DA VINCI CAPITAL HOLDINGS, INC.
No. 900 D. Romualdez St., Paco, Manila, Philippines

COMPREHENSIVE CORPORATE DISCLOSURE

This disclosure is in connection with: (a) the subscription by Invescap Incorporated to twenty-five percent (25%) of the increase in authorized capital stock or in the amount of P418,100,000.00 divided into 4,181,000,000 common shares to support the increase in the authorized capital stock of Da Vinci Capital Holdings, Inc.'s (the **"Corporation" or "Da Vinci"**) to P2 billion, as approved by the stockholders on November 20, 2020, where; (b) the proposed issuance of common shares of stock (the "**Shares**") of Da Vinci in exchange for Cosco Capital, Inc.'s ("**Cosco"**) shares of stock in its subsidiaries, specifically, Montosco, Inc. ("**Montosco**"), Meritus Prime Distributions, Inc. ("**Meritus**"), and Premier Wine and Spirits, Inc. ("**Premier**"); (c) the additional listing of Shares, as approved by the Corporation's Board of Directors; and (d) the conduct of follow-on or public offering to local and/or foreign investors (the "**Public Offering**").

The exchange of shares (the "**Share Swap Transaction**"), the Public Offering, and the additional listing of the Shares will be presented to the Corporation's stockholders for approval. The Corporation shall likewise seek, during a special stockholders meeting, the waiver by the majority of its minority stockholders present or represented in the said meeting to the requirement to conduct a rights or public offering of the shares subscribed by the related parties, particularly Invescap Incorporated ("**Invescap**") with respect to the twenty-five percent (25%) of the increase in authorized capital stock of Da Vinci and Cosco with respect to the proposed Share Swap Transaction with Da Vinci. Invescap is 100% owned by Mr. Lucio Co. Cosco is 33% owned by Mr. Lucio Co, and Da Vinci is 85% owned by Invescap.

In compliance with Section 3 of the Philippine Stock Exchange **("PSE")** Rules on Backdoor Listing, and Article V, Part A of the PSE Listing and Disclosure Rules on the Rule on Additional Listing of Shares, the Corporation sets out below the information required for and under this Comprehensive Corporate Disclosure.

(a) Copies of all agreements duly executed that are relevant to the transaction

On January 28, 2021, Da Vinci and Invescap executed a Subscription Agreement whereby Invescap subscribed to the twenty-five per cent (25%) of the increase in authorized capital stock or in the amount of P418,100,000.00 divided into 4,181,000,000 common shares at the proposed new par value of P0.10 per share, and paid 25% thereof in cash as required under Section 37 of the Revised Corporation Code . A copy of the said Subscription Agreement is hereto attached as **Annex "A"**.

The terms and conditions of the agreements for the Share Swap Transaction have not yet been finalized and signed. The Corporation will disclose the material terms such as issue price and number of shares, and provide the PSE with copies of such agreements in due course.

(b) Nature and description of the proposed transaction, including the timetable for implementation, and related regulatory requirements, if applicable

(1) Increase in the authorized capital stock

On October 26, 2020, during the special meeting of the Da Vinci's Board of Directors, it resolved to approve the increase of the authorized capital stock of the Corporation and amend the Article Seventh of the Corporation's articles of incorporation for purposes of implementing the Share Swap Transaction. The authorized capital stock was approved to be increased to P2 billion divided into twenty (20) billion common shares with par value of P0.10 per share. The Board of Directors likewise approved, during the aforesaid meeting, the increase in the par value of the Corporation's shares from ₱0.023 per share to ₱0.10 per share.

During the November 20, 2020 annual stockholders' meeting, Da Vinci's stockholders approved the increase and the amendment of the articles of incorporation to reflect the increase in the authorized capital stock and par value, among others. In the same meeting, Da Vinci's board of directors was given the authority to set the final terms and conditions of the said increase including the manner of subscription thereto.

On January 28, 2021, Da Vinci and Invescap executed a Subscription Agreement whereby Invescap subscribed to the required twenty-five per cent (25%) of the increase in authorized capital stock or in the amount of P418,100,000.00 divided into 4,181,000,000 common shares at par value of P0.10 per share, and paid 25% thereof in cash, to support the increase in the authorized capital stock pursuant to the requirement under Section 37 of the Revised Corporation Code.

On February 19, 2021, the Board of Directors of the Corporation ratified the said subscription of Invescap to the 25% of the increase in the authorized capital stock at the new par value of P0.10 per share.

The proposed increase in authorized capital stock together with the subscription by Invescap have been submitted and subject to the approval of the Securities and Exchange Commission ("**SEC**"). For more details of the Subscription Agreement, please see attached "Annex A".

(2) Share Swap Transaction

As discussed during its February 19, 2021 special meeting, the Board approved the issuance of common shares of the Corporation, which will be created and issued out of an increase in its authorized capital stock, in exchange for 100% of the outstanding shares of Montosco, Meritus and Premier.

Specifically, (a) common shares of Da Vinci will be swapped with 7,499,994 common shares of Cosco in Montosco, Inc.; (b) common shares of Da Vinci will be swapped with 7,499,994 common shares of Cosco in Meritus Prime Distributions, Inc.; and finally, (c) common shares of Da Vinci will be swapped with 1,499,993 common shares of Cosco in Premier Wine and Spirits, Inc.

Upon completion of the Share Swap Transaction, Da Vinci will legally and beneficially own 100% of the outstanding shares of each of Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc. As a corollary, Cosco will own a controlling equity interest in Da Vinci.

Further details of the share swap will be disclosed once the terms and conditions of the transaction are finalized. On February 19, 2021, the Board of Directors of Da Vinci and Cosco delegated to the Management the authority to determine the final terms and conditions of the Share Swap transaction.

Considering that Mr. Lucio L. Co, the Chairman of the Board of Directors of Da Vinci is also Cosco's Chairman of the Board, with ownership of 33% of Cosco's outstanding capital stock, he abstained from voting on the proposed Share Swap Transaction.

Likewise, Atty. Bienvenido E. Laguesma is an Independent Director of both Cosco and Da Vinci; thus, he also abstained from voting on the transaction, as proposed.

(3) <u>Additional Listing of the Shares</u>

The Corporation must apply for listing with the PSE of the additional shares of stock to be issued in connection with the increase of capital stock and the Share Swap Transaction to comply with the PSE listing rules. The additional listing of shares without the conduct of a rights or public offering shall be submitted for approval of the stockholders.

(4) <u>Follow-On / Public Offering</u>

Considering that the proposed increase in the authorized capital stock and the Share Swap Transaction will affect the minimum public float of the Corporation, Da Vinci intends to conduct a Follow-on Public Offering of its shares as soon as possible after the completion of the Share Swap Transaction to comply with the minimum public ownership requirement under SEC and PSE rules.

(5) Regulatory Requirements

Minimum Subscription of Increase in Authorized Capital Stock

To comply with the requirements of Section 37 of the Revised Corporation Code, which provides that at least 25% of the increased capital stock of Da Vinci must be subscribed, Invescap, being the majority stockholder, subscribed to the 25% of the increase which is equivalent to 4,181,000,000 common shares at par value of P0.10, and paid 25% thereof in cash.

Conduct of Rights Offering

In addition to the stockholders' approval, the proposed Share Swap Transaction and increase in authorized capital stock, which involves related parties, is subject to the conduct of a rights or public offering under Article V, Section 5 of the Consolidated Listing and Disclosure Rules of the PSE.

