by ₱42 million or 14.3% from the same period in 2022 to total ₱252 million attributed mainly to lower taxable income.

# BOARD OF DIRECTORS, **ADVISORY BOARD & OFFICERS**



# BOARD OF DIRECTORS



**Bertram B. Lim**  
Chairman



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



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



**Careen Y. Belo**  
Director and EVP - Chief  
Product Officer



**Ricardo S. Pascua**  
Independent Director



**Rolando S. Narciso**  
Independent Director



**Delfin "Jing" L. Warren**  
Independent Director

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

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

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

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

**Ricardo S. Pascua** is an Independent Director of the Company since September 2016. He was Vice Chairman of the Board and President and CEO of Metro Pacific Corporation from January 2000 until his retirement in December 2001, a position he held also from January 1993 to July 1995. In between, he was Vice Chairman and CEO of Fort Bonifacio Development Corporation. He was concurrently an Executive Director of First Pacific Company Ltd. from 1982 to 2001 and as such served in the boards of companies such as Smart Communications, Inc., United Commercial Bank in San Francisco, California, First Pacific Bank in Hong Kong and 1st eBank in Manila. Mr. Pascua started his career in Bancom Development Corporation as Asst. Vice President in 1972 and was assigned in Bancom International Ltd. in Hong Kong as Senior Manager in 1975.

Currently, Mr. Pascua serves as an independent director in various corporations and foundations. He is likewise involved in several businesses as Chairman of the Board of Caelum Developers Inc., Facilities & Property Management Technologies, Inc., Ascension Phildevelopers, Inc.; Chairman of the Executive Committee of Phoenix Land Inc. and a Director in Boulevard Holdings, Inc., Central Luzon Doctor's Hospital, Costa de Madera Corp. and Quicksilver Satcom Ventures, Inc.; and the President of Bancom II Consultants, Inc. Mr. Pascua has a Master of Business Management from Asian Institute of Management obtained in 1971 and he finished his bachelor's degree majoring in Economics (Cum Laude) from the Ateneo de Manila University in 1969.

**Rolando S. Narciso** is an Independent Director of the Company since September 2016. He is currently the Vice President for Industry Affairs of Philippine Galvanizers and Coaters Association which is affiliated with the Philippine Iron and Steel Institute. He was a former Director and Chairman of St. Joseph Group from 2015 to 2019 and a former Director and Officer of New Kanlaon Construction, Inc. from 2004 to 2014. He was President and Chief Operating Officer of Steel Corporation of the Philippines from 1998 to 2004. Before the National Steel Corporation was privatized, Mr. Narciso was its President and Chief Operating Officer from 1989 to 1995 and, concurrently from 1989, was a Director of Refractories Corp. of the Phils. and Semirara Coal Corp. up to 1994 and Integrated Air Corp. up to 1993. From 1974 to 1988, he held various positions in National Steel and other subsidiaries of the National Development Company. He also held various positions in the Esso (now Exxon) Group of Companies in the Philippines and abroad from 1967 to 1974. Mr. Narciso is a member of professional organizations such as the Financial Executives Institute and the Management Association of the Philippines. He obtained his Master in Business Management and Bachelor of Science in Business Administration degrees from the Ateneo de Manila University in 1967 and 1965, respectively.

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

# ADVISORY BOARD



**William T. Belo**  
Chairman Emeritus



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

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

**Rosemarie Bosch-Ong** is the Senior Executive Vice President and Chief Operating Officer of the Company. She held this position since 2007 initially under WC, immediately prior, she was Executive Vice President for Sales and Marketing, which she held from 1988 to 2007. She started out in the business as a Purchasing Manager under WBSI from 1983 to 1988. She is also the President of the Wilcon Builders Foundation Inc., which she has headed since 2008. She is a former Director of the Philippine Contractors Association, President of Philippine Retailers Association, a former Treasurer of the Philippine Association of National Advertisers (PANA) Foundation and one of the founding Directors of PropTech Consortium of the Philippines. She is a member of the Board of Trustees of Women Business Council of the Philippines, currently the Chairman of the Committee on Trade of the Philippine Chamber of Commerce and Industry, a regular columnist of The Philippine Star and she was one of the judges of The Final Pitch at CNN Philippines seasons 7 and 8. Ms. Bosch-Ong has recently completed the Programme of Strategy in the Age of Digital Disruption from INSEAD The Business School for the World. She also has a Master's degree in Business Administration from De La Salle University obtained in 2010 and she graduated from the University of the East in 1986 with a Bachelor's Degree in Economics.

# OFFICERS



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



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



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



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



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



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



**Grace A. Tiong**

Senior Vice President -  
Human Resources

**Eden M. Godino**

Senior Vice President -  
Product Development

**Michael D. Tiong**

Vice President -  
Global Sourcing

**Mary Jean G. Alger**

Vice President -  
Investor Relations

**Lauro D.G. Francisco**

Chief Audit Executive

**Keith S. Chan**

Vice President -  
Information Technology

**Jea S. Reyes**

Vice President -  
Finance

**Jose Ruel J. Godino**

Vice President -  
Merchandising

**Alen E. Alban**

Vice President -  
Project Sales

# CORPORATE GOVERNANCE

# CORPORATE GOVERNANCE

On September 28, 2023, the Company was recognized by the Institute of Corporate Directors (ICD) as a top – performing publicly- listed companies in the Philippines under the 2022 ASEAN Corporate Governance Scorecard (ACGS).

In compliance with Memorandum Circulars No. 20-2013 and 2-2015 of the Securities and Exchange Commission mandating all members of the Board of Directors and Key Officers of Publicly Listed Companies to attend a corporate governance training, the members of the Board as well as the officers of the Company on June 19, 2023, attended the corporate governance seminar via Zoom conducted by the Good Governance Advocates and Practitioners of the Philippines (GGAPP).

The Company has also issued several company policies including the “*Anti – Discrimination Policy*”, the objective is to promote and support the well-being of the employees of the Company as well as their rights regardless of their sexual orientation. This Policy aims to strengthen the rights of every individual and mitigate or reduce factors that would restrict, curb or create limitation on their expression. And “*Social Media Policy*”, this is created to guide everyone in handling the official social media accounts of the Company and to promote responsibility, accountability and respect in using their own personal account.

## Board Composition

The Board is composed of seven (7) directors, elected by the Company's stockholders on 19 June 2023, and shall hold office for one (1) year and until their successors are elected and qualified in accordance with the Company's By-Laws. The Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the Company's industry. The Board has an appropriate mix of competence and expertise and that its members remain qualified for their positions individually and collectively, to enable it to fulfill its roles and responsibilities and respond to the needs of the organization based on the evolving business environment and strategic direction.

The Board is composed of the following:

NAME	DIRECTORSHIP	AGE	DATE OF FIRST ELECTION	NO. OF YEARS AS DIRECTOR
Bertram B. Lim	Chairman/Independent Director	86	22 May 2017	6
Ricardo S. Pascua	Independent Director	75	13 September 2016	7
Rolando S. Narciso	Independent Director	77	13 September 2016	7
Delfin L. Warren	Independent Director	73	22 May 2017	6
Lorraine Belo-Cincochan	Executive Director	44	30 March 2016	7
Mark Andrew Y. Belo	Executive Director	41	30 March 2016	7
Careen Y. Belo	Executive Director	40	30 March 2016	7

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

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

### **Board Attendance**

The Board of Directors had twelve (12) meetings held in 2023. The attendance of the members of the Board was duly reported to the SEC and made available on the Company's website. On December 13, 2023, the non-executive directors had a separate meeting with the external auditor and head of the internal audit without any executive present and no significant issues or matters had been discussed.

### **Board Performance Assessment**

On January 17, 2024, the members of the Board conducted an annual board performance assessment. The objectives of the assessment are to evaluate and obtain inputs about the performance of the Board, its members, and committees during the last twelve months – January 1, 2023 to December 31, 2023.

### **Board Training**

On June 19, 2023, the members of the Board as well as officers of the Company attended the corporate governance seminar via Zoom conducted by the Good Governance Advocates and Practitioners of the Philippines (GGAPP). This 4-hour annual CG training covered the following topics:

1. Corporate Governance in a Digital Environment
2. Crisis Management, Principles, Practices, Programs and Communication
3. Embedding Sustainability and a Core Capability; and
4. Notes and Trends in Corporate Governance/Board Best Practices

### **Board Diversity**

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



The Company is committed to the following principles:

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

### Board Independence

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

### Board Committees

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

### Executive Committee

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

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

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

### Audit Committee

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

The Audit Committee had five (5) meetings in 2023 particularly on February 22, April 26, July 26, October 25 and December 13, 2023 with 100% attendance of all Audit Committee Members.

### Board Risk Oversight Committee

The Board Risk Oversight Committee (BROC) shall be responsible for the oversight of the Company's Enterprise Risk Management system to ensure its functionality and effectiveness. It is composed of three (3) independent directors. The chairman of the Board Risk Oversight Committee is an independent director. The members of the committee have adequate and competent understanding and experience on risk management principles and practices, in addition to thorough knowledge of the Company's Business and industry in which it operates.

### Related Party Transactions Committee

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

For 2023, the Audit Committee, Board Risk Oversight Committee and Related Party Transaction Committee are composed of the following members:

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

### Corporate Governance Committee

The Corporate Governance Committee is composed of three (3) independent directors, including the Chairman. The Committee is tasked to assist the Board in the performance of its corporate governance responsibilities. The Committee had two (2) meetings in 2023.

### Nomination Committee

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

### Remuneration and Compensation Committee

The Remuneration Compensation Committee is composed of three (3) independent directors, including the Chairman. The Remuneration and Compensation Committee ensures that the compensation policies and practices are consistent with the corporate culture, strategy and business environment under which the Company operates.

Recommend a formal and transparent framework of remuneration and evaluation for the members of the Board and the Company's key executives to enable the directors and officers to run the Company and evaluate and recommend to the Board incentives and other equity-based plans designed to attract and retain qualified and competent individuals.

For 2023, the Corporate Governance Committee, Nomination Committee and Remuneration Committee are composed of the following members:

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

## Board Remuneration

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

## 2023 REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS

The following activities were undertaken by the Audit Committee in 2023 in fulfillment of its primary duties and responsibilities and were reported to the Board:

### Financial Reporting

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

### Internal and External Audit Processes

- Reviewed the external auditor's report on the Company's audited 2023 financial statements and internal control observations and endorsed these to the Board for approval.
- Reviewed Company Management's endorsement to reappoint Reyes Tacandong & Company (RT&Co.) as external auditor for 2023 based on its performance and proposed audit fees, for concurrence by the Board and approval by the stockholders in the Annual Stockholders' Meeting.
- Reviewed and approved the 2023 interim and year-end External Audit Plan by RT&Co. that includes the audit team, scope of work & deliverables, audit approach, and the key risk areas.
- Reviewed the external auditor's updates on its audit of the Company's 2023 financial statements.
- Noted the Internal Audit Head's annual attestation on organizational independence, objectivity, the sound state of the Company's internal control and risk management, the absence of conflict of interest and of significant or material fraud.

- Reviewed and approved the 2023 Internal Audit Plan and Budget
- Reviewed, discussed and evaluated Internal Audit's 2022 and 2023 quarterly and year-end accomplishment reports and audit findings, including the status of Company Management's actions to Internal Audit observations and recommendations.
- Conducted executive session separately with the external auditor and the Internal Audit Head (without the presence of any executive directors or members or representatives of Company Management).

### **Internal Control and Risk Management Processes**

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

### **Compliance with Laws and Regulations**

- Noted the representation by the Company's Compliance Officer and Senior Management of the absence of significant breach of laws and regulations or involvement in any governmental, legal or arbitration proceedings that may have a material effect on the Company's business, financial position or profitability, as contained and disclosed in the Company's SEC Form 17-A 2023 Annual Report filed on April 5, 2024.



# AWARDS

## WILCON DEPOT HEADLINERS AWARD



Wilcon Depot, the Philippines' top home improvement and construction supply retailer, was awarded the Headliners Award for top print advertiser by United Print & Multimedia Group. The award ceremony, held at the Manila Hotel on March 1, 2023, was attended by Jeanette Dominguez and Jong Arcano, who presented the award to Wilcon Depot executives, SEVP and Chief Operating Officer, Rosemarie Bosch-Ong, and Senior Marketing Manager, Dheza Paras.

The Headliners Awards recognize companies that consistently collaborate with and trust print media to promote their brands. The award acknowledges these organizations' commitment to print media's power in providing high-quality and credible news and information, and value in helping reach their target market.

## WILCON DEPOT RECEIVED ANNUAL OUTSTANDING DISTRIBUTOR AWARD FROM KOHLER IN JAKARTA INDONESIA



Wilcon Depot, the leading home improvement, and construction supply store in the Philippines, recently won the Annual Outstanding Distributor Award from KOHLER, in Jakarta, Indonesia, on May 9, 2023. The award recognizes Wilcon's exceptional performance and strong partnership with Kohler, a global leader in manufacturing innovative kitchen and bathroom products.

Kohler Kitchen & Bath Asia Pacific President (L-R) Ms. Angel Yang was present at the awards ceremony to congratulate and hand over the award to Wilcon Depot representatives Mr. Arnold Ologuin, Executive Project Manager and Wilcon Depot Brand Manager Mr. Francis Del Mira.

The award not only serves as a testament to Wilcon's commitment to build, improve, and refine every Filipino homeowner for a sustainable and comfortable life but also highlights its ability to maintain a strong partnership with leading industry players like Kohler.

Wilcon Depot has become a go-to destination for consumers seeking high-quality home improvement and construction supplies, and the partnership with Kohler has only strengthened its reputation for providing top-notch products and excellent customer experience.

For 45 years, Wilcon Depot has been a trusted name in the improvement and construction industry. Tiles, Sanitarywares, Plumbing, Furniture, Home Interior, Building Materials, Hardware, Automotive, and Electrical Appliances, as well as other DIY items. This recent recognition from Kohler further solidifies Wilcon's position as a leading distributor of quality products in the Philippines.

And with its 86 stores nationwide, Wilcon continues to cater to the needs and growing demands of Filipino homeowners and builders through continuous store expansion and product innovation.

## WILCON DEPOT RECEIVED PRESTIGIOUS AWARDS IN RETAIL ASIA IN THE CATEGORY OF THE DIGITAL INITIATIVES OF THE YEAR



Wilcon Depot, the Philippines' leading home improvement and construction supply retailer, recently received the prestigious Digital Initiatives of the Year– Philippines from the Retail Asia Awards on June 15, 2023.