In this regard, the Board of Directors of the Corporation will also request the minority stockholders that will be present or represented during the annual stockholders' meeting to waive such rights or public offering requirement.

Tax-Free Exchange

The Share Swap Transaction will be done via a tax-free exchange under Section 40(C)(2) of the National Internal Revenue Code ("**Tax Code**"), as amended, which provides:

> "SEC. 40. Determination of Amount and Recognition of Gain or Loss
>
> (C) Exchange of Property. -
>
> (2) Exception.
>
> > No gain or loss shall also be recognized if property is transferred to a corporation by a person in exchange for stock or unit of participation in such a corporation of which as a result of such exchange said person, alone or together with others, not exceeding four (4) persons, gains control of said corporation: Provided, That stocks issued for services shall not be considered as issued in return for property."

As applicable, the parties to the Share Swap Transaction intend to file with the Bureau of Internal Revenue **("BIR")** an application for a tax-free exchange ruling confirming that the transaction is a tax-free exchange transaction under Section 40(C)(2) of the Tax Code, and is thus, exempt from the payment of taxes such as income tax, value-added, donor's tax and documentary stamp tax. Securing a favorable ruling from the

BIR is a material consideration of the parties in entering into the Share Swap Transaction, and they may not proceed with the transaction in the event that the BIR does not grant such favorable ruling.

Philippine Competition Act

Pursuant to Section 4 (eee) of Republic Act ("RA") No. 11494 or the "Bayanihan to Recover as One Act, all mergers and acquisitions with transaction values below PhP50 Billion shall be exempt from compulsory notification under Section 17 of Republic Act No. 10667 or the "Philippine Competition Act" if entered into within a period of two (2) years from the effectivity of RA No. 11494; and shall likewise be exempt from the Philippine Competition Commission's ("**PCC**") power to review mergers and acquisitions motu proprio provided in Section 12 of RA No. 10667 for a period of one (1) year from the effectivity of RA No. 11494.

Despite the exemption from the requirement, the Corporation will submit to the PCC a request for confirmation of non-coverage from the compulsory notification regime pursuant to the Revised Guidelines on Letters of Non-Coverage from Compulsory Notification, in respect of the proposed Share Swap Transaction.

Approval of Increase of Capital

The Corporation anticipates the approval of its application for increase in authorized capital stock with the SEC by the first or second quarter of 2021.

(c) Reason or Purpose of the transaction including the benefits which are expected to be accrued to the listed issuer as a result of the transaction

(1) <u>Increase in Authorized Capital Stock</u>

Da Vinci's proposed increase in authorized capital stock is for the purpose of: (i) implementing the proposed Share Swap Transaction; and (ii) raising additional capital either through Public Offering or private placement, or combination of both, to fund the Corporation's projects and investments consistent with its business purposes.

The Corporation intends to conduct a Public Offering of its shares as soon as possible after the completion of the Share Swap Transaction to comply with the minimum public ownership requirement under SEC and PSE rules. The use of proceed of such Public Offering shall be disclosed at the appropriate time.

(2) <u>Swap of Common Shares</u>

The share swap transaction between Cosco and Da Vinci will result into the strategic spin-off of the three (3) liquor subsidiaries of Cosco Capital and injection of these companies into a separate publicly listed company thru Cosco acquiring controlling interest in Da Vinci.

The separate listing thru the backdoor listing is intended to unlock the strategic values of the three (3) liquor companies thru a pure liquor and wine distribution listed company in the capital market which will be the platform to further grow and expand the business.

(d) The aggregate value of the consideration, explaining how this is to be satisfied, including the terms of any arrangements for payment on a deferred basis

The aggregate value of the consideration for the increase of authorized capital stock is P418,100,000.00 or 4,181,000,0000 shares at a subscription price of P0.10 per share. Invescap paid 25% of its subscription or P104,525,000.00 on January 28, 2021. The remaining P313,575,000.00 will be paid by Invescap before the listing of the shares in the PSE.

The details of the Share Swap Transactions will be disclosed once all the terms and conditions of the transaction are finalized.

(e) The basis upon which the consideration or the issue value was determined

The total subscription price of P418,100,000.00 by Invescap is based on the proposed par value of Da Vinci which is P0.10 per share.

The management of Da Vinci and Invescap, the latter being the majority stockholder, agreed on the consideration to be based on the proposed P0.10 par value considering that the increase in the authorized capital stock is necessary to implement the proposed Share Swap Transaction and that the said par value per share is the minimum amount required under the law.

The consideration for the common shares of Da Vinci to be exchanged for Cosco's 100% outstanding shares in each of Montosco, Meritus and Premier is not yet final and will be determined on the basis of an independent third-party valuation of Montosco, Meritus and Premier as the underlying asset as well as that of Da Vinci.

The independent third-party valuation consultant will be required to issue the corresponding 'fairness opinion' covering the final valuations to be agreed upon by the parties to support the application for approval of the Share Swap Transaction to be filed with the SEC.

The valuation methodologies and bases thereof will be disclosed when all details of the transactions are already finalized.

(f) For cash consideration, the detailed work program of the application of proceeds, the corresponding timetable of disbursements and status of each project included in the work program. For debt retirement

application, state which projects were financed by debt being retired, the project cost, the amount of project financed by debt and financing sources for the remaining cost of the project

In respect of Invescap's subscription equivalent to P418,100,000.00, 25% of which or P104,525,000.00 was paid in cash. The proceeds of which will be used for general corporate working capital purposes and business expansion.

There will be no cash consideration for the issuance of the Da Vinci's common shares pursuant to the Share Swap Transaction.

(g) The Corporation, as the listed company, must present a statement of active business pursuits and objectives which details the steps undertaken and proposed to be undertaken by the Corporation in order to advance its business

The matters that have been approved by the Board of Directors in its meeting on February 19, 2021, which will be presented to the stockholders for their approval, are the steps being undertaken by the Corporation in order to advance its business, specifically the creation of additional shares to allow the Share Swap Transaction and for future capital raising activities to fund the Corporation's projects and investments consistent with its business purposes.

The Corporation will be engaged in the distribution and marketing of local and imported wines, liquors, beer, other beverages and related products. It intends to widen its market coverage in the Philippines, engage in e-commerce, add more brands in its portfolio, and buy or build its own liquor production or manufacturing facilities in the future.

(h) Effects in the Corporation, as the listed company, before and after the Share Swap Transaction and 25% increase in Invescap's shareholding in the Corporation, on the following:

(1) <u>Increase in Authorized Capital Stock</u>

BEFORE THE INCREASE	AFTER THE INCREASE
Authorized Capital Stock: P327,600,000.00 (1,200,000,000 Common Shares with par value of P0.023 per share and 3,000,000,000 Preferred Shares with par value of P0.10 per share)	Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)
Outstanding Capital Stock: P25,874,999.29	Outstanding Capital Stock: P443,974,999.29

Paid Up Capital Stock: P25,874,999.29	Paid Up Capital Stock: P130,399,999.29

**Outstanding capital stock of P443,974,999.29 consists of the existing stockholders of Da Vinci equivalent to 258,749,992.87 shares (after changing the par value at P0.10) and the new 4,181,000,000 shares to be issued to Invescap at par value of P0.10 per share.*

**Paid Up Capital Stock of P130,399,999.29 consists of the existing stockholders of Da Vinci equivalent to 258,749,992.87 shares at P0.10 per share or P25,874,999.29 and 4,181,000,000 shares of Invescap at P0.10, 25% of which was paid amounting to P104,525,000.00.*

(2) Change in the Nature of Business

The Corporation will remain a holding company but, after the transaction, the Corporation will have three (3) operating subsidiary companies engaged in the liquor and wine distribution business.