In celebrating retail excellence in Asia, the Retail Asia Awards gather the region's best retail companies and honor their outstanding retail projects with a prestigious accolade.

The award recognizes Wilcon Depot's outstanding efforts in implementing innovative digital initiatives that enabled the company to enhance its customer service, optimize its online presence, and expand its market reach. This also signifies Wilcon Depot's commitment to innovative digital solutions, which are essential in today's ever-evolving retail landscape.



The Wilcon VR Store Experience takes its customers into a new world of retail home shopping like never before. It is an interactive 360° VR experiential tour that allows customers to discover the limitless product assortment of Wilcon Depot easily and conveniently through VR headsets. They can get a full overview of it as if it is actually taking a remarkable trip inside the biggest branch of Wilcon—the Wilcon Depot Balintawak store through [wilcon.com.ph/vrstoreexperience](http://wilcon.com.ph/vrstoreexperience)

The Wilcon VR Store Experience is a fulfillment of its commitment to providing a world-class shopping experience for every Filipino homeowner and builder around the globe. Customers can shop the wide selection of products at any Wilcon store or via the Wilcon Online Store at [shop.wilcon.com.ph](http://shop.wilcon.com.ph).

As a trusted building partner, Wilcon Depot continues to push boundaries by incorporating such digital initiatives and providing its customers with an exceptional shopping experience in-store or online.

With 45 years of experience in the industry, Wilcon Depot has become the go-to destination for all-around home building and improvement needs. Wilcon carries a limitless product selection ranging from Tiles, Sanitarywares, Plumbing, Furniture, Home Interior, Building Materials, Hardware, Electrical, Appliances, and other DIY items.

And with its 86 stores nationwide, Wilcon continues to cater to the needs and growing demands of Filipino homeowners and builders through continuous store expansion and product innovation.

## WILCON DEPOT RECEIVED PRESTIGIOUS AWARDS IN RETAIL ASIA IN THE CATEGORY OF THE DIGITAL INITIATIVES OF THE YEAR



*Wilcon Depot, the Philippines' leading home improvement and construction supply retailer, has once again proven its commitment to sustainable business practices by being recognized as an awardee of the Outstanding Filipino Retailers Award in Sustainability under the large scale category on June 8, 2023 at Okada Manila, Paranaque City. Wilcon Depot's recognition in the sustainability category was earned due to its unwavering effort toward achieving sustainable business practices.*

*Photo from (L-R) Sammy Lim Chairman Emeritus PRA, DTI Secretary and Chairman OFR Awards Alfredo Pascua, Wilcon Depot Product Development SVP Eden Godino PRA President and Wilcon Depot SEVP – COO Rosemarie Bosch-Ong, Wilcon Depot Human Resources SVP Grace Tiong, PRA Vice Chairman Ma. Alegria Limjoco and PRA Chairman Atty. Paul Santos.*

## Wilcon Depot's Exemplary Sustainability Practices Earned Recognition At the 2023 Outstanding Filipino Retailers Awards

Wilcon Depot, the Philippines' leading home improvement and construction supply retailer, has once again proven its commitment to sustainable business practices by being recognized as an awardee of the 2023 Outstanding Filipino Retailers (OFR) Award in Sustainability under the large scale category on June 8, 2023, at Okada Manila, Paranaque City.

The Outstanding Filipino Retailers Award—special edition 2023, is a prestigious recognition given to outstanding retail companies in the Philippines who responded effectively to their organization and community during the pandemic, as well as epitomized the model of successful retailers in terms of growth, creativity, and sustainability practices. It is a collaboration between the PRA and the Department of Trade and Industry.

The event was attended by Wilcon Depot SEVP-COO Ms. Rosemarie Bosch-Ong, Human Resource Ms. Grace Tiong, SVP for Product Development Ms. Eden Godino, and other Wilcon key executives who were all delighted to accept the award on behalf of the company's dedication and hard work towards sustainability.

Wilcon Depot's recognition in the sustainability category was earned due to its unwavering effort toward achieving sustainable business practices. The company's focus on sustainability was strengthened during its Sustainable Choice campaign launch last May 26, 2023, wherein it highlighted its sustainable products, commitment to reducing waste and supporting renewable sources as part of its strategic plan for sustainability.

Through its diverse range of sustainability initiatives, Wilcon Depot has demonstrated a strong dedication to environmental responsibility and community welfare, making them stand out among all the finalists of the Outstanding Filipino Retailer Awards for Sustainability category. Their recognition in this prestigious awards category is a testament to their exceptional efforts, making them an admirable example for the retail industry.

## ASEAN CORPORATE GOVERNANCE SCORECARD (ACGS) AWARDEE



Recognizing Wilcon Depot, Inc. as a top - performing publicly-listed company in the Philippines under the 2022 ACGS given on the 28th of September 2023 at the Golden Ballroom, Okada Manila.



# AUDITED FINANCIAL **STATEMENTS**



BOA/PRC Accreditation No. 4782  
August 16, 2021, valid until April 13, 2024  
SEC Registration No. PP201007009

BDO Towers Valero  
8741 Paseo de Roxas  
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## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
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  
No. 90 E. Rodriguez Jr. Avenue  
Brgy. Ugong Norte, Quezon City

### *Opinion*

We have audited the 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 (the Company), a subsidiary of WILCON CORPORATION Doing Business under the Name and Style of WILCON CITY CENTER, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021, in accordance with Philippine Financial Reporting Standards (PFRS).

### *Basis for Opinion*

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

### *Key Audit Matters*

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



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#### *Completeness of Recording and Proper Valuation of Merchandise Inventories*

Merchandise inventories, net of allowance for inventory write-down and losses, amounted to ₱15,776.7 million as at December 31, 2023. The accounting for the complete recording and valuation of merchandise inventories is significant to our audit because merchandise inventories represent 40% of the total assets. Moreover, the Company maintains thousands of stock keeping units (SKU). Due to the significant number of SKU, establishing the existence and completeness and determining the proper valuation of merchandise inventories require an extensive monitoring and high degree of judgment and estimation.

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

We also reviewed the related disclosures in Note 3, *Significant Accounting Judgments, Estimates and Assumptions*, and Note 7, *Merchandise Inventories*.

#### *Recognition and Measurement of Right-of-Use Assets and Lease Liabilities*

Right-of-use (ROU) assets and lease liabilities amounted to ₱8,478.5 million and ₱9,886.2 million, respectively, as at December 31, 2023. The accounting for the recognition and measurement of ROU assets and lease liabilities is significant to our audit because ROU assets and lease liabilities represent 21% of total assets and 57% of total liabilities, respectively. There were also significant additions in 2023 amounting to ₱2,046.4 million and ₱1,986.7 million for ROU assets and lease liabilities, respectively, resulting from the Company's store network expansion. In addition, the recognition and measurement of ROU assets and lease liabilities involve the exercise of significant management judgment and estimate that include, among others, (a) assessing whether a contract contains a lease; (b) determining the lease term taking into consideration the renewal option; and (c) determining the appropriate discount rate.

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

We also reviewed the related disclosures in Note 2, *Summary of Material Accounting Policy Information*, Note 3, *Significant Accounting Judgments, Estimates and Assumptions*, and Note 10, *Lease Commitments*.





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#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

#### *Auditors' Responsibilities for the Audit of Financial Statements*

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



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

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

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

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





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

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

**REYES TACANDONG & Co.**

  
CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

BIR Accreditation No. 08-005144-007-2022

Valid until October 16, 2025

PTR No. 10072409

Issued January 2, 2024, Makati City

March 20, 2024

Makati City, Metro Manila

**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)**

**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	₱1,865,160,075	₱1,781,338,481
Short-term investments	5	–	750,500,000
Trade and other receivables	6	414,373,764	288,334,258
Advance payments to suppliers	6	346,489,490	444,186,683
Merchandise inventories	7	15,776,748,743	13,242,857,275
Other current assets	8	1,346,213,721	877,586,353
Total Current Assets		19,748,985,793	17,384,803,050
<b>Noncurrent Assets</b>			
Property and equipment	9	10,484,232,829	9,412,353,119
Right-of-use (ROU) assets	10	8,478,487,577	7,904,738,891
Net deferred tax assets	17	583,196,473	496,858,291
Other noncurrent assets	11	486,190,658	444,247,853
Total Noncurrent Assets		20,032,107,537	18,258,198,154
		<b>₱39,781,093,330</b>	<b>₱35,643,001,204</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	₱7,088,218,136	₱5,763,028,529
Income tax payable		239,858,443	281,544,342
Current portion of lease liabilities	10	1,768,920,622	1,614,033,349
Total Current Liabilities		9,096,997,201	7,658,606,220
<b>Noncurrent Liabilities</b>			
Lease liabilities - net of current portion	10	8,117,298,123	7,358,989,633
Net retirement liability	13	57,315,132	82,220,153
Total Noncurrent Liabilities		8,174,613,255	7,441,209,786
Total Liabilities		17,271,610,456	15,099,816,006
<b>Equity</b>			
Capital stock	14	4,099,724,116	4,099,724,116
Additional paid-in capital	14	5,373,738,427	5,373,738,427
Other comprehensive income		177,178,885	177,178,885
Retained earnings		12,858,841,446	10,892,543,770
Total Equity		22,509,482,874	20,543,185,198
		<b>₱39,781,093,330</b>	<b>₱35,643,001,204</b>

See accompanying Notes to Financial Statements.

**WILCON DEPOT, INC.**  
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**STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31		
		2023	2022	2021
<b>NET SALES</b>		<b>₱34,603,965,512</b>	₱33,570,825,431	₱27,513,328,310
<b>COST OF SALES</b>	7	<b>(20,910,043,722)</b>	(20,444,826,936)	(17,237,597,985)
<b>GROSS INCOME</b>		<b>13,693,921,790</b>	13,125,998,495	10,275,730,325
<b>OPERATING EXPENSES</b>	15	<b>(8,940,010,592)</b>	(7,879,337,131)	(6,731,570,788)
<b>INTEREST EXPENSE</b>	10	<b>(640,615,340)</b>	(544,466,762)	(470,071,898)
<b>OTHER INCOME - Net</b>	16	<b>526,170,313</b>	423,204,299	350,781,754
<b>INCOME BEFORE INCOME TAX</b>		<b>4,639,466,171</b>	5,125,398,901	3,424,869,393
<b>INCOME TAX EXPENSE (BENEFIT)</b>	17			
Current		1,242,608,754	1,425,076,387	856,849,114
Deferred		(86,338,182)	(147,992,787)	6,540,072
		<b>1,156,270,572</b>	1,277,083,600	863,389,186
<b>NET INCOME</b>		<b>3,483,195,599</b>	3,848,315,301	2,561,480,207
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Item not to be reclassified to profit or loss -</i>				
Remeasurement gain on retirement liability, net of deferred income tax	13	-	77,407,915	99,197,428
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱3,483,195,599</b>	₱3,925,723,216	₱2,660,677,635
<b>BASIC AND DILUTED EARNINGS PER SHARE</b>	20	<b>₱0.85</b>	₱0.94	₱0.62

*See accompanying Notes to Financial Statements.*

**WILCON DEPOT, INC.**  
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**STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31		
		2023	2022	2021
<b>CAPITAL STOCK</b>	14	<b>₱4,099,724,116</b>	₱4,099,724,116	₱4,099,724,116
<b>ADDITIONAL PAID-IN CAPITAL</b>		<b>5,373,738,427</b>	5,373,738,427	5,373,738,427
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Cumulative Remeasurement Gains on Retirement Liability</b>				
	13			
Balance at beginning of year		177,178,885	99,770,970	573,542
Remeasurement gain, net of deferred income tax		–	77,407,915	99,156,461
Effect of change in income tax rate		–	–	40,967
Balance at end of year		<b>177,178,885</b>	177,178,885	99,770,970
<b>RETAINED EARNINGS</b>				
<b>Unappropriated</b>				
Balance at beginning of year		10,892,543,770	7,905,170,532	5,835,657,219
Net income		3,483,195,599	3,848,315,301	2,561,480,207
Appropriation	14	(2,100,000,000)	–	–
Cash dividends	14	(1,516,897,923)	(860,942,063)	(491,966,894)
Balance at end of year		<b>10,758,841,446</b>	10,892,543,770	7,905,170,532
<b>Appropriated</b>				
Balance at beginning of year		–	–	–
Appropriation	14	2,100,000,000	–	–
Balance at end of year		<b>2,100,000,000</b>	–	–
		<b>12,858,841,446</b>	10,892,543,770	7,905,170,532
		<b>₱22,509,482,874</b>	₱20,543,185,198	₱17,478,404,045

*See accompanying Notes to Financial Statements.*



**WILCON DEPOT, INC.**  
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**STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2023	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P4,639,466,171	P5,125,398,901	P3,424,869,393
Adjustments for:				
Depreciation and amortization	9	2,755,497,757	2,501,306,848	2,146,944,463
Interest expense	10	640,615,340	544,466,762	470,071,898
Provision for (reversal of):				
Allowance for expected credit loss on receivables	6	(5,356,444)	7,575,016	(8,125,620)
Inventory write-down and losses	7	-	135,877,579	28,813,123
Retirement benefits	13	29,764,566	41,001,348	55,838,714
Interest income	4	(14,383,915)	(17,064,479)	(28,862,925)
Gain on sale of property and equipment		(832,862)	(163,081)	(217,204)
Rent concession	10	-	-	(1,863,170)
Operating income before working capital changes		8,044,770,613	8,338,398,894	6,087,468,672
Decrease (increase) in:				
Advance payments to suppliers		97,697,193	1,446,903,328	(1,790,003,793)
Merchandise inventories		(2,533,891,468)	(1,502,772,236)	(3,212,648,126)
Trade and other receivables		(125,401,370)	(123,277,718)	153,295,410
Other current assets		(532,071,635)	(19,671,244)	(305,802,765)
Increase (decrease) in trade and other payables		1,325,189,607	(1,497,087,779)	1,681,838,440
Net cash generated from operations		6,276,292,940	6,642,493,245	2,614,147,838
Income tax paid		(1,229,363,917)	(1,310,022,133)	(795,069,130)
Contributions to retirement plan	13	(54,669,587)	(54,669,586)	(61,089,848)
Interest received from cash in banks		879,528	959,717	976,038
Retirement benefits paid	13	-	(854,264)	-
Net cash provided by operating activities		4,993,138,964	5,277,906,979	1,758,964,898
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Additions to:				
Property and equipment	9	(2,317,576,471)	(2,597,219,026)	(2,115,836,969)
Computer software	11	(41,505,989)	(51,086,164)	(44,739,501)
Decrease (increase) in:				
Short-term investments	5	750,500,000	48,969,125	1,956,500,642
Advances to contractors	11	(25,263,968)	(7,768,738)	5,627,520
Other noncurrent assets	11	(12,862,674)	(6,196,950)	(1,249,515)
Interest received from investments		18,406,986	9,799,662	31,502,959
Net proceeds from disposal of property and equipment		1,157,137	3,809,580	549,960
Net cash used in investing activities		(1,627,144,979)	(2,599,692,511)	(167,644,904)

(Forward)



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		Years Ended December 31		
	Note	2023	2022	2021
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Lease liabilities	10	(P1,765,274,468)	(P1,578,724,489)	(P1,411,435,484)
Cash dividends	14	(1,516,897,923)	(860,942,063)	(491,966,894)
Long-term debt before interest		-	-	(20,000)
Interest on long-term debt	10	-	-	(462)
Cash used in financing activities		(3,282,172,391)	(2,439,666,552)	(1,903,422,840)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		83,821,594	238,547,916	(312,102,846)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		1,781,338,481	1,542,790,565	1,854,893,411
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	4	P1,865,160,075	P1,781,338,481	P1,542,790,565

See accompanying Notes to Financial Statements.

**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)**

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**NOTES TO FINANCIAL STATEMENTS**  
**AS AT DECEMBER 31, 2023 AND 2022 AND**  
**FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 and 2021**

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**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 14).

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

The financial statements of the Company as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were approved and authorized for issue by the Board of Directors (BOD) on March 20, 2024 as reviewed and recommended for approval by the Audit Committee on the same date.

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**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.

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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 5, *Short-term Investments*
- Note 13, *Retirement Plan*
- Note 22, *Fair Value of Financial Instruments*



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#### **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 amendments to PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

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#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2023 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.

#### **Financial Instruments**

##### **Financial Assets at Amortized Cost**

A financial asset should be measured at amortized cost if both of the following conditions are met:

- the financial asset is held with a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

As at December 31, 2023 and 2022, the cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to officers and employees), container deposits (presented as part of "Other current assets"), security and electricity deposits and refundable cash bonds (presented as part of "Other noncurrent assets") are included under this category.

Cash and cash equivalents include cash on hand, cash in banks and 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.



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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 December 31, 2023 and 2022, the trade and other payables (excluding statutory payables and unearned revenue) and lease liabilities are included in this category.

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*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 statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **Merchandise Inventories**

Merchandise inventories are valued at the lower of cost and net realizable value (NRV). Cost, which includes all costs directly attributable to acquisition such as purchase price and freight-in, is determined using the moving average method. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to complete the sale.

When inventories are sold, the carrying amount of those inventories is recognized to profit or loss in the year when the related revenue is recognized.

When the NRV of inventories is lower than the cost, a write-down is charged to cost of sales at the year in which it occurred. The amount due to any reversals of write-down of inventories arising from an increase in net realizable value is recognized as reduction in the amount of inventories recognized as 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.



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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.

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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 represent 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.



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#### **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 statements 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 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.

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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 statements 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, upon 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.

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*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 present value of the defined benefit obligation less 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.



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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.



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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.

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### **Contingencies**

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

### **Events after the Reporting Date**

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

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## **3. Significant Accounting Judgments, Estimates and Assumptions**

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

### **Judgments**

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

*Determining 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.



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*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, and 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, and retail and office units 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.

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The details of the interest expense on lease liabilities, and amortization on ROU assets are disclosed in Note 10 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 10 to the financial statements.

The carrying amount of ROU assets and lease liabilities are disclosed in Note 10 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 10 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 6 to the financial statements.

Based on management assessment, the allowance for ECL of trade and other receivables as at December 31, 2023 and 2022 is adequate to cover for possible losses.

The carrying amount of trade and other receivables and allowance for ECL are disclosed in Note 6 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 in 2023, 2022 and 2021.

The carrying amounts of other financial assets are disclosed in Notes 4, 5, 8 and 11 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 11).



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*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 7 to the financial statements.

The details of the allowance for inventory write-down and losses is disclosed in Note 7 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 December 31, 2023 and 2022, there are no changes 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 9 and 11 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 in 2023, 2022 and 2021.

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The carrying amount of nonfinancial assets assessed for possible impairment are disclosed in Notes 6, 8, 9, 10 and 11 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 13 to the financial statements and include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions are accumulated and recognized in other comprehensive income, therefore, generally affect the recognized expense and recorded obligation in such future periods.

The details of the Company's retirement expense and net retirement liability are disclosed in Note 13 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 17 to the financial statements.

#### 4. Cash and Cash Equivalents

Details of this account are as follows:

	2023	2022
Cash on hand	P15,366,295	P11,258,361
Cash in banks	1,099,793,780	1,770,080,120
Cash equivalents	750,000,000	-
	<b>P1,865,160,075</b>	<b>P1,781,338,481</b>

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

Details of interest income are as follows:

	Note	2023	2022	2021
Short-term investments	5	P11,659,387	P10,493,237	P24,283,686
Cash and cash equivalents		2,724,528	6,571,242	4,579,239
	16	<b>P14,383,915</b>	<b>P17,064,479</b>	<b>P28,862,925</b>

#### 5. Short-term Investments

Short-term investments amounting to nil and P750.5 million as at December 31, 2023 and 2022, respectively, represent money market placements, which bear interest from 2.9% to 5.6% per annum.

Interest income from these investments amounted to P11.7 million, P10.5 million and P24.3 million in 2023, 2022 and 2021, respectively (see Note 4).

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

Details of this trade and other receivables are as follows:

	Note	2023	2022
Trade:			
Third parties		<b>₱323,732,764</b>	₱224,384,462
Related parties	19	<b>5,705,937</b>	1,120,250
Suppliers support and other fees		<b>76,487,034</b>	90,480,124
Advances to officers and employees		<b>47,395,705</b>	19,700,316
Rent receivables	10	<b>7,481,125</b>	4,549,029
Delivery fees and other customer charges		<b>4,266,180</b>	2,502,544
Accrued interest		<b>1,600,000</b>	6,502,599
Others		<b>6,405,541</b>	3,151,900
		<b>473,074,286</b>	352,391,224
Allowance for ECL		<b>(58,700,522)</b>	(64,056,966)
		<b>₱414,373,764</b>	₱288,334,258

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, cash equivalents and short-term investments.

Others mainly pertain to income from incidental services rendered, including income from related parties amounting to ₱0.9 million and ₱0.1 million in 2023 and 2022, respectively (see Note 19).

Movements of allowance for ECL on receivables are as follows:

	2023	2022	2021
Balance at beginning of year	<b>₱64,056,966</b>	₱56,481,950	₱64,607,570
Provision (reversal):	<b>(5,356,444)</b>	7,575,016	(8,125,620)
Balance at end of year	<b>₱58,700,522</b>	₱64,056,966	₱56,481,950

Based on management assessment, the allowance for ECL on receivables as at December 31, 2023 and 2022 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 ₱346.5 million and ₱444.2 million as at December 31, 2023 and 2022, respectively. Corresponding goods will be substantially delivered on the first quarter of the following year.



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## 7. Merchandise Inventories

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

	2023	2022
At cost	P15,703,084,573	P13,206,312,899
At NRV	73,664,170	36,544,376
	<b>P15,776,748,743</b>	<b>P13,242,857,275</b>

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 P269.5 million and P298.7 million as at December 31, 2023 and 2022, respectively.

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

	2023	2022	2021
Balance at beginning of year	P262,179,853	P126,302,274	P97,489,151
Provision	-	135,877,579	28,813,123
Write off	(66,375,077)	-	-
Balance at end of year	<b>P195,804,776</b>	<b>P262,179,853</b>	<b>P126,302,274</b>

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

Inventories charged to cost of sales amounted to P20,910.0 million, P20,444.8 million and P17,237.6 million in 2023, 2022 and 2021, respectively, including any reversal of allowance and provision for inventory write-down and losses.



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**8. Other Current Assets**

Details of this account are as follows:

	2023	2022
Materials and supplies	₱715,184,002	₱384,617,925
Current deferred input VAT	374,150,345	291,385,266
Input VAT	144,096,648	67,126,932
Prepaid expenses	100,729,473	121,595,616
Container deposits	12,053,253	12,860,614
	<b>₱1,346,213,721</b>	<b>₱877,586,353</b>

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 short-term leases with related parties amounting to ₱2.3 million and ₱16.5 million as at December 31, 2023 and 2022, respectively (see Note 19).

Container deposits pertain to monetary deposits for containers used for imported goods. Container deposits will be refunded upon return of the empty containers to the shipping companies.

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## 9. Property and Equipment

Details and movements of this account are as follows:

	2023					Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	
<b>Cost</b>						
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
<b>Accumulated Depreciation and Amortization</b>						
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
<b>Carrying Amounts</b>	<b>₱7,705,171,477</b>	<b>₱1,223,144,601</b>	<b>₱441,122,077</b>	<b>₱14,203,630</b>	<b>₱1,100,591,044</b>	<b>₱10,484,232,829</b>
	2022					Total
	Buildings and Improvements	Furniture and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
<b>Cost</b>						
Balances at beginning of year	₱6,570,512,037	₱1,659,656,813	₱1,287,149,018	₱46,586,339	₱723,657,732	₱10,287,561,939
Additions	–	661,500,086	–	4,718,168	1,931,000,772	2,597,219,026
Reclassifications	1,887,673,228	–	168,678,076	–	(2,056,351,304)	–
Disposal	–	(48,932)	–	(5,358,130)	–	(5,407,062)
Balances at end of year	8,458,185,265	2,321,107,967	1,455,827,094	45,946,377	598,307,200	12,879,373,903
<b>Accumulated Depreciation and Amortization</b>						
Balances at beginning of year	826,025,963	906,709,947	579,935,500	32,584,632	–	2,345,256,042
Depreciation and amortization	475,835,189	310,588,886	331,173,787	5,927,442	–	1,123,525,304
Disposal	–	(24,464)	–	(1,736,098)	–	(1,760,562)
Balances at end of year	1,301,861,152	1,217,274,369	911,109,287	36,775,976	–	3,467,020,784
<b>Carrying Amounts</b>	<b>₱7,156,324,113</b>	<b>₱1,103,833,598</b>	<b>₱544,717,807</b>	<b>₱9,170,401</b>	<b>₱598,307,200</b>	<b>₱9,412,353,119</b>

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Construction in progress pertains to costs incurred for constructing new stores in various strategic locations within the Philippines and are expected to be completed in 2024.

As at December 31, 2023 and 2022, the amount of contractual commitment related to the construction in progress amounted to ₱680.6 million and ₱443.8 million, respectively.

Depreciation and amortization are summarized below:

	Note	2023	2022	2021
ROU assets	10	<b>₱1,472,619,736</b>	₱1,353,158,514	₱1,203,777,100
Property and equipment		<b>1,245,188,193</b>	1,123,525,304	930,549,320
Computer software	11	<b>37,689,828</b>	24,623,030	12,618,043
	15	<b>₱2,755,497,757</b>	₱2,501,306,848	₱2,146,944,463

The acquisition costs of fully depreciated assets still in use amounted to ₱1,488.5 million, ₱988.8 million and ₱376.0 million in 2023, 2022, and 2021, respectively.

#### 10. Lease Commitments

##### *The Company as a Lessee*

The Company has various lease agreements with related parties and third parties for the use of land, buildings, retail and office units, transportation equipment and computer software for a period of one to 15 years. The leases are renewable upon mutual agreement by both parties to be covered by a separate and new lease agreement upon renewal. The annual rent of most contracts of lease is subject to escalation of 5.00%.

Security deposits amounted to ₱183.4 million and ₱167.6 million as at December 31, 2023 and 2022, respectively (see Note 11).

Amounts recognized in profit and loss:

	Note	2023	2022	2021
Amortization on ROU assets	9	<b>₱1,472,619,736</b>	₱1,353,158,514	₱1,203,777,100
Interest on lease liabilities		<b>640,615,340</b>	544,466,762	470,071,458
Rent expense	15	<b>172,370,620</b>	105,193,272	147,069,899
Rent concession	16	–	–	(1,863,170)
		<b>₱2,285,605,696</b>	₱2,002,818,548	₱1,819,055,287

Rent expense in 2023, 2022 and 2021 pertains to variable lease payments on leased properties from related parties, and short-term leases.

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Movements in the ROU assets are presented below:

		2023				2022			
	Note	Land	Land and Buildings	Buildings	Retail and Office Units	Total			Total
<b>Cost</b>									
Balances 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			
Balances as at end of year		8,358,523,609	5,046,934,778	625,000,564	281,342,625	14,311,801,576			
<b>Amortization</b>									
Balances at beginning of year		1,377,489,039	2,495,410,122	346,157,870	141,637,232	4,360,694,263			
Amortization	9	563,466,191	765,478,948	105,186,757	38,487,840	1,472,619,736			
Balances as at end of year		1,940,955,230	3,260,889,070	451,344,627	180,125,072	5,833,313,999			
<b>Carrying Amounts</b>		<b>₱6,417,568,379</b>	<b>₱1,786,045,708</b>	<b>₱173,655,937</b>	<b>₱101,217,553</b>	<b>₱8,478,487,577</b>			
<b>Cost</b>									
Balances at beginning of year		₱6,033,141,813	₱2,878,166,558	₱361,379,636	₱162,704,797	₱9,435,392,804			
Additions		1,168,343,236	1,451,587,748	208,347,051	1,762,315	2,830,040,350			
Balances as at end of year		7,201,485,049	4,329,754,306	569,726,687	164,467,112	12,265,433,154			
<b>Amortization</b>									
Balances at beginning of year		909,861,974	1,742,582,802	246,749,619	108,341,354	3,007,535,749			
Amortization	9	467,627,065	752,827,320	99,408,251	33,295,878	1,353,158,514			
Balances as at end of year		1,377,489,039	2,495,410,122	346,157,870	141,637,232	4,360,694,263			
<b>Carrying Amounts</b>		<b>₱5,823,996,010</b>	<b>₱1,834,344,184</b>	<b>₱223,568,817</b>	<b>₱22,829,880</b>	<b>₱7,904,738,891</b>			



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The noncash transactions related to ROU assets amounted to ₱2,046.4 million, ₱2,830.0 million and ₱1,351.5 million in 2023, 2022 and 2021, respectively.