There will be no change in the board of directors and officers of the Corporation as a consequence of the Share Swap Transaction.

(3) Change in Name

In contemplation of the re-organization and to make it more appropriate to the intended purpose, the Corporation shall change its name to “The Keepers Holdings, Inc.”, as approved by the Directors on October 6, 2020 and approved by the stockholders on November 20, 2020. This has yet to be approved by the SEC.

(4) Change in Board of Directors

There will be no change in the Board of Directors.

(5) Organizational Structure (including percentage holdings to total outstanding shares') of the Corporation Before and After the Transaction

BEFORE THE INCREASE IN CAPITAL STOCK	AFTER THE INCREASE IN CAPITAL STOCK
Authorized Capital Stock: P327,600,000.00 (1,200,000,000 Common Shares with par value of P0.023 per share and 3,000,000,000 Preferred Shares	Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)

with par value of PhP0.10 per share)	
Outstanding Capital Stock: Invescap Incorporated – 85% Public Float – 15%	Outstanding Capital Stock: Invescap Incorporated – 99% Public Float – 1%

BEFORE THE SHARE SWAP TRANSACTION (AFTER THE INCREASE OF ACS)	AFTER THE SHARE SWAP TRANSACTION
Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)	Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)
Outstanding Capital Stock: Invescap Incorporated – 99% Public Float – 1%	Outstanding Capital Stock: Invescap Incorporated – *to be determined* Cosco Capital, Inc. – *to be determined* Public Float – less than 1%

(6) <u>Capital Structure of the Corporation</u>

Please see the discussion under item (h)(1) above.

(i) Additional information on unlisted companies:

Following is a brief description of the related unlisted liquor companies, including capital structures based on their General Information Sheets and financial information based on Audited Financial Statements:

Montosco, Inc.

(i) <u>Nature of business</u>

Montosco, Inc. ("Montosco") is a domestic corporation registered with the SEC on August 13, 2008, and was incorporated for the primary purpose of trading goods on wholesale and retail basis.

(ii) <u>Major projects and investment</u>

Montosco is the lead company among the three (3) liquor companies subject of the share swap, having in its portfolio "Alfonso" the number one imported brand in the country by volume and value. It drives the liquor segment's revenue and bottomline. Completing Montosco' s portfolio is Diageo, the leading spirits company in the world, having Johnnie Walker as its leading brand. A unique trading relationship with Diageo has been established, including exclusivity on key brands.

(iii) *List of Subsidiaries and affiliates with percentage of holdings*

Montosco has no subsidiary.

(iv) *Capital Structure*

Type of Security	Amount (in PhP)	Number of Shares
Authorized Capital Stock		
Common Stock	750,000,000.00	7,500,000
Subscribed Shares		
Common Stock	750,000,000.00	7,500,000
Paid-up Capital		
Common Stock	750,000,000.00	7,500,000

Type of Security	Amount (in PhP)
Par Value	
Common Stock	100.00

(v) *Ownership Structure (including percentage of holdings)*

Name of Stockholder	Number of Shares	Percentage of Ownership
Cosco Capital, Inc.	7,499,994	100.00%
Lucio L. Co	1	0.00%
Susan P. Co	1	0.00%
Jannelle O. Uy	1	0.00%
Pamela Justine P. Co	1	0.00%
Camille Clarisse P. Co	1	0.00%
Katrina Marie P. Co	1	0.00%

(vi) *Board of Directors, Principal Officers and Major Shareholders*

Board of Directors	
Jannelle O. Uy	Chairman of the Board
Pamela Justine P. Co	Director
Camille Clarisse P. Co	Director
Lucio L. Co	Director
Susan P. Co	Director

Officers	
Jannelle O. Uy	President
Maricel B. Joyag	Vice President
Evelyn B. Binanitan	Corporate Secretary
Maria Crisanta A. Relos	Treasurer

(vii) ***The interest which directors of the parties to the transaction have in the transaction***

Mr. Lucio L. Co is the Chairman of Cosco's Board, and a Director of both Montosco and Da Vinci. He owns 33% of Cosco's outstanding capital stock and has nominal shares in Montosco and is the ultimate beneficial owner of Invescap Incorporated which is the principal stockholder of Da Vinci.

Meanwhile, Ms. Camille Clarisse P. Co is a Director of both Da Vinci and Montosco, with nominal shareholding. She owns 1.48% of Cosco's outstanding capital stock.

Finally, Atty. Bienvenido E. Laguesma is an Independent Director of both Cosco and Da Vinci.

(viii) ***Statement as to the steps to be taken, if any, to safeguard the interests of the shareholders***

Mr. Lucio L. Co, as the common Director of both parties to the Share Swap Transaction and of Montosco, abstained from voting on the proposed Share Swap Transaction during the special meeting of Da Vinci's Board held on February 19, 2021. The other shareholders of Montosco have been notified of the proposed Share Swap Transaction.

Atty. Bienvenido E. Laguesma, who is an Independent Director of both Cosco and Da Vinci, also abstained from voting on the proposed transaction.

(ix) ***Any other information necessary to enable the investor to make an informed investment decision***

The latest articles of incorporation, by-laws, general information sheet, and audited financial statements from the years 2017 to 2019 of Montosco are attached as **Annexes "B", "B-1", "B-2", "B-3", "B-4" and "B-5".**

Meritus Prime Distributions Inc.

(i) *Nature of business*

Meritus Prime Distributions, Inc. (“Meritus”) is a domestic corporation registered with the SEC on February 17, 2010, and was incorporated for the primary purpose of buying, selling, exporting, manufacturing, bottling and distribution of all kinds of wines, liquors, beers and other alcoholic and non-alcoholic beverages, etc.

(ii) *Major projects and investment*

Meritus prides itself by carrying the number one bourbon whisky brand in the world, "Jim Beam" and its strong relationship with Beam Suntory group - the third-largest spirits producer in the world. It also represents the portfolio of W. Grants where Glenfiddich, the leading single malt whisky in the world, is among its key brands. Rounding the list for Meritus are Roku and Hendricks- the hottest craft gin brands in the market.

(iii) *List of Subsidiaries and affiliates with percentage of holdings*

Meritus has no subsidiary.

(iv) *Capital Structure*

Type of Security	Amount (in PhP)	Number of Shares
Authorized Capital Stock		
Common Stock	750,000,000.00	7,500,000
Subscribed Shares		
Common Stock	750,000,000.00	7,500,000
Paid-up Capital		
Common Stock	750,000,000.00	7,500,000

Type of Security	Amount (in PhP)
Par Value	
Common Stock	100.00

(v) *Ownership Structure (including percentage of holdings)*

Name of Stockholder	Number of Shares	Percentage of Ownership
Cosco Capital, Inc.	7,499,994	100.00%
Lucio L. Co	1	0.00%
Susan P. Co	1	0.00%

Ferdinand Vincent P. Co.	1	0.00%
Pamela Justine P. Co	1	0.00%
Camille Clarisse P. Co	1	0.00%
Katrina Marie P. Co	1	0.00%

(vi) *Board of Directors, Principal Officers and Major Shareholders*

Board of Directors	
Camille Clarisse P. Co	Chairman of the Board
Pamela Justine P. Co	Director
Ferdinand Vincent P. Co.	Director
Susan P. Co	Director
Lucio L. Co	Director

Officers	
Camille Clarisse P. Co	President
Maridel Behagan	Vice President
Evelyn B. Binanitan	Corporate Secretary
Catherine W. Cai	Treasurer

(x) ***The interest which directors of the parties to the transaction have in the transaction***

Mr. Lucio L. Co is the Chairman of Cosco's Board, and a Director of both Meritus and Da Vinci. He owns 33% of Cosco's outstanding capital stock and has nominal shares in Meritus and is the ultimate beneficial owner of Invescap Incorporated which is the principal stockholder of Da Vinci.

Ms. Susan P. Co is the Vice Chairman of Cosco's Board and owns 24.73% of Cosco's outstanding capital stock. She is also a Director of Meritus and owns nominal share.

Ms. Camille Clarisse P. Co is a Director of Da Vinci, as well as the Chairman of the Board and President of Meritus. She owns 1.48% of Cosco's outstanding capital stock.

Lastly, Atty. Bienvenido E. Laguesma is an Independent Director of both Cosco and Da Vinci.

(xi) ***Statement as to the steps to be taken, if any, to safeguard the interests of the shareholders***

Mr. Lucio L. Co, as the common Director of both parties to the Share Swap Transaction and of Meritus, abstained from voting on the proposed Share Swap Transaction during the special meeting of Da Vinci's Board held on February 19, 2021. The other shareholders of Meritus have been notified of the proposed Share Swap Transaction.

Atty. Bienvenido E. Laguesma, who is an Independent Director of both Cosco and Da Vinci, also abstained from voting on the proposed share swap.

(xii) ***Any other information necessary to enable the investor to make an informed investment decision***

The latest articles of incorporation, by-laws, general information sheet, and audited financial statements of Meritus Prime are attached as **Annexes "C", "C-1", "C-2", "C-3", "C-4" and "C-5".**

Premier Wine and Spirits, Inc.

(i) *Nature of business*

Premier Wine and Spirits, Inc. (Premier) is a domestic corporation registered with the SEC on June 19, 1996, and was incorporated for the primary purpose of buying, selling, distributing and marketing at wholesale all kinds of goods, commodities and merchandise.

(ii) *Major projects and investment*

Premier's portfolio has a good balance of spirits, wines as well as specialty beverages. Its key distribution arrangements are with Treasury Wine Estates, the biggest publicly listed wine company in the world, Proximo Spirits of USA, Gruppo Campari of Italy, Jinro of South Korea, among others.

Premier and Pernod Ricard, the second largest spirits company in the world, formed a joint venture partnership, establishing Pernod Ricard Philippines, Inc., to be the marketing and distribution arm of Pernod brands in this market.

Amongst Premier's key brands are Jose Cuervo, the world's leading tequila; Jinro, the top spirits brand in the world; Penfolds, world's most admired wine brand; RedBull, world's number 1 energy drink; and Perrier, the leading sparkling water in the world.

(iii) *List of Subsidiaries and affiliates with percentage of holdings*

Premier has no subsidiary but it owns 30% equity of Pernod Ricard Philippines, the marketing and distribution arm of Pernod brands in the country.

(iv) Capital Structure

Type of Security	Amount (in PhP)	Number of Shares
Authorized Capital Stock		
Common Stock	150,000,000.00	1,500,000
Subscribed Shares		
Common Stock	150,000,000.00	1,500,000
Paid-up Capital		
Common Stock	150,000,000.00	1,500,000

Type of Security	Amount (in PhP)
Par Value	
Common Stock	100.00

(v) Ownership Structure (including percentage of holdings)

Name of Stockholder	Number of Shares	Percentage of Ownership
Cosco Capital, Inc.	149,999,300	100.00%
Jose Paulino Santamarina	1	0.00%
Robin Derrick Co Chua	1	0.00%
Susan P. Co	1	0.00%
Ferdinand Vincent P. Co	1	0.00%
Pamela Justine P. Co	1	0.00%
Camille Clarisse P. Co	1	0.00%
Katrina Marie P. Co	1	0.00%

(vi) Board of Directors, Principal Officers and Major Shareholders

Board of Directors	
Jose Paulino Santamarina	Chairman of the Board
Robin Derrick Co Chua	Director
Susan P. Co	Director
Ferdinand Vincent P. Co	Director
Pamela Justine P. Co	Director
Camille Clarisse P. Co	Director
Katrina Marie P. Co	Director

Officers	
Jose Paulino Santamarina	President
Evelyn B. Binanitan	Treasurer

Maricel B. Joyag	Corporate Secretary

(xiii) ***The interest which directors of the parties to the transaction have in the transaction***

Mr. Jose Paulino Santamarina is a Director of Da Vinci and at the same time the Chairman of the Board and President of Premier, owning nominal shares in the said companies.

Meanwhile, Ms. Susan P. Co is the Vice Chairman of Cosco's Board and owns 24.73% of Cosco's outstanding capital stock. She is also a Director of Premier and owns nominal share.

Mr. Robin Derrick Co Chua Co is a Director of both Da Vinci and Premier, owning nominal shares in the said companies.

Finally, Ms. Camille Clarisse P. Co is a Director of both Da Vinci and Premier, with nominal shareholding. She owns 1.48% of Cosco's outstanding capital stock.

(xiv) ***Statement as to the steps to be taken, if any, to safeguard the interests of the shareholders***

Mr. Lucio L. Co, as the common Director of both parties to the Share Swap Transaction, abstained from voting on the proposed Share Swap Transaction during the special meeting of Da Vinci's Board held on February 19, 2021. The other shareholders of Premier have been notified of the proposed Share Swap Transaction.

Atty. Bienvenido E. Laguesma is an Independent Director of both Cosco and Da Vinci. Hence, he likewise abstained from voting on the proposed transaction.

(xv) ***Any other information necessary to enable the investor to make an informed investment decision***

The latest articles of incorporation, by-laws, general information sheet, and audited financial statements of Premier are attached as **Annexes "D", "D-1", "D-2", "D-3", "D-4" and "D-5".**

Financial Information of Da Vinci, Cosco, Montosco, Meritus and Premier

Below are comparative tables summarizing the respective financial information of Da Vinci, Cosco, Montosco, Meritus and Premier for the last two fiscal years:

**Php in millions*

2018	Da Vinci	Cosco (as Parent Company)	Montosco	Meritus	Premier
Net sales or operating revenues (in PhP)	0.00	1,053,754,323	5,291,847,624	923,272,269	2,368,580,890
Income (loss) from continuing operations (in PhP)	-947,771.35	733,312,220	880,546,741	84,494,041	87,951,281
Long-term obligations and redeemable preferred stock (in PhP)	0.00	4,738,262,456	11,747,820	3,678,442	13,255,672

2019	Da Vinci	Cosco (as Parent Company)	Montosco	Meritus	Premier
Net sales or operating revenues (in PhP)	0.00	1,802,368,868	8,155,525,111	958,828,756	1,603,043,62
Income (loss) from continuing operations (in PhP)	-1,048,020.75	1,437,116,666	1,479,709,485	109,878,189	96,183,324
Long-term obligations and redeemable preferred stock (in PhP)	0.00	4,694,577,373	674,969,257	760,153	10,471,977

Below is a table summarizing the status of the shares of Da Vinci, Cosco, Montosco, Meritus and Premier on a historical and pro forma basis, for the last two fiscal years:

2018	Cosco (as Parent Company)	Da Vinci	Montosco	Meritus	Premier
Book Value per share (in PhP)	12.08	0.014	312.48	144.30	596.50
Cash Dividends declared per share (in PhP)	0.1	0.00	13.33	3.33	0.00
Income (loss) per share from continuing operations (in PhP)	0.20	-0.008	117.41	11.27	58.63

2019	Cosco (as Parent Company)	Da Vinci	Montosco	Meritus	Premier
Book Value per share (in PhP)	12.08	0.013	453.66	152.60	627.15
Cash Dividends declared per share (in PhP)	0.12	0.00	6.67	0.00	0.00
Income (loss) per share from continuing operations (in PhP)	0.198	-0.0009	197.30	14.65	64.12

Transactions of the Corporation with each of Cosco, Montosco, Meritus and Premier

During the past two fiscal years, the Corporation did not have any transactions with Cosco, Montosco, Meritus and Premier. Cosco and Da Vinci did not enter into any arrangement, contract, understanding or negotiation in the past, other than the proposed Share Swap Transaction.