Movements in the lease liabilities are presented below:

	2023	2022
Balance at beginning of year	₱8,973,022,982	₱7,180,988,167
Additions	1,986,732,246	2,744,928,754
Payments	(1,714,151,823)	(1,497,360,701)
Interest expense	640,615,340	544,466,762
Balance at end of year	9,886,218,745	8,973,022,982
Current portion	1,768,920,622	1,614,033,349
Noncurrent portion	₱8,117,298,123	₱7,358,989,633

As at December 31, 2023 and 2022, the future minimum lease payments are as follows:

	2023	2022
Less than one (1) year	₱1,920,545,588	₱1,428,828,377
Between one (1) and five (5) years	4,607,812,958	4,306,158,541
More than five (5) years	7,890,192,805	7,193,942,407
	₱14,418,551,351	₱12,928,929,325

Details of interest expense follows:

	2023	2022	2021
Lease liabilities	₱640,615,340	₱544,466,762	₱470,071,458
Long-term debt	-	-	440
	₱640,615,340	₱544,466,762	₱470,071,898

Advance rentals paid for new leases amounted to ₱51.1 million and ₱81.3 million in 2023 and 2022, 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 ₱74.9 million, ₱61.1 million and ₱61.0 million in 2023, 2022 and 2021, respectively (see Note 16). Rent receivables amounted to ₱7.5 million and ₱4.5 million as at December 31, 2023 and 2022, respectively (see Note 6).

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**Cash Flows from Financing Activities**

The reconciliation of movements of liabilities arising from financing activities is presented below:

	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

	2021	Noncash	Cash Payments	2022
Lease liabilities	₱7,180,988,167	₱3,289,395,516	(₱1,497,360,701)	₱8,973,022,982
Advance rental for new leases	-	81,363,788	(81,363,788)	-
Cash dividends	-	860,942,063	(860,942,063)	-
	₱7,180,988,167	₱4,231,701,367	(₱2,439,666,552)	₱8,973,022,982

	2020	Noncash	Cash Payments	2021
Lease liabilities	₱6,786,892,546	₱1,805,531,105	(₱1,411,435,484)	₱7,180,988,167
Cash dividends	-	491,966,894	(491,966,894)	-
Interest on long-term debt	-	462	(462)	-
	₱6,786,892,546	₱2,297,498,461	(₱1,903,402,840)	₱7,180,988,167

**11. Other Noncurrent Assets**

Details of this account are as follows:

	Note	2023	2022
Security deposits	10	₱183,389,469	₱167,595,254
Computer software		176,338,963	172,522,802
Electricity deposits		78,720,920	70,672,239
Advances to contractors		40,113,711	14,849,743
Noncurrent deferred input VAT		7,627,595	18,607,815
		₱486,190,658	₱444,247,853

Security deposits include deposits to related parties amounting to ₱137.7 million and ₱126.2 million in 2023 and 2022, respectively (see Note 19).

Movements of computer software are as follows:

	Note	2023	2022
<b>Cost</b>			
Balance at beginning of year		₱236,634,232	₱185,548,068
Additions		41,505,989	51,086,164
Balance at end of year		278,140,221	236,634,232
<b>Accumulated Amortization</b>			
Balance at beginning of year		64,111,430	39,488,400
Amortization	9	37,689,828	24,623,030
Balance at end of year		101,801,258	64,111,430
<b>Carrying Amount</b>		₱176,338,963	₱172,522,802

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

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

The Company has refundable cash bonds amounting to ₱83.4 million. These refer to payments made to the Bureau of Customs (BOC) for the release of imported goods purchased by the Parent Company with no established and published values covering importations as required in Republic Act No. 8181, *Transaction Value Act*. The amount of cash bonds to be paid by the Parent Company is determined by the BOC. The amount is refundable once the correct dutiable value or values for the importation have been established. As at December 31, 2023 and 2022, the refund of cash bonds is still pending with the BOC. Accordingly, this has been fully provided with allowance since 2016.

## 12. Trade and Other Payables

Details of this account are as follows:

	Note	2023	2022
Trade:			
Third parties		₱5,042,448,068	₱4,264,512,317
Related parties	19	11,305	3,032
Nontrade:			
Third parties		635,175,911	397,991,835
Related parties	19	475,434,869	361,020
Advances from customers		377,915,631	421,919,790
Accrued expenses:			
Salaries and wages		141,005,253	222,490,187
Construction costs		120,684,045	149,797,496
Utilities		64,765,642	44,639,908
Outside services		21,987,930	34,644,204
Others		9,695,320	58,019,236
Statutory payables		104,050,728	89,963,840
Unearned revenue		95,043,434	78,685,664
		<b>₱7,088,218,136</b>	<b>₱5,763,028,529</b>

Trade payables and accrued expenses are generally settled in varying periods depending on arrangement with suppliers, normally within 30 to 90 days.

Nontrade payables pertain to unpaid advertising and promotions, rent, utilities, construction and transportation and travel, which are payable in the succeeding month.

Advances from customers pertain to payments and deposits made by the customers, which are to be applied against future purchases. This includes advances from related parties amounting to ₱0.5 million and ₱0.7 million as at December 31, 2023 and 2022, 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.

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### 13. Retirement Plan

The Company is a participant of the Wilcon Depot Multiemployer Retirement Plan together with the Parent Company. 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 December 31, 2023 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:

	2023	2022	2021
Current service cost	<b>₱23,680,274</b>	₱30,503,804	₱43,665,337
Interest expense	<b>27,995,595</b>	23,463,071	20,388,796
Interest income	<b>(21,911,303)</b>	(12,965,527)	(8,215,419)
	<b>₱29,764,566</b>	₱41,001,348	₱55,838,714

The cumulative remeasurement gains recognized in other comprehensive income follows:

	2023		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 17)	Net
Balance at beginning and end of year	<b>₱236,238,514</b>	<b>₱59,059,629</b>	<b>₱177,178,885</b>
	2022		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 17)	Net
Balance at beginning of year	₱133,027,960	₱33,256,990	₱99,770,970
Remeasurement gain	103,210,554	25,802,639	77,407,915
Balance at end of year	<b>₱236,238,514</b>	<b>₱59,059,629</b>	<b>₱177,178,885</b>
	2021		
	Cumulative Remeasurement Gains	Deferred Tax (see Note 17)	Net
Balance at beginning of year	₱819,347	₱245,805	₱573,542
Remeasurement gain	132,208,613	33,052,152	99,156,461
Effect of change in income tax rate	–	(40,967)	40,967
Balance at end of year	<b>₱133,027,960</b>	<b>₱33,256,990</b>	<b>₱99,770,970</b>



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

	2023	2022
Present value of defined benefit obligation	P421,257,446	P378,318,846
Fair value of plan assets	(363,942,314)	(296,098,693)
	<b>P57,315,132</b>	<b>P82,220,153</b>

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 at December 31, 2022.

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

	2023	2022
Balance at beginning of year	P378,318,846	P446,915,632
Interest expense	27,995,595	23,463,071
Current service cost	23,680,274	30,503,804
Benefits paid from plan assets	(8,737,269)	(7,393,976)
Remeasurement loss (gain):		
Changes in financial assumptions	-	(118,041,467)
Experience	-	3,726,046
Benefits shouldered by the Company	-	(854,264)
Balance at end of year	<b>P421,257,446</b>	<b>P378,318,846</b>

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

	2023	2022
Balance at beginning of year	P296,098,693	P246,962,423
Contributions to retirement plan	54,669,587	54,669,586
Interest income	21,911,303	12,965,527
Benefits paid from plan assets	(8,737,269)	(7,393,976)
Contributions for benefits shouldered by the Company	-	854,264
Remeasurement loss	-	(11,104,867)
Benefits shouldered by the Company	-	(854,264)
Balance at end of year	<b>P363,942,314</b>	<b>P296,098,693</b>

Details of plan assets are as follows:

	2023	2022
Cash and cash equivalents	0.96%	4.63%
Time deposits	11.07%	-
Debt instruments	62.01%	56.07%
Equity instruments	11.94%	15.43%
Loans	-	0.08%
Mutual funds	-	0.27%
Unit investment trust funds	-	10.37%
Others	14.02%	13.15%
	<b>100.00%</b>	<b>100.00%</b>

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

	2023	2022
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	(P41,031,511)
	-100	49,098,669
Salary rate	+100	47,766,735
	-100	(40,544,472)

As at December 31, 2023 and 2022, the expected future benefits payments are as follows:

Year	Amount
1 year	P69,931,439
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
	<b>P222,762,788</b>

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

#### 14. Equity

Details of capital stock as at December 31, 2023 and 2022 are as follows:

	Number of Shares	Amount
Authorized - at P1 a share	5,000,000,000	P5,000,000,000
Issued and outstanding	4,099,724,116	P4,099,724,116

On March 31, 2017, the 1,393,906,200 common shares of the Company were listed in the PSE at an offer price of P5.05 a share. Net proceeds from the IPO amounted to P6,749.3 million, net of offer expenses of P289.9 million (see Note 1). Net additional paid-in capital amounted to P5,373.7 million.

As at December 31, 2023 and 2022, 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 P2,100.0 million for the construction of new stores and warehouses until December 31, 2024.

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Cash Dividends

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

Date of Declaration	Date of Record	Date of Payment	Dividend per share	Total Cash dividends
<b>March 20, 2024</b>	<b>April 18, 2024</b>	<b>May 8, 2024</b>	<b>₱0.26</b>	<b>₱1,065,928,270</b>
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

**15. Operating Expenses**

Details of this account are as follows:

	Note	2023	2022	2021
Depreciation and amortization	9	<b>₱2,755,497,757</b>	₱2,501,306,848	₱2,146,944,463
Salaries, wages and employee benefits		<b>1,531,047,694</b>	1,437,492,005	1,369,296,922
Outsourced services		<b>1,357,735,672</b>	1,143,809,409	963,813,732
Trucking services		<b>921,522,563</b>	722,365,203	586,566,083
Utilities		<b>780,352,282</b>	721,264,514	535,291,426
Taxes and licenses		<b>417,906,619</b>	355,499,765	298,352,320
Credit card charges		<b>274,012,209</b>	259,127,136	209,014,407
Repairs and maintenance		<b>202,450,173</b>	136,818,118	136,823,558
Rent	10	<b>172,370,620</b>	105,193,272	147,069,899
Supplies		<b>155,829,865</b>	134,895,150	111,162,284
Advertising and promotions		<b>111,142,725</b>	139,441,898	70,685,508
Fuel and oil		<b>55,957,391</b>	56,340,175	36,418,745
Sponsorships and events		<b>44,087,506</b>	33,529,213	12,809,231
Transportation and travel		<b>37,358,084</b>	25,538,799	12,840,557
Communications and postage		<b>35,784,846</b>	48,670,603	37,675,591
Insurance		<b>30,871,738</b>	18,946,762	17,163,948
Professional fees		<b>17,601,857</b>	13,539,422	15,395,075
Donations and contributions		<b>12,733,837</b>	6,204,661	20,550,474
Others		<b>25,747,154</b>	19,354,178	3,696,565
		<b>₱8,940,010,592</b>	₱7,879,337,131	₱6,731,570,788

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

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## 16. Other Income

Details of this account are as follows:

	Note	2023	2022	2021
Supplier support and other fees		<b>₱328,637,116</b>	₱244,407,469	₱186,791,110
Delivery fees and other customer charges		<b>108,199,677</b>	100,604,487	72,249,769
Rent income	10	<b>74,949,605</b>	61,127,864	61,014,780
Interest income	4	<b>14,383,915</b>	17,064,479	28,862,925
Rent concession	10	–	–	1,863,170
		<b>₱526,170,313</b>	₱423,204,299	₱350,781,754

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.

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

## 17. Income Tax

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the regular corporate income tax (RCIT) rate from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the minimum corporate income tax rate (MCIT) was changed from 2% to 1% of gross income for a period of three years starting July 1, 2020.

The current income tax expense represents RCIT. The income tax rate used in 2023, 2022, and 2021 is 25%.

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

	2023	2022	2021
Income tax expense at statutory rate	<b>₱1,159,866,550</b>	₱1,281,349,720	₱856,217,348
Income tax effects of interest income already subjected to final tax	<b>(3,595,978)</b>	(4,266,120)	(7,215,731)
Adjustment due to change in tax rate	–	–	14,387,569
	<b>₱1,156,270,572</b>	₱1,277,083,600	₱863,389,186



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The effect of the reduction of income tax rates in 2020 as a result of CREATE Act was recognized in 2021. Details are as follows:

	Amount
Current income tax expense in 2021	₱911,539,079
Effect of change in income tax rate	(54,689,965)
Current income tax expense as presented in the statements of comprehensive income	₱856,849,114

In addition, net deferred tax assets as at December 31, 2021 were reduced by ₱69.1 million as a result of the change in income tax rate.

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

	2023	2022
Deferred tax assets:		
Effects of PFRS 16	₱449,719,762	₱347,463,187
Allowance for inventory write-down and losses	48,951,195	65,544,964
Retirement liability	28,155,621	30,050,933
Allowance for impairment of refundable cash bonds	20,852,482	20,852,483
Unearned revenue from loyalty program	20,847,587	16,799,516
Allowance for ECL on receivables	14,675,130	16,014,242
Unrealized foreign exchange loss	7,887	132,966
Deferred tax liability:		
Unrealized foreign exchange gain	(13,191)	-
	₱583,196,473	₱496,858,291

Deferred income expense (benefit) is recognized as follows:

	Note	2023	2022	2021
Through profit or loss		₱642,256,102	₱555,917,920	₱407,925,133
Through other comprehensive income	13	(59,059,629)	(59,059,629)	(33,256,990)
		₱583,196,473	₱496,858,291	₱374,668,143

## 18. Commitments and Contingencies

### Agreements with Importing Suppliers

Purchases from certain importing suppliers are subject to rebates based on an agreed percentage of sales from goods purchased.