(j) The interest which directors of the parties to the transaction have in the transaction

Mr. Lucio L. Co is the Chairman of both Da Vinci's and Cosco's Board. He owns 33% of Cosco's outstanding capital stock and is the ultimate beneficial owner of Invescap Incorporated which is the principal stockholder of Da Vinci.

He is also a Director of Montosco and Meritus.

Ms. Susan P. Co is the Vice Chairman of Cosco's Board and owns 24.73% of Cosco's outstanding capital stock. She is also a Director of Montosco, Meritus and Premier, who owns nominal shares in the said companies.
Ms. Camille Clarisse P. Co is a Director of both Da Vinci, Montosco and Premier, with nominal shareholdings. She owns 1.48% of Cosco's outstanding capital stock. She is also the Chairman of the Board and President of Meritus.

Mr. Robin Derrick Co Chua Co is a Director of both Da Vinci and Premier, owning nominal shares in the said companies.

Ms. Jannelle O. Uy is a Director of Da Vinci, as well as the Chairman of the Board and President of Montosco. She has nominal shares in both companies.

Lastly, Atty. Bienvenido E. Laguesma is an Independent Director of both Cosco and Da Vinci.

(k) Statement as to the steps to be taken, if any, to safeguard the interests of the shareholders

This Comprehensive Corporate Disclosure will be updated when the material terms and conditions of the transaction have been fixed and agreements have already been signed.

A stockholders' meeting will be held for the purpose of presenting to the stockholders the matters set forth above, among other matters, for their approval.

A copy of this Comprehensive Corporate Disclosure will be attached to the notice of the stockholders' meeting, which will be sent out to the stockholders.

(l) Any other information necessary to enable the investor to make an informed investment decision

For more information on Invescap, please see attached corporate records "**Annex E**" – Articles of Incorporation, "**Annex E-1**" – By Laws, "**Annex E-2**" – General Information Sheet, "**Annex E-3**" – 2019 Audited Financial Statements, "**Annex E-4**" – 2018 Audited Financial Statements, and "**Annex E-5**" – 2017 Audited Financial Statements.

To see the before and after organizational structure of the Corporation, please see attached "**Annex F and F-1**".

"ANNEX A"

SUBSCRIPTION CONTRACT

KNOWN ALL PERSONS BY THESE PRESENT:

This Subscription Contract is made and entered this JAN 28 2021 day of January 2021 by and between:

DA VINCI CAPITAL HOLDINGS, INC., a corporation duly organized and existing under the laws of the Philippines with principal office address at No. 900 Romualdez St., Paco, Manila represented herein by its Chairman and President, **Mr. Lucio L. Co** (referred herein as the "Issuer")

-and-

INVESCAP INCORPORATED, a corporation duly organized and existing under the laws of the Philippines with principal office address at No. 1343 Merced St., Paco, Manila represented herein by its Vice-President, **Ms. Ma. Editha D. Alcantara** (referred herein as the "Subscriber")

WITHNESSETH THAT:

WHEREAS, the Issuer has an authorized capital of Three Hundred Twenty-Seven Million Six Hundred Thousand Pesos (Php327,600,000.00) divided into One Billion Two Hundred Million (1,200,000) common shares with par value of Two and Three-Tenths Centavos (Php0.023) per share, and Three Billion (3,000,000,000) preferred shares with par value of Ten Centavos (Php0.10) per share;

WHEREAS, on October 26, 2020 and November 20, 2020 remote meetings of the Board of Directors and Stockholders of the Corporation, they have approved the increase of the authorized capital stock of the Corporation to Two Billion Pesos (Php2,000,000,000.00) divided into Twenty Billion (20,000,000,000) common shares at a par value of Ten Centavos (Php0.10).

WHEREAS, the Issuer has offered to sell shares of stock of the Corporation amounting to 25% of the increase of the capital stock, or Four Hundred Eighteen Million One Hundred Thousand Pesos (Php418,100,000.00) to the Subscriber, being the majority stockholder, and the Subscriber is willing and ready to buy the same.

NOW THEREFORE, in consideration of the foregoing and the subscription price indicated hereunder:

1. The Issuer has issued to the Subscriber the following shares of stock:

No. of Shares Subscribed	Amount Paid
4,181,000,000 @ P0.10 per share	P104,525,000.00

2. The Subscriber has paid 25% of the subscription amount to the Issuer in the amount of One Hundred Four Million Five Hundred Twenty-Five Thousand Pesos (P104,525,000.00) in cash.

3. The said amount paid was duly received by the Treasurer of the Issuer.

4. The parties hereby confirm the foregoing upon the signing of this subscription contract.

IN WITNESS WHEREOF, the parties have hereunto signed this Subscription Contract on this JAN 28 2021 day of January 2021 in the City of Manila.

DA VINCI CAPITAL HOLDINGS, INC.	**INVESCAP INCORPORATED**
Issuer	Subscriber
By:	By:
LUCIO L. CO	**MA. EDITHA D. ALCANTARA**
Chairman/President	Vice-President

Signed in the presence of:

________________________ ________________________

ACKNOWLEDGEMENT

Republic of the Philippines)
City of Manila) S.S
x--------------------------------x

BEFORE ME, a Notary of Public in and for City of Manila, Philippines, this JAN 28 2021 day of January 2021 personally appeared:

Name	Competent Evidence of Identity
Lucio L. Co Representing Da Vinci Capital Holdings, Inc.	TIN No. [redacted]
Ma. Editha D. Alcantara Representing Invescap Incorporated	TIN No. [redacted]

All known to me and to me known to be the same persons who executed the foregoing Subscription Contract and they acknowledged to me that the same is their free and voluntarily act and deed and of the corporations they represent.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal on this JAN 28 2021 day of January 2021 in the City of Manila.

Doc. No. 244
Page No. 50
Book No. XVII
Series of 2021.

CAROLINE G. EXCONDE
Notary Public for the City of Manila
Commission No. 2020-085 until December ...
Roll No. 55392/05-02-2008
IBP No. 099374/12-18-2019/PPLM
PTR No. 9097749/12-18-2019/Manila
MCLE Compliance No. VI-0024755/05-17-...
No. 900 Romualdez St., Paco, Manila 1007

"ANNEX B"

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor. Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CS200812528

**CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION**

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MONTOSCO, INC.
(Amending Article III thereof)

copy annexed, adopted on September 14, 2018 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 1st day of April, Twenty Nineteen.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

STA/qba

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application: AMENDMENT

SEC Registration Number: CS200812528

Former Company Name

M O N T O S C O , I N C .

AMENDED TO:

New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

UNIT 1501 FEDERAL TOWER

DASMARIÑAS ST., BINONDO, MANILA

ZIP CODE: 1006

COMPANY INFORMATION

Company Email Address	Company's Telephone Number/s	Mobile Number
inquire@montosco.com.ph	243-3843	09178327585

CONTACT PERSON INFORMATION

The designated person MUST be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Evelyn B. Binanitan		(02) 522-8801	

Contact Person's Address

No. 900 Romualdez St., Paco, Manila

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor			

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION

OF

MONTOSCO, INC.

KNOW ALL MEN BY THESE PRESENTS:

The undersigned incorporators, all of legal age, and all of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily agreed to form a stock corporation under the laws of the Republic of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: The name of this corporation shall be:

MONTOSCO, INC.

SECOND: A. That the primary purpose of this corporation is

To engage in the business of trading goods such as consumer goods (canned goods, houseware, toiletries, etc.) on the wholesale/retail basis.

B. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the corporation is to be established is at Unit 1501 Federal Tower, Dasmariñas St., Brgy. 282, Zone 026, San Nicolas, Manila 1010.
(As amended by all the members of the Board of Directors and all stockholders representing at least two/thirds (2/3) of the entire issued and outstanding capital stock at a special meeting held on September 14, 2018).

FOURTH: That the term of for which the corporation is to exist is fifty (50) years from the year from and after the date of issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residents of the incorporators are as follows;

Name	Nationality	Residence
Baby Gerlie I. Sacro	Filipino	[redacted]
Rachelle M. Tan	Filipino	[redacted]
Maricel Bueno	Filipino	[redacted]
Wendy A. Valmocina	Filipino	[redacted]
Ariane Agregado	Filipino	[redacted]

SIXTH: That the number of directors of said corporation shall be Five (5) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Baby Gerlie I. Sacro	Filipino	[redacted]
Rachelle M. Tan	Filipino	[redacted]
Maricel Bueno	Filipino	[redacted]
Wendy A. Valmocina	Filipino	[redacted]
Ariane Agregado	Filipino	[redacted]

SEVENTH: That the authorized capital stock of the corporation is Seven Hundred Fifty Million (P750,000,000.00) pesos in lawful money of the Philippines, divided into Seven Million Five Hundred (7,500,000,000) shares with the par value of One Hundred Pesos (P100.00) each.
(As amended by all the members of the Board of Directors and all stockholders representing at least two/thirds (2/3) of the entire issued and outstanding capital stock at a special meeting held on December 08, 2016).

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Baby Gerlie I. Sacro	Filipino	5,000	500,000.00	125,500.00
Rachelle Tan	Filipino	5,000	500,000.00	125,500.00
Maricel Bueno	Filipino	5,000	500,000.00	125,000.00
Wendy Valmocina	Filipino	5,000	500,000.00	125,000.00
Ariane Agregado	Filipino	5,000	500,000.00	125,000.00
Total		25,000	2,500,000.00	625,000.00

NINTH: No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all or its stock certificates issued by the corporation.

TENTH: That Rachelle Tan has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the corporation manifests its willingness to change its corporate name in the event another person, firm or entity has acquired a prior right to use the said firm name or one deceptively or confusingly similar to it.

In Witness whereof, we have set out hands this 29th day of July, 2008 at Manila.

(Signed) BABY GERLIE I. SACRO [redacted]	(Signed) RACHELLE TAN [redacted]
(Signed) MARICEL BUENO [redacted]	(Signed) WNEDY VALMOCINA [redacted]
(Signed) ARIANE L. AGREGADO [redacted]	

WITNESSES:

________________ ________________

ACKNOWLEDGEMENT

Republic of the Philippines)
Manila.) S.S.

BEFORE ME, a Notary Public in and for Manila Philippines, this 20th day of March, 2006, personally appeared:

Name	Community Tax Certificate No.	Date & Place Issued
Baby Gerlie I. Sacro	13416098	January 11, 2008/Manila
Rachelle Tan	13260163	January 30, 2008/Manila
Maricel Bueno	12249799	January 30, 2008/Manila
Wendy Valmocina	12249819	January 30, 2008/Manila
Ariane Agregado	12249808	January 30, 2008/Manila

all known to me and to me known to be the same persons who executed the foregoing ARTICLES OF INCORPORATION and acknowledged to me that the same is their free and voluntarily act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the first above written.

Doc. No. 461;
Page No. 93;
Book No. 10;
Series of 2008

(SIGNED)
ATTY. RICHARD L. ANOLIN
NOTARY PUBLIC
Until December 31, 2009
IBP LIFETIME NO. 05179/02-12-05/MLA
PTR NO. 6247984/1-7-08/MLA
ROLL NO. 33596

"ANNEX B-1"

(STOCK)

BY - LAWS

OF

MONTOSCO, INC.

(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions - Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate - The stockholder shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be signed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares - Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates - In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Annual / Regular Meetings - The annual/regular meetings of stockholders shall be held at the principal office on ~~June 30~~ of each year, if legal holiday, then on the day following.

Section 2. Special Meeting - The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting - Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting - Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum - Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting - Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting - At all meetings of stockholders, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date - For the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for ten (10) working days immediately preceding such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of the Board - Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a.) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b.) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c.) To invest the funds of the corporation in other corporations or for purposes other than those for which the corporation was organized, subject to such stockholders' approval as may be required by law;

d.) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e.) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f.) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officer are either plaintiffs or defendants in connection with the business of the corporation;

g.) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation with such powers and upon such terms as may be deemed fit;

h.) To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under the Corporation Code.

Section 2. Election and Term - The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies - Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings - Regular meetings of the Board of Directors shall be held once a month on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice - Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telegram, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum - A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings - Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Section 8. Compensation - By- resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

ARTICLE IV

OFFICER

Section 1. Election / Appointment - Immediately after their election, the Board of Directors shall formally organize by electing the President, the Vice-President, the Treasurer, and the Secretary at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President - The President shall be the Chief Executive Officer of the corporation and shall exercise the following functions:

a.) To preside at the meetings of the stockholders;

b.) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c.) To supervise and manage the business affairs of the corporation upon the direction of the Board of Directors;

d.) To implement the administrative and operational policies of the corporation under his supervision and control;

e.) To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f.) To oversee the preparation of the budgets and the statements of accounts of the corporation;

g.) To represent the corporation at all functions and proceedings;

h.) To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors.

i.) To make reports to the Board of Directors and stockholders;

j.) To sign certificates of stock;

k.) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice-President - He shall, if qualified, act as President in the absence of the latter. He shall have such other powers and duties as may from time to time be assigned to him by the Board of Directors or by the President.

Section 4. The Secretary - The Secretary must be a resident and a citizen of the Philippines. He shall have the following specific powers and duties:

a.) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b.) To keep record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c.) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d.) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e.) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.

f.) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election.

g.) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 5. The Treasurer - The Treasurer of the corporation shall have the following duties:

a.) To keep full and accurate accounts of receipts and disbursements in the books of the corporation;

b.) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c.) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d.) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e.) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f.) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 6. Term of Office - The term of office of all officers shall be one (1) year and until their successors are duly elected and qualified.

Section 7. Vacancies - If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 8. Compensation - The officers shall receive such renumeration as the Board of Directors may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor - At the regular stockholders' meeting, the external auditor of the corporation for the ensuing year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year - The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends - Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII

SEAL

Section 1. Form and Inscriptions - The corporate seal shall be determined by the Board of Directors.