### Contingencies

The Company is a party to certain lawsuits or claims in the normal course of business. The Company and its legal counsel believe that any eventual liabilities under these lawsuits or claims will not have a material effect on the financial statements.

Accordingly, no provision for probable losses arising from legal contingencies was recognized in the financial statements in 2023, 2022, and 2021.

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## 19. Related Party Transactions and Balances

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

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

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

Related Party	Year	Revenue from Related Parties	Purchases of Inventories and Leases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties
Parent Company	2023	<b>₱2,720,983</b>	<b>₱894,128,544</b>	<b>₱255,595,707</b>	<b>₱199,537,294</b>
	2022	2,611,519	792,577,989	243,371,343	–
	2021	3,633,102	708,602,166	225,383,666	–
Entities under Common Control	2023	<b>20,651,290</b>	<b>1,001,166,193</b>	<b>227,469,729</b>	<b>267,195,786</b>
	2022	6,838,400	825,003,450	197,293,426	1,040,654
	2021	228,540	1,037,144,897	192,195,070	10,904,283
Stockholders and Officers	2023	<b>1,585,765</b>	<b>36,447,837</b>	<b>11,341,775</b>	<b>9,233,120</b>
	2022	2,450,398	33,850,149	11,538,123	–
	2021	1,064,963	54,999,457	10,181,764	33,381
	2023	<b>₱24,958,038</b>	<b>₱1,931,742,574</b>	<b>₱494,407,211</b>	<b>₱475,966,200</b>
	2022	11,900,317	1,651,431,588	452,202,892	1,040,654
	2021	4,926,605	1,800,746,520	427,760,500	10,937,664

Amounts owed by related parties consist mainly of trade and other receivables amounting to ₱6.6 million and ₱1.2 million as at December 31, 2023 and 2022, respectively and security deposits and advance rent (included as part of Other current assets, Other noncurrent assets or ROU Assets) aggregating ₱487.8 million and ₱451.0 million as at December 31, 2023 and 2022, respectively (see Notes 6 and 10). No impairment loss was recognized on trade and other receivables and security deposits in 2023, 2022 and 2021.

Amounts owed to related parties consist of trade and other payables aggregating ₱476.0 million and ₱1.0 million as at December 31, 2023 and 2022, respectively (see Note 12).

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

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

Interest expense on lease liabilities to related parties amounted to ₱510.9 million, ₱412.0 million and ₱446.8 million in 2023, 2022 and 2021, respectively, while amortization of ROU assets amounted to ₱1,215.5 million, ₱1,104.4 million and ₱1,139.3 million in 2023, 2022 and 2021, respectively. Total lease payments, including payments on lease liabilities, amounted to ₱1,763.5 million, ₱1,464.0 million and ₱1,401.8 million in 2023, 2022 and 2021, respectively.

Rent expense from related parties amounted to ₱140.6 million, ₱78.8 million and ₱71.8 million in 2023, 2022 and 2021, respectively.

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- 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 ₱42,882, ₱43,038 and ₱86.3 million in 2023, 2022 and 2021, respectively.

Sale of goods and services to related parties aggregated ₱25.0 million, ₱11.9 million and ₱4.9 million in 2023, 2022 and 2021, respectively.

- c. Reimbursement of certain expenses mainly pertain to taxes, power and electricity, water, communications and postage. Reimbursement of certain expenses from related parties amounted to ₱64.7 million, ₱56.2 million and ₱56.5 million in 2023, 2022 and 2021, respectively.
- d. Certain loans of the Company are collateralized by the Parent Company's property and equipment and investment properties aggregating ₱564.0 million in 2021. These loans already matured as of August 2021 freeing the related collateral properties.

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

No guarantees have been provided or received for these balances. Impairment review is undertaken each financial year. No impairment loss on amounts owed by related parties was recognized in 2023, 2022 and 2021.

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

	2023	2022	2021
Short-term employee benefits	<b>₱211,446,801</b>	₱186,703,472	₱203,577,216
Retirement benefits	<b>5,312,480</b>	8,922,137	10,236,392
	<b>₱216,759,281</b>	₱195,625,609	₱213,813,608

## 20. Earnings per Share

Basic and diluted earnings per share were computed as follows:

	2023	2022	2021
Net income	<b>₱3,483,195,599</b>	₱3,848,315,301	₱2,561,480,207
Divided by the weighted average number of outstanding shares	<b>4,099,724,116</b>	4,099,724,116	4,099,724,116
	<b>₱0.85</b>	₱0.94	₱0.62



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## 21. Financial Risk Management Objectives and Policies

The Company's financial instruments consist of cash and cash equivalents, short-term investments, trade and other receivables (excluding advances to officers and employees), security, electricity and container deposits, refundable cash bonds, trade and other payables (excluding statutory payables and unearned revenue) and lease liabilities. The main purpose of these financial instruments is to fund the Company's operations.

The Company is exposed to a variety of financial risks which result from both its operating and investing activities. The Company's risk management is coordinated with the BOD, and focuses on actively securing the Company's short to medium-term cash flows by minimizing the exposure to financial market.

The main financial risks arising from the financial instruments are credit risk, liquidity risk and interest rate risk. The BOD regularly reviews and approves the appropriate policies for managing these financial risks, as summarized below.

*Credit Risk.* Credit risk is the risk that the Company will incur a loss when counterparties fail to discharge their contractual obligations. Receivables are monitored on an ongoing basis with the result that the Company's exposure to possible losses is not significant.

Maximum credit risk is equal to the gross amount of these instruments as follows:

	2023	2022
Cash in banks and cash equivalents	P1,849,793,780	P1,770,080,120
Short-term investments	-	750,500,000
Trade and other receivables*	425,678,581	332,690,908
Security deposits	183,389,469	167,595,254
Refundable cash bonds	83,409,934	83,409,934
Electricity deposits	78,720,920	70,672,239
Container deposits	12,053,253	12,860,614
	<b>P2,633,045,937</b>	<b>P3,187,809,069</b>

\*Excluding advances to officers and employees amounting to P47.4 million and P19.7 million as at December 31, 2023 and 2022, respectively.

The Company does not have major concentration of credit risk.

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

	2023				Total
	Neither Past Due Nor Impaired	Past Due but not Impaired			
		Less than One Year	One Year to Less Than Three Years	More Than Three Years	
Cash in banks and cash equivalents	P1,849,793,780	P-	P-	P-	P1,849,793,780
Trade and other receivables*	104,494,252	242,379,957	39,807,912	38,996,460	425,678,581
Security deposits	183,389,469	-	-	-	183,389,469
Refundable cash bonds	-	-	-	83,409,934	83,409,934
Electricity deposits	78,720,920	-	-	-	78,720,920
Container deposits	12,053,253	-	-	-	12,053,253
	<b>P2,228,451,674</b>	<b>P242,379,957</b>	<b>P39,807,912</b>	<b>P122,406,394</b>	<b>P2,633,045,937</b>

\*Excluding advances to officers and employees aggregating P47.4 million.



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

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

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

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

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

	2023				Total
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but Less than Five Years	
Trade and other payables*	₱-	₱5,151,883,820	₱1,395,517,346	₱341,722,808	₱6,889,123,974
Lease liabilities	-	471,044,563	1,449,501,024	4,435,469,916	6,356,015,503
	<b>₱-</b>	<b>₱5,622,928,383</b>	<b>₱2,845,018,370</b>	<b>₱4,777,192,724</b>	<b>₱13,245,139,477</b>

\*Excluding statutory payables and unearned revenue aggregating ₱199.1 million.

	2022				Total
	On Demand	Within Three Months	More than Three Months to One Year	More than One Year but Less than Five Years	
Trade and other payables*	₱-	₱5,065,529,620	₱442,976,482	₱85,872,923	₱5,594,379,025
Lease liabilities	-	405,273,526	1,140,401,840	4,189,311,552	5,734,986,918
	<b>₱-</b>	<b>₱5,470,803,146</b>	<b>₱1,583,378,322</b>	<b>₱4,275,184,475</b>	<b>₱11,329,365,943</b>

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

As at December 31, 2023 and 2022, the Company’s cash and cash equivalents and net operating cash flows that will be generated are sufficient to cover payments due on its financial liabilities and the cost of all firm orders due in the next financial year.

### 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:

	2023	2022
Total debt	<b>₱17,271,610,456</b>	₱15,099,816,006
Total equity	<b>22,509,482,874</b>	20,543,185,198
Debt-to-equity ratio	<b>0.77:1</b>	0.74:1

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

The Company has no externally imposed capital requirements.

## 22. Fair Value of Financial Instruments

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

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>₱1,865,160,075</b>	<b>₱1,865,160,075</b>	₱1,781,338,481	₱1,781,338,481
Short-term investments	–	–	750,500,000	750,500,000
Trade and other receivables*	<b>366,978,059</b>	<b>366,978,059</b>	268,633,943	268,633,943
Security deposits	<b>183,389,469</b>	<b>115,651,139</b>	167,595,254	116,385,244
Electricity deposits	<b>78,720,920</b>	<b>78,720,920</b>	70,672,239	70,672,239
Container deposits	<b>12,053,253</b>	<b>12,053,253</b>	12,860,614	12,860,614
	<b>₱2,506,301,776</b>	<b>₱2,438,563,446</b>	₱3,051,600,531	₱3,000,390,521
<b>Financial Liabilities</b>				
Trade and other payables**	<b>₱6,889,123,974</b>	<b>₱6,889,123,974</b>	₱5,594,379,025	₱5,594,379,025
Lease liabilities	<b>9,886,218,745</b>	<b>9,427,559,175</b>	8,973,022,982	8,273,098,040
	<b>₱16,775,342,719</b>	<b>₱16,316,683,149</b>	₱14,567,402,007	₱13,867,477,065

\*Excluding advances to officers and employees aggregating ₱47.4 million and ₱19.7 million as at December 31, 2023 and 2022, respectively.

\*\*Excluding statutory payables and unearned revenue aggregating ₱199.1 million and ₱168.6 million as at December 31, 2023 and, 2022, respectively.

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

*Cash and Cash Equivalents, Short-term Investments, Trade and Other Receivables, Container Deposits, Refundable Cash Bonds, and Trade and Other Payables.* The carrying amounts of cash and cash equivalents, short-term investments, trade and other receivables, container deposits, refundable cash bonds, and trade and other payables approximate their fair values primarily due to the relatively short-term maturity of these financial instruments. Container deposits are under Level 2 of the fair value measurements hierarchy for financial instruments.

*Security Deposits.* Fair values of security deposits are based on the present value of the expected future cash flows. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

*Electricity Deposits.* Management estimates that the carrying amount of the electricity deposits approximate their fair values. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

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

In 2023 and 2022, there were no transfers among Level 1, Level 2 and Level 3 fair value measurements.



BOA/PRC Accreditation No. 4782  
August 16, 2021, valid until April 13, 2024  
SEC Registration No. PP201007009

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8741 Paseo de Roxas  
Makati City 1226 Philippines  
Phone : +632 8 982 9100  
Fax : +632 8 982 9111  
Website : www.reyestacandong.com

## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULE

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

We have audited in accordance with Philippine Standards in Auditing, the financial statements of WILCON DEPOT, INC. Doing Business under the Name and Style of WILCON DEPOT, WILCON HOME ESSENTIALS, DO IT WILCON and BARGAIN CENTER BY: WILCON DEPOT (the Company) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, and have issued our report thereon dated March 20, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission (SEC) are the responsibility of the Company's management.

These supplementary schedules include the following:

- Schedule of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2023
- Schedule of Financial Soundness Indicators as at and for the years ended December 31, 2023 and 2022
- Schedules Required under Annex 68-J of the Revised Securities Regulation Code (SRC) Rule 68 as at and for the year ended December 31, 2023
- Corporate Structure as at December 31, 2023

The financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 and no material exceptions were noted.





**REYES TACANDONG & Co.**  
FIRM PRINCIPLES. WISE SOLUTIONS.

- 2 -

The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68 issued by the SEC, and are not part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**REYES TACANDONG & Co.**



CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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

BIR Accreditation No. 08-005144-007-2022

Valid until October 16, 2025

PTR No. 10072409

Issued January 2, 2024, Makati City

March 20, 2024

Makati City, Metro Manila



**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)**

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Amount</u>
Unappropriated retained earnings, beginning of reporting period	P10,892,543,770
Less: Dividend declaration during the reporting period	(1,516,897,923)
Appropriations of retained earnings during the reporting period	(2,100,000,000)
Unappropriated retained earnings, as adjusted	7,275,645,847
Add: Net income for the current year	3,483,195,599
Less: Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(583,196,473)
<b>Total retained earnings, end of the reporting period available for dividend</b>	<b>P10,175,644,973</b>

**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)**

Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68  
As at and For the Year Ended December 31, 2023

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

N/A - Not applicable

**SCHEDULE B**

**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)

**AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES**  
**AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)**

DECEMBER 31, 2023  
 Amounts in Thousands

Name and Designation of Debtor Advances to officers and employees	Balance at Beginning of Year	Additions	Amounts Collected		Amounts Written Off		Current	Non-current	Balance at End of Year
	P19,700	P122,200	(P94,504)	P-	P47,396	P-			P47,396

## SCHEDULE G

**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)**

**CAPITAL STOCK**  
**DECEMBER 31, 2023**

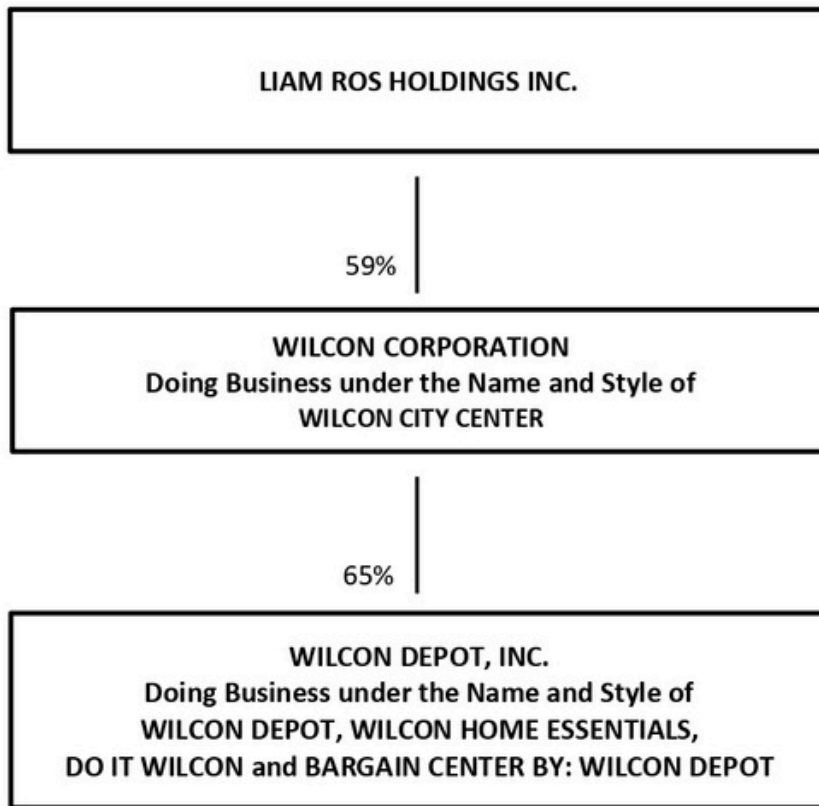
Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as shown under related Statement of Financial Position	Number of Shares Reserved for Options, Warrants, Conversion, and other Rights	Number of Shares held	
				by Related Parties	by Directors and Officers and Others
Common shares - at ₱1 par value	5,000,000,000	4,099,724,116	-	2,685,417,916	22,436,600
					1,391,869,600



**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)

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**CORPORATE STRUCTURE**  
AS AT DECEMBER 31, 2023



**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)**

**SUPPLEMENTARY SCHEDULE OF APPLICATION OF**  
**PROCEEDS FROM INITIAL PUBLIC OFFERING**  
**AS AT DECEMBER 31, 2023**

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

The actual offer expenses are less than the estimated amount. Accordingly, the Company allocated the proceeds amounting to ₱9.5 million to store network expansion based on the Prospectus.