ARTICLE VIII

AMENDMENTS

Section 1. These by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

IN WITNESS WHEREOF, we, the undersigned stockholders have adopted the foregoing by-laws and hereunto affixed our signatures this 29th day of July, 200 8 at City of Manila.

(Note: 1. If filed with Articles of Incorporation, these by-laws should be signed by all incorporators;

2. If filed after incorporation, should be signed by majority of the subscribers and should submit director's certificate for the adoption of the by-laws.)

BABY GERLIE SACRO
[redacted]

RACHELLE TAN
[redacted]

MARICEL BUENO
[redacted]

WENDY VALMOCINA
[redacted]

ARIANE AGREGADO
[redacted]

"ANNEX B-2"

Securities and Exchange Commission
Electronic Records Management Division
SEP 09 2020
ICTD

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2020

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME: MONTOSCO, INC.		DATE REGISTERED: August 13, 2008
BUSINESS/TRADE NAME: MONTOSCO, INC.		FISCAL YEAR END: December 31st
SEC REGISTRATION NUMBER: CS200812528		
DATE OF ANNUAL MEETING PER BY-LAWS: 30th day of June		CORPORATE TAX IDENTIFICATION NUMBER (TIN): 007-097-056
ACTUAL DATE OF ANNUAL MEETING: August 18, 2020		WEBSITE/URL ADDRESS: N/A
COMPLETE PRINCIPAL OFFICE ADDRESS: Unit 1501 Federal Tower, Dasmariñas St., San Nicolas, Manila		E-MAIL ADDRESS: N/A
COMPLETE BUSINESS ADDRESS: Unit 1501 Federal Tower, Dasmariñas St., San Nicolas, Manila		FAX NUMBER: (02) 8353-9680
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: R.G. Manabat & Company / Gregorio I. Sambrano, Jr.	SEC ACCREDITATION NUMBER (if applicable): N/A	TELEPHONE NUMBER(S): (02) 8243-5530 / 8243-8343
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: To engage in the business of trading goods such as consumer goods on wholesale/retail basis	INDUSTRY CLASSIFICATION: N/A	GEOGRAPHICAL CODE: N/A

=============================== INTERCOMPANY AFFILIATIONS ===============================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Cosco Capital, Inc.	147669	No. 900 Romualdez St., Paco, Manila
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
N/A	N/A	N/A

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

Corporate Name:	MONTOSCO, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.
- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.
- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.
- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:
- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:
- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business:	To engage in the business of trading of goods such as consumer goods on wholesale / retail basis

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** ===================================

CORPORATE NAME:	**MONTOSCO, INC.**

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	7,500,000	100.00	750,000,000.00
	TOTAL	**7,500,000**	**TOTAL P**	**750,000,000.00**

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON	7,500,000	100.00		750,000,000.00	100.00%
		COMMON					
		TOTAL	**7,500,000**	**TOTAL**	**TOTAL P**	**750,000,000.00**	**100.00%**

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A		N/A	N/A
Percentage of Foreign Equity :		**TOTAL**	**0**	**TOTAL**	**TOTAL P**	**0.00**	**0.00%**
					TOTAL SUBSCRIBED P	**750,000,000.00**	**100.00%**

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON	7,500,000	100.00	750,000,000.00	100.00%
		TOTAL	**7,500,000**	**TOTAL P**	**750,000,000.00**	**100.00%**

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A	N/A	N/A
		TOTAL	**0**	**TOTAL P**	**0.00**	**0.00%**
				TOTAL PAID-UP P	**750,000,000.00**	**100.00%**

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: MONTOSCO, INC.

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. JANNELLE O. UY [redacted]	Filipino	N	C	F	Y	Chairman and President	N/A	[redacted]
2. LUCIO L. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
3. SUSAN P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
4. PAMELA JUSTINE P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
5. CAMILLE CLARISSE P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
6. MARICEL B. JOYAG [redacted]	Filipino	N	N	F	N	Vice-President	N/A	[redacted]
7. EVELYN B. BINANITAN [redacted]	Filipino	N	N	F	N	Corporate Secretary	N/A	[redacted]
8. MARIA CRISANTA A. RELOS [redacted]	Filipino	N	N	F	N	Treasurer	N/A	[redacted]

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET
STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================							
CORPORATE NAME:	MONTOSCO, INC.						
TOTAL NUMBER OF STOCKHOLDERS:	7	NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:					1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:		5,526,073,931.00					
STOCKHOLDER'S INFORMATION							
NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER	
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP			
1 COSCO CAPITAL, INC.	COMMON	7,499,994	749,999,400.00	100.00%	749,999,400.00	[redacted]	
FILIPINO							
[redacted]							
	TOTAL	7,499,994	749,999,400.00				
2. LUCIO L. CO	COMMON	1	100.00	0.00%	100.00	[redacted]	
FILIPINO							
[redacted]							
	TOTAL	1	100.00				
3. SUSAN P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]	
FILIPINO							
[redacted]							
	TOTAL	1	100.00				
4. JANNELLE O. UY	COMMON	1	100.00	0.00%	100.00	[redacted]	
FILIPINO							
[redacted]							
	TOTAL	1	100.00				
5. PAMELA JUSTINE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]	
FILIPINO							
[redacted]							
	TOTAL	1	100.00				
6. CAMILLE CLARISSE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]	
FILIPINO							
[redacted], MAKATI CITY							
	TOTAL	1	100.00				
7. KATRINA MARIE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]	
FILIPINO							
[redacted], MAKATI CITY							
	TOTAL	1	100.00				
TOTAL AMOUNT OF SUBSCRIBED CAPITAL				100.00%	750,000,000.00		
TOTAL AMOUNT OF PAID-UP CAPITAL							

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

GENERAL INFORMATION SHEET
STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: MONTOSCO, INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N/A	N/A	N/A

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N/A	

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR : 1,702,740,656.00

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	50,000,000.00	December 5, 2019
5.2 STOCK	N/A	N/A
5.3 PROPERTY	N/A	N/A
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
N/A	N/A	N/A

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
1,878,596.00	20	55	75

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, EVELYN B. BINANITAN Corporate Secretary of MONTOSCO, INC. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this SEP 07 2020 day of 2020 in the City of Manila.

EVELYN B. BINANITAN
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in the City of Manila on SEP 07 2020 by affiant who personally appeared before me and exhibited to me her Tax Identification Card with no. [redacted] issued by the Bureau of Internal Revenue.

Doc. No. 45
Page No. 14
Book No. 24
Series of 2020.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9120218/01-02-2020/Mla.
MCLE Compliance No. VI-0022488/04-16-19
No. 900 Romualdez St., Paco, Manila

"ANNEX B-3"

MONTOSCO INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MONTOSCO, INC.** (the **"Company"**) is responsible for the preparation and fair presentation of the separate financial statements, including the schedule attached therein, as at and for the years ended **December 31, 2019 and 2018,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

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

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

JANNELLE O. UY
President and Chairman of the Board

MARIA CRISANTA A. RELOS
Treasurer

Signed this 9th day of June 2020

Unit 1501 Federal Tower Dasmariñas Street, Binondo, Manila Philippines
Tel Nos. (02) 243-5530/243-50-69/243-38-43 | Fax No. 353-69-80

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 8 1 2 5 2 8

COMPANY NAME

MONTOSCO, INC.
(A Wholly-owned Subsidiary of
Cosco Capital, Inc.)