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

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**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

Formula		2023	2022
<b>Liquidity ratio</b>			
Current ratio	Total Current Assets Divided by: Total Current Liabilities Current ratio	₱19,748,985,793 <u>9,096,997,201</u> <u>2.17</u>	2.17 : 1
Acid test ratio	Total Current Assets Less: Merchandise Inventories Other Current Assets Quick Assets Divided by: Total Current Liabilities Acid test ratio	₱19,748,985,793 15,776,748,743 <u>1,346,213,721</u> 2,626,023,329 <u>9,096,997,201</u> <u>0.29</u>	0.29 : 1
<b>Solvency ratio</b>			
Debt to equity ratio	Total Liabilities Divided by: Total Equity Debt to equity ratio	₱17,271,610,456 <u>22,509,482,874</u> <u>0.77</u>	0.77 : 1
Asset to equity ratio	Total Assets Divided by: Total Equity Asset to equity ratio	₱39,781,093,330 <u>22,509,482,874</u> <u>1.77</u>	1.77
<b>Profitability ratio</b>			
Return on assets	Net Income Divided by: Total Assets Return on assets	₱3,483,195,599 <u>39,781,093,330</u> <u>8.76%</u>	10.80%
Return on equity	Net Income Divided by: Total Equity Return on equity	₱3,483,195,599 <u>22,509,482,874</u> <u>15.47%</u>	15.47%
Book value per share	Total Equity Divided by: Number of outstanding Shares	₱22,509,482,874 <u>4,099,724,116</u> <u>₱5.49</u>	₱5.49

- 2 -

	Formula		2023	2022
Gross income	Gross income	₱13,693,921,790	<b>39.57%</b>	39.10%
	Divided by: Net Sales	<u>34,603,965,512</u>		
	Gross income	<u>39.57%</u>		
EBITDA margin	Income before Income Tax	₱4,639,466,171	<b>23.18%</b>	24.29%
	Add: Depreciation and Amortization	2,755,497,757		
	Net Interest Expense	<u>626,231,425</u>		
	Earnings Before Interest, Tax, Depreciation, and Amortization	8,021,195,353		
	Divided by: Net Sales	<u>34,603,965,512</u>		
EBITDA margin	<u>23.18%</u>			
Net income margin	Net Income	₱3,483,195,599	<b>10.07%</b>	11.46%
	Divided by: Net Sales	<u>34,603,965,512</u>		
	Net income margin	<u>10.07%</u>		



# SUSTAINABILITY **REPORT**

A decorative graphic in the bottom-left corner consisting of overlapping, flowing shapes in various shades of green, creating a wave-like effect.

**WILCON**

**BUILDING BIG IDEAS**

*Better*



**2023 SUSTAINABILITY REPORT**





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## MESSAGE FROM THE CEO

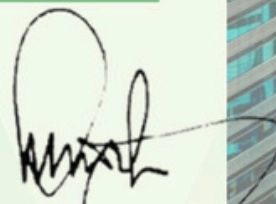
We at Wilcon have always been committed to helping our customers achieve their dream homes for a sustainable and comfortable life. In so doing, we have nurtured our people to grow and develop a caring mindset and character toward our customers, our suppliers, communities and environment.

We have to be caring of the needs and wants of our customers to ensure that we deliver the excellent service and experience that they deserve. We have to be considerate of the strategic goals and missions of our partner-suppliers to ensure that we are aligned and moving in the same direction. We have to be caring of our communities to be the boon that they deserve for giving us the opportunity to serve their home improvement needs at the same time contributing to their economic upliftment by providing jobs and income to some of their members. We have to be caring of our environment to provide sustainable products and innovative, practical solutions that will shape the behavior of our customers for better environmental impacts of our business.

Our ESG journey is aimed to define, organize, enhance and amplify all these manifestations of our care and mission.



**LORRAINE BELO-CINCOCHAN**  
President and Chief Executive Officer



**LORRAINE BELO-CINCOCHAN**  
DIRECTOR, PRESIDENT AND CHIEF EXECUTIVE OFFICER



# ABOUT OUR COMPANY

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

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

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

After our public listing in March, 2017, we embarked on an aggressive store network expansion program, more than doubling the number of our branches from 36 at the start of 2017 to 90 by the end of 2023.



## COMPANY INFORMATION COMPANY DETAILS

NAME OF ORGANIZATION	Wilcon Depot, Inc. (PSE: WLCON)
LOCATION OF HEADQUARTERS	No. 90 E. Rodriguez Jr. Avenue, Ugong Norte, Quezon City
LOCATION OF OPERATIONS	Location of Operations see list of locations in Appendix A
REPORT BOUNDARY: LEGAL ENTITIES INCLUDED IN THIS REPORT	Wilcon Depot, Inc.
BUSINESS MODEL	2 retail formats – the depot store format and the home essentials store format, which are known under the trade names "Wilcon Depot" and "Wilcon Home Essentials", respectively.
SOURCE: <a href="https://edge.pse.com.ph/companyinformation/form.do?CMPY_ID=665">HTTPS://EDGE.PSE.COM.PH/COMPANYINFORMATION/FORM.DO?CMPY_ID=665</a>	
REPORTING PERIOD	31 December 2023
HIGHEST RANKING PERSON FOR THIS REPORT	Lorraine Belo-Cincochan, President - CEO



## INTRODUCTION

Sustainability is built into the business of Wilcon. We have been in the industry for 46 years, growing from a humble 60-square-meter shop into the Philippines' leading home improvement and construction supplies retailer. We achieved this because we understand that a sustainable and comfortable life is the dream of every Filipino family, and we made it our mission to support this aspiration.

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

In 2023, to continue to advance our work in this area, we completed a carefully and thoughtfully crafted 5-year Sustainability Strategy, which outlines Wilcon's sustainability action plans and ambitions.

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



## UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS

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

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

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

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



## UNDERSTANDING OUR SUSTAINABILITY CONTEXT AND IMPACTS

To identify those topics most relevant to Wilcon out of a universe sustainability issues identified in the research, we analyzed them vis-a-vis the results of stakeholder engagement on Wilcon’s overall strategic priorities, existing programs and initiatives, and investor queries regarding Wilcon’s environmental, social and governance (ESG) agenda.

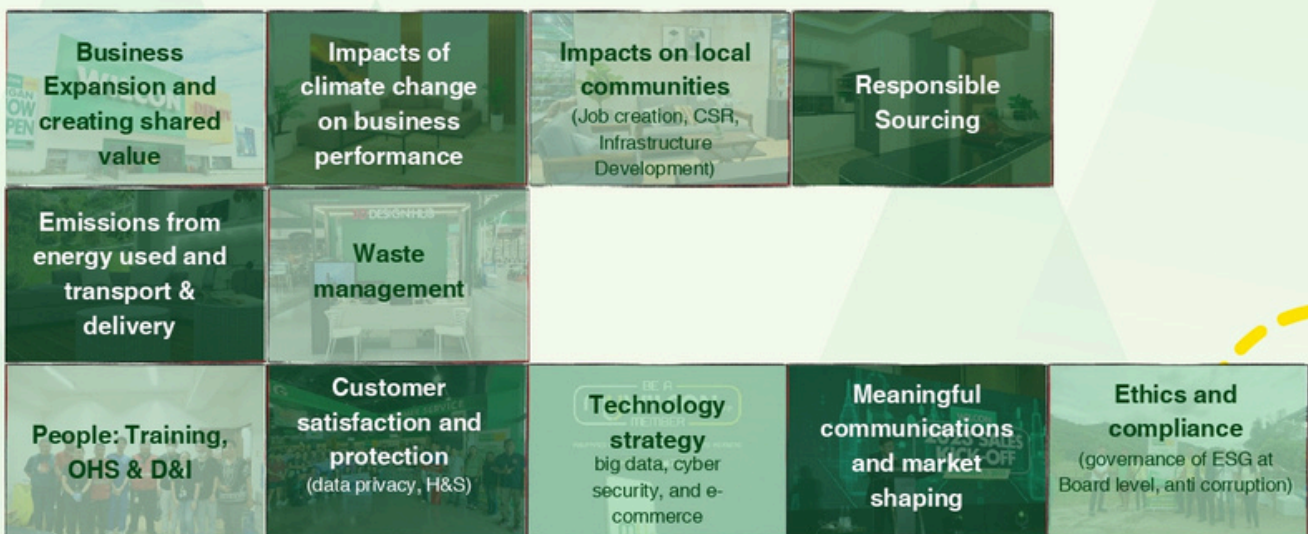


Toward the end of 2021, management saw the need to take stock of the Company’s ESG progress in the light of the disruptions brought about by the Covid-19 pandemic. ESG material topics were likewise assessed, prioritized and updated by the first quarter of 2022.

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

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

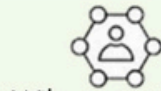
## OUR MATERIAL ESG TOPICS AND MANAGEMENT ACTIONS





# OUR MATERIAL ESG AND KEY FINDINGS

## MATERIAL ESG TOPICS



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



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



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



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

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

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



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

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

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



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

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

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

**LEGEND**

STAKEHOLDER VIEW    ESG RISK    ESG OPPORTUNITY



## OUR MATERIAL ESG TOPICS AND MANAGEMENT ACTIONS

Wilcon's 2019 assessment process resulted in the above list of sustainability topics that are material to the business and where we create the most impact. All these present Wilcon with opportunities for better and long-term value creation. Conversely, we understand that they may pose risks to the business if we do not monitor and manage our performance on these issues.

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

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

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

- Include other stakeholder groups using existing touch points (e.g., customer management system) and separate engagements for a 360-degree view of our impacts, risks, and opportunities in time for the next report in 2023;
- Establish a regular materiality review every 2 to 3 years under the governance of senior management; and
- Develop internal capacity to apply learnings from the materiality assessment in areas of our business and begin to measure our performance on these material topics.
- The 2022 ESG materiality re-assessment exercise resulted in the additional focus areas under People on labor rights, gender equality and community development.

# OUR MATERIAL ESG AND KEY FINDINGS

## MATERIAL ESG TOPICS



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

- Reputational damage from threats to customer wellness and safety.

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



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

- Reputational damage from data breaches and system failures
- Lags and operational delays from data breaches system failures

- Market expansion without need to put up brick & mortar stores, decreasing capital outlay.
- Requires less energy to operate and generate less waste
- Addresses possible shortfall in capable manpower.



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

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

- Address unmet needs through sustainable products and services
- Enter new customer segments.



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

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

- Establish a governance structure and management approach towards sustainability
- Ability to better respond to investor queries.

**LEGEND**

STAKEHOLDER VIEW    
 ESG RISK    
 ESG OPPORTUNITY



# OUR MATERIAL ESG AND KEY FINDINGS

## MATERIAL ESG TOPICS



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

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

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



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

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

- Faster product innovation using waste as a possible raw material.



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

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

- Become the preferred employer for the incoming generation of workforce.



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

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

- More comprehensive talent pool critical for accelerated growth

**LEGEND**

- STAKEHOLDER VIEW
- ESG RISK
- ESG OPPORTUNITY



## STRATEGIC AMBITION AND FRAMEWORK

### VISION FOR 2029

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

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

### STRATEGY FRAMEWORK



## STRATEGIC AMBITION AND FRAMEWORK

We understand that as Wilcon continues to expand, we must manage our resources responsibly while sharing this growth with our different stakeholders, internal and external, and make sure these partnerships create value for everyone.

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

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





# STRATEGY FRAMEWORK

## Innovate for More Sustainable Products – By 2028 we will...

### Focus Areas

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

### Commitments

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



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

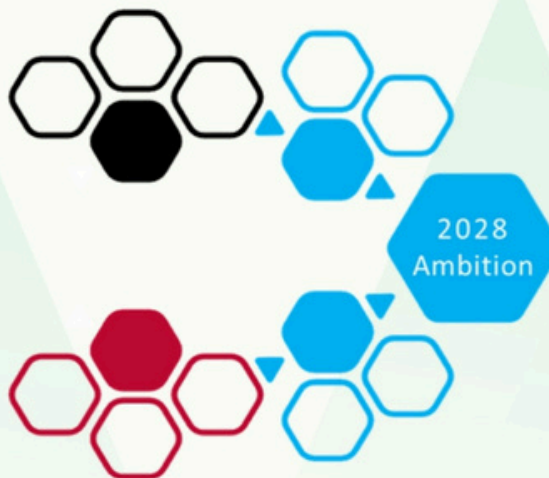
## Take Care of our People and Communities – By 2028 we will...

### Focus Areas

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

### Commitments

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



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



# STRATEGY FRAMEWORK

## Reduce Our Footprint – By 2028 we will...

### Focus Areas

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

### Commitments

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



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

## Embed Sustainability – By 2028 we will...

### Focus Areas

- Corporate Governance
- Business Ethics

### Commitments

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



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

## ECONOMIC DATA

### Expanding Reach and Fulfilling Commitments

We marched on in 2023, keeping our focus on our strategic goals to expand our reach and help our customers build, improve and refine their homes for a sustainable and comfortable life. Notwithstanding cyclical trends unfavorably impacting demand in the markets that we serve, we remain customer-centric, consistently delivering excellent customer experience and product offerings.

As a management approach, we anchor our push for a broader geographic presence on the long-term, mutually beneficial relationships we have built with our partner suppliers, aligning our strategic goals to support the realization of our respective missions and visions. Coming out of the pandemic achieving record earnings in 2022, we continued pursuing our expansion plans in 2023, adding nine new branches.

Economic Performance		
Direct economic value generated and distributed (in Php)		
	2022	2023
Direct economic value generated (Revenue)	33,994,029,730	35,130,135,825
Direct economic value distributed		
A. Operating costs	7,879,337,131	8,940,010,592
B. Employee wages and benefits	1,437,492,006	1,531,047,694
C. Payments to suppliers, other operating costs	31,508,131,854	32,901,219,642
D. Dividends given to stockholders and interest payments to loan providers	860,942,064	1,516,897,923
E. Taxes given to government	2,171,199,486	2,351,641,815
F. Investments to community	20,505,987	24,218,886

#1

HOME IMPROVEMENT/  
CONSTRUCTION RETAIL  
SPACE

90

STORES  
NATIONWIDE

660

SUPPLIERS

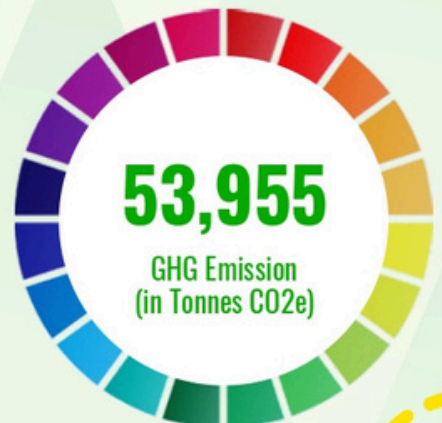
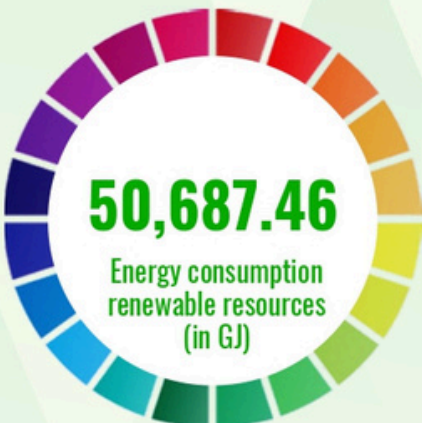
828,249

MEMBERS OF WILCON'S LOYALTY &  
REWARDS PROGRAM





## 2023 ESG HIGHLIGHTS





## ECONOMIC DATA

### COLLABORATING WITH PARTNER-SUPPLIERS

Pursuant to our five-year sustainability strategy, we continued to engage with our partner-suppliers in various focus areas of product quality and safety, supply chain management and product innovation, design and life cycle management.

- ✓ We continued to provide dedicated store shelves for green products, engaged with a wider supplier-partner base to offer support and promote their development of sustainable products.
- ✓ We conducted product training and demonstrations to our sales experts to help our customers select home improvement and construction supply solutions that deliver environment-friendly benefits, which has become a customer priority.
- ✓ We have an automated and real-time syncing of online and offline inventory with regular stock audits conducted to continuously monitor accuracy in order to implement improvements in the system and process.
- ✓ We have launched an ESG survey among our suppliers with a modest but encouraging response rate.
- ✓ We have finalized a Sustainable Procurement Policy and an ESG Criteria and Sustainable Choice Product Checklist, which will be for approval in 2024.
- ✓ We have drafted an ESG end-of-life cycle questionnaire as part of our initiative to work with our partner suppliers to embed product lifecycle considerations into product design.

## ECONOMIC DATA

### HIGHLIGHT:

## THE PRODUCT END-OF-LIFE AUDIT TOOL

The audit tool consists of a questionnaire designed to obtain information on the life cycles of the various products to estimate their footprint in their respective full life cycles.

With the data, we will be able to offer responsible end-of-life product information to customers for an informed purchase, procure and offer products with responsible end-of-life including biodegradable or compostable products.

The scope of the questionnaire included:





## ENVIRONMENT DATA

Environment Performance		
Energy Consumption within the organization (in Kwh)		
	2022	2023
Energy consumption (renewable sources)	53,489.97*	50,687.46*
Energy consumption (electricity)	70,725,240	74,279,561
Energy reduction of energy consumption (in Kwh)		
Energy reduction (renewable resources)	14,858,324	14,079,849
Energy reduction (electricity)	70,725,240	74,279,561
Air emission disclosures (in Tonnes CO <sub>2</sub> e)		
Scope 1 GHG Emissions	897	1,053
Scope 2 GHG Emissions	50,371	52,902
<b>Total GHG Emissions</b>	<b>51,267</b>	<b>53,955</b>
Water consumption within the organization (in CBM)		
Water withdrawal	455,003	290,060
Water consumption	455,003	290,060
Water recycled and reused	0.00	0.00
Solid and hazardous waste generated (in kg)		
Recyclable (papers & scraps)	339,478	378,156.50
Landfilled	Not collected in 2022	Not collected in 2023
Hazardous waste generated	11,292	11,528
Hazardous waste transported	Not collected in 2022*	Not collected in 2023*
Environmental Compliance		
Monetary fines for non-compliance (Php)	300,000**	800,000**
No. of non-monetary sanctions for non-compliance	0	0
No. of cases resolved through dispute resolution mechanism	0	0

### DID YOU KNOW?

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

## 53,955

### GHG Emission

### MITIGATION AMID EXPANSION

Expansion activities were pursued in 2023, opening nine branches, which expectedly will add to the environmental impacts of the company. Mindful of the collateral effects of expansion activities to the environment and pursuant to the aspirations and targets set forth in our five-year sustainability strategy, we have rolled out programs to mitigate such impacts.

While it was expected that power and water consumption will grow due to the increased number of stores and personnel, power consumption on an average per store basis dropped. Overall water consumption similarly declined as a result of the re-fitting of toilets in our stores and offices with water-saving toilet seats and motion sensor faucets. We rolled out a training course on behavior formation focusing on the application and practice of building positive habits to enhance personal and professional effectiveness that includes efficient use of energy.

Conversely, environmental fees and penalties increased as we continue with our housekeeping efforts, backtracking and correcting documentation and operational gaps on old store buildings for a smoother implementation of our planned programs and projects.

\* In GJ  
\*\* late submission of supporting documents



## ENVIRONMENT DATA

### HIGHLIGHT: SINGLE-USE PLASTIC PACKAGING REDUCTION CAMPAIGN

Single-use plastic packaging is ubiquitously present in our stores to prevent product damages of home improvement products such as plumbing products, hardware and tools, electrical and lighting, among others. In 2023, we launched an Extended Producer Responsibility (EPR) program in support of our climate change adaptation ambition and in compliance with Republic Act 11898 or the Extended Producer Responsibility Act of 2022.

Under this program, we committed to progressively recover, reuse and recycle our plastic waste footprint generated during the immediately preceding year.

Our commitment is as follows:

PERIOD	TARGET
December 31, 2023	Twenty percent (20%)
December 31, 2024	Forty percent (40%)
December 31, 2025	Fifty percent (50%)
December 31, 2026	Sixty percent (60%)
December 31, 2027	Seventy percent (70%)
December 31, 2028 and every year thereafter	Eighty percent (80%)





## SOCIAL DATA

Employee Data		
	Female	Male
Employees by gender	1,660	1935
Employee benefits (% who availed)		
	Female	Male
SSS	32.28	34.98
PhilHealth	4.40	1.86
Parental leaves:		
Maternity/ Paternity Leave	7.71	0.00
Solo Parent	2.09	0.15
Magna Carta	0.18	0.00
Vacation leaves	81.70	81.50
Sick leaves	3.80	3.98
Medical benefits (aside from PhilHealth)	27.07	18.50
Housing assistance (aside from Pag-ibig)	0.00	0.00
Retirement Fund (aside from SSS)	0.00	0.00
Further education support	0.00	0.00
Company stocks option	0.00	0.00
Telecommunicating	12.95	7.44
flexible-working hours	22.59	18.09
Employee training and development		
	Female	Male
Total training hours provided	234	316
Ave. training hours provided	6.15	5.5
Labor Management Relations		
% of employees covered in CBA	22.3	
Number of consultations conducted with employees concerning employee-related policies	2	

### WORKPLACE CULTURE, ENGAGEMENT AND WELLBEING

Wilcon has long engaged with employees to strengthen corporate culture and identity. We have clearly-defined mission, vision and values, which are cascaded to all employees regularly as stand-alone subject matters and also embedded in various programs and activities we have undertaken.

We provide resources to support employee groups based on common backgrounds (e.g. LGBTQ+, single parents, mothers, etc.) to promote diversity and inclusion. We provided gender-neutral restrooms for employees, allowed parental leaves, allocated lactation rooms, among others.





## ENVIRONMENT DATA

### SINGLE-USE PLASTIC PACKAGING REDUCTION CAMPAIGN

**Target**



**Single Use Plastic Packaging Reduction**

80% YOY reduction starting 2028 and every year thereafter

We have outlined and started to implement programs and activities for the achievement of the above targets. Among others:

- We implemented a Return of Plastic Packaging campaign whereby we encourage to return the plastic packaging or blister packs of Wilcon products to the stores by providing booths or drop boxes in each store where they can drop their plastic packages or blister packs. We are developing additional incentive programs to be rolled out to increase the effectivity of the program. Plastic packages collected from this program shall be transferred to a waste recovery facility, donated to the LGUs or to partner recycling companies.
- Partnerships with Recycling Companies and/or Local Government Units to better facilitate the recycling of the recyclable plastic items collected from the exchange or collection programs implemented
- Part of our engagement with our partner suppliers is to initiate discussion and possible collaboration in reimagining product packaging and educating consumers on the downstream impact of packaging waste and what is Wilcon doing in response.
- Proper Labeling of Recyclable Packages to help instill awareness among our customers to recycle the recyclable plastic packaging for their own use or for return to the Company. Labels or information for proper disposal shall also be affixed on the products. Sustainable choice stickers will also be affixed on sustainable products of the Company to guide the customers and inform them of sustainable products that are available in store or online.
- Roll out an educational campaign among employees of the company for better understanding and appreciation of the features of sustainable products and sustainable packaging. Recorded videos will also be played on television that are placed or installed at ABCDE lounges or waiting area of each store to inform and guide customers about responsible consumption to minimize the generation of plastic waste and responsible management of plastic waste.

### WASTE MANAGEMENT

With the rolling out of our EPR program, recyclable waste collected increased but these in turn are collected by partner recycling or upcycling companies or by local government units either for upcycling, co-processing and recycling. In particular, single use plastic packaging collected under the EPR program are sent to Republic Cement to be co-processed as a raw material for the production of cement.



## SOCIAL DATA

### HIGHLIGHT: DEVELOPING TALENT AND HARNESSING FULL POTENTIAL

Wilcon nurtures its employees from hiring and develops those with potential into future leaders. While we see the value of attracting compatible and highly-skilled talents externally, we are proud of the fact that 100% of store leadership grew organically from the ranks.

Aligned with our five-year sustainability strategy we aimed to:



Increase number of employees in the Continuing Education Program through the development and implementation of policy and guidelines for eligibility requirements and increased budget allocation for the program.

Accelerate manager development through leadership management trainee program

Increase the Learning Network per department/unit

Advance the careers of deserving employees

Improve training delivery and channels of engagement.

Toward these ends, we have:



Sponsored the advanced courses / studies of top employees

Continued to improve and implement modules in our Learning Management System and Career Management Program

Continued to train representatives across to become Subject Matter Experts and Learning Development partner to facilitate trainings

Conducted regular needs analysis for training across departments. Enhanced and implemented our performance management system with competencies identified and aligned for every function/position.

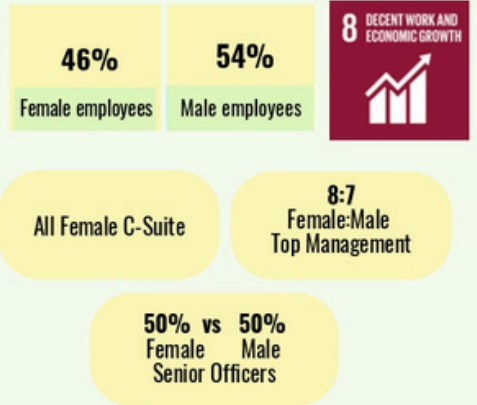
Increased employee access and use of digital platform for completion of training programs.



# SOCIAL DATA

## PROMOTING DIVERSITY AND INCLUSION

We implemented an anti-discrimination policy in 2023. Our business as it is related to the construction industry has always been perceived as a male-dominated business. Our commitment to uphold our value of integrity to all stakeholders and its practical application of fair treatment in the workplace is manifested in the make of our leadership team. Our top management positions are now 54% (8 out of 15) occupied by women, which includes an all-female C-Suite with 50% of our senior officers are women. Meanwhile, our board of directors is composed of 28% women (2 out of 7), both of whom are executive directors.



### FEBRUARY'S HIGHLIGHTS



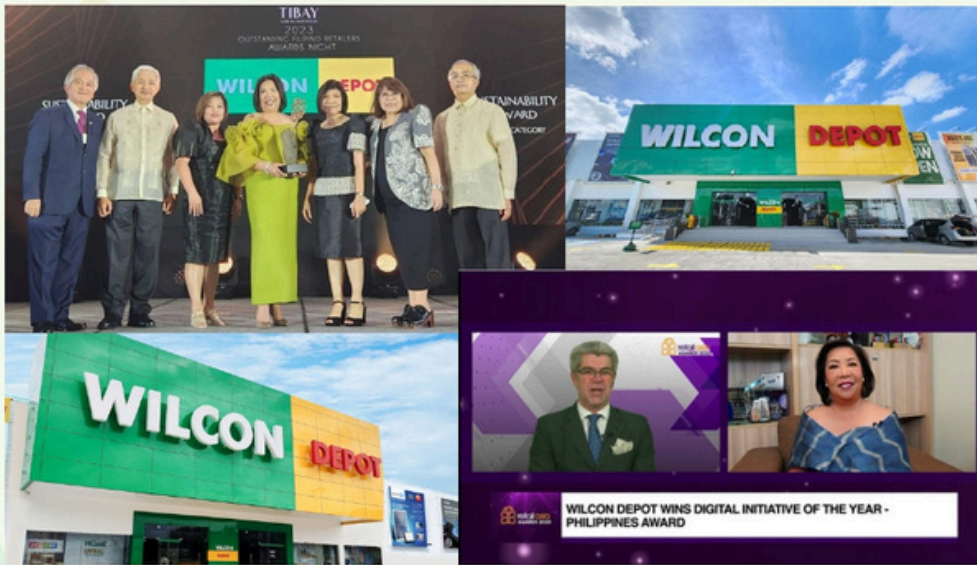


## SOCIAL DATA

### EXEMPLARY CUSTOMER EXPERIENCE

Wilcon’s ever evolving delivery of excellent customer experience to always be in-step with the changing customer shopping preferences is a landmark feature of Wilcon in its rise to and sustainability in the industry leadership position.

Through the years we have actualized our responsibility to be a reliable, trustworthy and excellent source of innovative solutions for the homes and buildings of our customers. Fully embracing our corporate responsibility starts with being attentive to the needs of our customers as a critical stakeholder in our business.



Customer Management	
Customer Satisfaction	Score
Customer Survey	ongoing
Health and Safety	Quantity
No. of substantiated complaints on products or services health and safety	0
No. of complaints addressed	0
Marketing and Labelling	Quantity
No. of substantiated complaints on marketing and labelling	0
No. of complaints addressed	0
Customer Privacy	Quantity
No. of substantiated complaints on customer privacy	0
No. of complaints addressed	0
No. of customers, users, and account holders whose information is used for secondary purposes.	0
Data Security	Quantity
No. of data breaches, including leaks, thefts and losses of data	0



## COMMUNITY DATA

### WILCON'S CHARITY INITIATIVE BUILDS STRONGER HOMES AND COMMUNITIES

Wilcon and its employees have always been a first responder in times of natural disasters. In 2023, one of the stronger typhoons, Typhoon Egay, hit communities in Northern Luzon. Wilcon donated emergency food provisions to affected families especially in the communities Wilcon belongs in. The relief effort was undertaken in collaboration with the local government and employee volunteers.

We have historically also been an active contributor to the Department of Education's yearly Brigada Eskwela program whereby they seek assistance or donations from various institutions to help in repairing, improving and preparing public schools for the new school year.

Wilcon has also been a dependable participant and contributor to community events and activities organized either by local governments or private entities aimed to build stronger community relationships.





## GOVERNANCE

### EMBEDDING SUSTAINABILITY

In 2023, pursuant to our strategic goal of maintaining the highest corporate governance standards, we updated all relevant corporate governance policies with the addition of the anti-discrimination policy and the social media policy.

The primary objective of our anti-discrimination policy is to promote and support the well-being of our employees as well as their rights regardless of their sexual orientation. This also aims to strengthen the rights of every individual and mitigate or reduce factors that would restrict, curb or create limitation on their expression.

On the other hand, our social media policy was created to guide employees in handling the official media accounts of the company and to promote responsibility, accountability and respect in using their own personal accounts.

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

Toward the achievement of our target to incorporate ESG risks into risk management systems and protocols by identifying and quantifying ESG risks through workshops, we continued our conduct of trainings and workshops on business continuity management.

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



## APPENDIX A: List of Operations Location

	BRANCH NAME	LOCATION
1	ALABANG	8003 REAL ST., ALABANG ZAPOTE RD., ALMANZA UNO, LAS PIÑAS CITY
2	BALINTAWAK	1274 EDSA A. SAMSON, QUEZON CITY
3	LIBIS	90 E. RODRIGUEZ JR. AVE., BRGY. UGONG NORTE, DISTRICT 3, QUEZON CITY
4	MAKATI	2212 CHINO ROCES AVE., SAN LORENZO, MAKATI CITY
5	QUIRINO	L119 C-1 MINDANAO AVE., TALIPAPA, QUEZON CITY
6	FILINVEST	L1 B29 ALABANG ZAPOTE RD. COR. BRIDGEWAY AVE., FILINVEST CORPORATE CITY, ALABANG, MUNTINLUPA CITY
7	MEXICO	GAPAN-OLONGAPO ROAD, LAGUNDI, MEXICO, PAMPANGA
8	SUCAT	DR. A. SANTOS AVENUE, SAN DIONISIO, PARAÑAQUE CITY
9	FAIRVIEW	16 COMMONWEALTH AVE., BRGY. COMMONWEALTH, QUEZON CITY
10	TARLAC	MC ARTHUR HIGHWAY, SAN RAFAEL, TARLAC CITY
11	DAU	MC ARTHUR HI-WAY, DAU, MABALACAT, PAMPANGA
12	SAN FERNANDO	FREEWAY STRIP OLONGAPO-GAPAN ROAD, DOLORES CITY OF SAN FERNANDO, PAMPANGA
13	CALAMBA	NATIONAL ROAD, BRGY. HALANG, CALAMBA CITY, LAGUNA
14	BATANGAS	LOT 2687-A DIVERSION ROAD, ALANGILAN, BATANGAS CITY
15	TAYTAY	MANILA EAST ROAD, BRGY. SAN JUAN, TAYTAY, RIZAL
16	ANTIPOLO	MARCOS HIGHWAY, BRGY. MAYAMOT, ANTIPOLO CITY, RIZAL
17	BALIUAG	KM. 48 DRT HIGHWAY, BRGY. TARCAN, BALIWAG, BULACAN
18	DASMARIÑAS	GOVERNOR'S DRIVE, PALIPARAN 1, DASMARIÑAS CITY, CAVITE
19	LAOAG	AIRPORT ROAD, BRGY. 50, BUTTONG, LAOAG CITY
20	MANDAUE	U.N. AVENUE, UMAPAD, MANDAUE CITY, CEBU
21	TALISAY	LOT 2359, LAWA-AN II, TALISAY CITY, CEBU
22	KAWIT	CENTENNIAL ROAD, MAGDALO, PUTOL, KAWIT, CAVITE
23	VALENZUELA	292 MC ARTHUR HI-WAY, DALANDANAN, VALENZUELA CITY
24	SAN PABLO	DOÑA MARIA VILLAGE PHASE 2, BRGY. BAGONG BAYAN, SAN PABLO CITY, LAGUNA
25	VILLASIS	NATIONAL HIGHWAY, BRGY. BACAG, VILLASIS, PANGASINAN
26	QUEZON AVE.	24 QUEZON AVE., LOURDES, QUEZON CITY
27	DAVAO	MC ARTHUR HIGHWAY, MATINA, DAVAO CITY
28	IT HUB	PASONG TAMO EXTENSION, BRGY. BANGKAL, MAKATI CITY
29	MOLINO	BACOR BOULEVARD, BRGY. MAMBOG IV, CITY OF BACOR
30	STA ROSA	TAGAYTAY ROAD, BRGY. PULONG, STA. CRUZ, STA. ROSA, LAGUNA
31	CDO	ZONE 5, BRGY. CUGMAN, CAGAYAN DE ORO CITY
32	BACOLOD	MATAB-ANG TALISAY CITY, NEGROS OCCIDENTAL
33	BUTUAN	BRGY. BAAN, KM. 3, BUTUAN CITY
34	CABANATUAN	LOT 2040-C-3-B & Lot 2040-C-4, SUMACAB ESTE, MAHARLIKA HIGHWAY, PUROK 6, SUMACAB ESTE, CABANATUAN CITY
35	ILOILO	NORTH DIVERSION ROAD, BRGY. DUNGON-B, JARO, ILOILO CITY
36	TACLOBAN	PUROK SANTOL, BRGY. 80 MARASBARAS, TACLOBAN CITY, LEYTE



## APPENDIX A: List of Operations Location (cont.)

	BRANCH NAME	LOCATION
37	SILANG	PUROK 9, BRGY. LALAAN II, SILANG, CAVITE CITY
38	ZAMBOANGA	LOT 2235C I-A BOALAN, ZAMBOANGA CITY
39	NAGA	BRGY. DEL ROSARIO, NAGA CITY
40	LIPA	BRGY. BUGTONG NA PULO, LIPA BATANGAS
41	PANACAN, DAVAO	BRGY. PANACAN VALLE VERDE, BUNAWAN, DAVAO CITY
42	TAYABAS	BRGY. ISABANG, TAYABAS QUEZON
43	GEN. SANTOS	PALEN, BRGY. LABANGAL, GENERAL SANTOS CITY
44	PUERTO PRINCESA	BRGY. SICSICAN, PUERTO PRINCESA CITY, PALAWAN
45	GENERAL TRIAS	BRGY. SAN FRANCISCO, GENERAL TRIAS CITY, CAVITE
46	STA. BARBARA, ILOILO	LOT 506B BRGY. BOLONG OESTE, STA. BARBARA, ILOILO
47	OPOL, MISAMIS ORIENTAL	ZONE 2A BRGY. BARRA, OPOL, MISAMIS ORIENTAL
48	STO. TOMAS, BATANGAS	MAHARLIKA HIGHWAY, BRGY. STA. ANASTACIA, STO. TOMAS, BATANGAS
49	ANTIPOLO II	LOT 2-A BRGY. SAN ISIDRO CIRCUMFERENTIAL RD. ANTIPOLO CITY
50	CALUMPIT	BRGY. PIO CRUZCOSA, CALUMPIT, BULACAN
51	IGUIG, CAGAYAN	BRGY. BAYO, IGUIG, CAGAYAN VALLEY RD.
52	SAN JOSE, BULACAN	BRGY. TUNGKONG MANGGA, SAN JOSE DEL MONTE CITY, BULACAN
53	COMMONWEALTH II	MATANDANG BALARA CAPITOL, QUEZON CITY
54	ORMOC	BRGY. SAN ISIDRO, ORMOC CITY, LEYTE
55	MAYAMOT, ANTIPOLO III	MARCOS HI-WAY, BRGY. MAYAMOT, ANTIPOLO
56	ALBAY	BRGY. PEÑAFRANCIA, DARAGA, ALBAY
57	TAGUM, DAVAO	BRGY. CANOCOTAN, TAGUM, DAVAO DEL NORTE
58	CORDON, ISABELA	BRGY. MALAPAT, CORDON, ISABELA
59	PILA, LAGUNA	BRGY. STA. CLARA SUR, PILA, LAGUNA
60	AKLAN	BRGY. CALANGCANG, MAKATO, AKLAN
61	OLONGAPO	NATIONAL ROAD, BRGY. BARRETTO, OLONGAPO CITY, ZAMBALES
62	TAYTAY II	RIZAL AVE., ILOG PUGAD BRGY. SAN JUAN TAYTAY, RIZAL
63	CABUYAO, LAGUNA	BRGY. SALA, CABUYAO, LAGUNA
64	LA UNION	BRGY. PARINGAO, BAUANG, LA UNION
65	SORSOGON	BRGY. MACABOG, SORSOGON CITY, SORSOGON
66	GAPAN, NUEVA ECIIJA	STO. CRISTO NORTE, GAPAN NUEVA ECIIJA
67	MALAYBALAY, BUKIDNON	SAN JOSE, MALAYBALAY CITY, BUKIDNON
68	BOHOL	BRGY. BINGAG, DAUIS, BOHOL
69	CALAPAN, ORIENTAL MINDORO	PUTING TUBIG, CALAPAN CITY, ORIENTAL MINDORO
70	BANTAY, ILOCOS SUR	AGGAY, BANTAY, ILOCOS SUR
71	LEMERY, BATANGAS	BRGY. TUBIGAN, LEMERY, BATANGAS
72	ABUCAY, BATAAN	BRGY. CAPITANGAN, ABUCAY, BATAAN

## APPENDIX A: List of Operations Location

	BRANCH NAME	LOCATION
73	SAN JOSE, NUEVA ECJIA	BRGY. MANICLA, SAN JOSE CITY NUEVA ECJIA
74	PANIQUEI, TARLAC	BRGY. APULID, PANIQUEI, TARLAC
75	ALIMALL	LG003/LG004 LOWER GRD FLR. ALIMALL II, ARANETA CENTER, SOCORRO, D3, CUBAO, QUEZON CITY
76	WCC	ANCHOR 1, 121 VISAYAS AVE., BAHAY TORO, QUEZON CITY
77	STA. MESA	425 PIÑA AVE., BRGY. 585 ZONE 057, SAMPALOC, MANILA
78	MINDANAO AVE.	L-5 B-7 MINDANAO AVE., BAHAY TORO I, QUEZON CITY
79	MUÑOZ	1066 EDSA, BAHAY TORO, QUEZON CITY
80	PASAY	16 C JOSE ST. COR. EDSA, MALIBAY, PASAY CITY
81	ILOILO	GROUND FLOOR UNIT A25-A26, FESTIVE WALK MALL, ILOILO BUSINESS PARK, MANDURRIAO , ILOILO CITY
82	SAN FERNANDO	MC ARTHUR HIGHWAY, BRGY. SAN NICOLAS, SAN FERNANDO, PAMPANGA
83	GUIGUINTO, BULACAN	MARTHUR HIGHWAY, TUKTUKAN, GUIGUINTO, BULACAN
84	ROSARIO, BATANGAS	PUROK 5, BRGY. BAYBAYIN, ROSARIO BATANGAS
85	UPTOWN, CDO	KM 6, UPPER BALULANG, CAGAYAN DE ORO CITY
86	STA. MARIA	CENTRO ST. GUYONG, SANTA MARIA, BULACAN
87	ILIGAN CITY	PUROK LA PURISIMA, TUBOD, ILIGAN CITY LANA DEL NORTE
88	NAIC, CAVITE	GOVERNOR'S DRIVE, BRGY. SABANG NAIC, CAVITE
89	SOUTH PARK MALL	ANCHOR SPACE 1B, 1ST FLOOR SOUTH PARK CENTER, ALABANG, MUNTINLUPA CITY
90	TUY, BATANGAS	SITIO CENTRO, BRGY. SABANG, TUY, BATANGAS

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