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

1501 Federal Tower Dasmariñas
Street, Binondo, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 30	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co		(02) 242-0635	

CONTACT PERSON's ADDRESS

1501 Federal Tower, Dasmariñas Street, Binondo, Manila

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

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

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended 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 the 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited the accompanying financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2019, on which we have rendered our report dated June 25, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has only one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
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Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018 (As restated - see Note 22)	January 1, 2018 (As restated - see Note 22)
ASSETS				
Current Assets				
Cash	5, 19	**P167,845,035**	P82,601,501	P263,925,726
Trade and other receivables	6, 19	**1,444,904,280**	848,714,407	1,053,351,711
Inventories	7, 15	**3,427,765,849**	2,541,957,090	1,262,556,953
Prepaid expenses and other current assets	8	**445,282,867**	740,298,607	427,302,948
Total Current Assets		**5,485,798,031**	4,213,571,605	3,007,137,338
Noncurrent Assets				
Right-of-use assets - net	16	**26,735,588**	20,667,907	1,066,473
Property and equipment - net	9	**9,412,433**	9,170,411	5,096,872
Refundable deposits	10, 19	**4,127,879**	2,145,883	2,037,453
Total Noncurrent Assets		**40,275,900**	31,984,201	8,200,798
		P5,526,073,931	P4,245,555,806	P3,015,338,136
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11, 19	**P1,124,965,435**	P582,285,313	P183,682,620
Notes payable	12, 19	**120,000,000**	353,000,000	700,000,000
Income tax payable		**139,332,117**	84,864,439	60,764,797
Lease liabilities - current	16, 19	**14,431,292**	10,544,520	745,356
Dividends payable	13, 14, 19	**50,000,000**	200,000,000	100,000,000
Advances from a stockholder	13, 19	**-**	659,500,000	-
Advances from Parent Company		**-**	-	234,000,000
Total Current Liabilities		**1,448,728,844**	1,890,194,272	1,279,192,773
Noncurrent Liabilities				
Advances from a stockholder	13, 19	**659,500,000**	-	-
Lease liabilities - net of current portion	16, 19	**13,128,665**	10,634,913	395,719
Retirement benefits liability	17	**2,340,592**	1,112,907	1,550,561
Total Noncurrent Liabilities		**674,969,257**	11,747,820	1,946,280
Total Liabilities		**2,123,698,101**	1,901,942,092	1,281,139,053
Equity				
Capital stock	14	**750,000,000**	750,000,000	750,000,000
Retained earnings				
Unappropriated	14	**1,702,740,656**	643,053,859	984,240,216
Appropriated	14	**950,000,000**	950,000,000	-
Accumulated remeasurements on retirement benefits	17	**(364,826)**	559,855	(41,133)
Total Equity		**3,402,375,830**	2,343,613,714	1,734,199,083
		P5,526,073,931	P4,245,555,806	P3,015,338,136

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 22)
NET SALES	*13*	**P8,155,525,111**	P5,291,847,624
COST OF GOODS SOLD	*15*	**6,130,312,640**	4,019,765,423
GROSS PROFIT		**2,025,212,471**	1,272,082,201
OPERATING EXPENSES			
Advertisement		**219,525,677**	190,123,388
Distribution costs		**150,239,260**	76,069,173
Outside services		**50,539,982**	44,034,167
Taxes and licenses		**44,623,004**	10,699,402
Salaries and other employee benefits	*17*	**25,131,216**	21,587,006
Depreciation and amortization	*9, 16*	**16,351,559**	13,598,013
Utilities and communication		**7,930,241**	7,059,934
Insurance		**5,647,927**	6,163,715
Transportation and travel		**6,481,385**	6,110,201
Representation and entertainment		**2,107,411**	1,514,791
Miscellaneous		**16,925,324**	14,575,670
		545,502,986	391,535,460
INCOME FROM OPERATIONS		**1,479,709,485**	880,546,741
OTHER INCOME - Net			
Interest expense	*12, 13, 16*	**(34,723,895)**	(14,705,331)
Foreign exchange gains - net		**31,816,959**	32,586,368
Interest income	*5*	**3,195,077**	2,397,647
Commission income		**-**	53,674,117
		288,141	73,952,801
INCOME BEFORE INCOME TAX		**1,479,997,626**	954,499,542
PROVISION FOR INCOME TAX	*18*	**370,310,829**	245,685,899
NET INCOME		**1,109,686,797**	708,813,643
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits	*17*	**(924,681)**	600,988
TOTAL COMPREHENSIVE INCOME		**P1,108,762,116**	P709,414,631

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Capital Stock (Note 14)	Retained Earnings Unappropriated (Note 14)	Retained Earnings Appropriated (Note 14)	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
Balances at January 1, 2018, as previously reported		P750,000,000	P984,279,425	P -	(P41,133)	P1,734,238,292
Restatements	22	-	(39,209)	-	-	(39,209)
Balances at January 1, 2018, as restated		750,000,000	984,240,216	-	(41,133)	1,734,199,083
Net income for the year, as previously reported		-	709,250,568	-	-	709,250,568
Restatements	22	-	(436,925)	-	-	(436,925)
Net income for the year, as restated			708,813,643	-	-	708,813,643
Other comprehensive income for the year		-	-	-	600,988	600,988
Total comprehensive income for the year, as restated		-	708,813,643	-	600,988	709,414,631
Cash dividend declaration		-	(100,000,000)	-	-	(100,000,000)
Appropriation during the year		-	(950,000,000)	950,000,000	-	-
Balances at December 31, 2018, as restated		750,000,000	643,053,859	950,000,000	559,855	2,343,613,714
Net income for the year		-	1,109,686,797	-	-	1,109,686,797
Other comprehensive loss for the year		-	-	-	(924,681)	(924,681)
Total comprehensive income (loss) for the year		-	1,109,686,797	-	(924,681)	1,108,762,116
Cash dividend declaration		-	(50,000,000)	-	-	(50,000,000)
Balances at December 31, 2019		**P750,000,000**	**P1,702,740,656**	**P950,000,000**	**(P364,826)**	**P3,402,375,830**

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 22)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P1,479,997,626**	P954,499,542
Adjustments for:			
Interest expense	*12, 13, 16*	**34,723,895**	14,705,331
Depreciation and amortization	*9, 16*	**16,351,559**	13,598,013
Interest income	*5*	**(3,195,077)**	(2,397,647)
Retirement benefits costs	*17*	**303,004**	283,334
Unrealized foreign exchange loss - net		**252,952**	6,578,977
Operating income before working capital changes		**1,528,433,959**	987,267,550
Decrease (increase) in:			
Trade and other receivables		**(596,189,873)**	203,575,979
Inventories		**(885,808,759)**	(1,279,400,137)
Prepaid expenses and other current assets		**295,015,740**	(312,995,659)
Increase in trade and other payables		**546,585,766**	389,906,226
Cash generated from (used in) operations		**888,036,833**	(11,646,041)
Income taxes paid		**(315,843,151)**	(221,586,257)
Interest received	*5*	**3,195,077**	2,397,647
Retirement benefits paid	*17*	**-**	(120,000)
Net cash from (used in) operating activities		**575,388,759**	(230,954,651)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	**(3,436,241)**	(6,804,362)
Additions to refundable deposits		**(1,981,996)**	(108,430)
Cash used in investing activities		**(5,418,237)**	(6,912,792)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Notes payable	*12*	**(353,000,000)**	(700,000,000)
Dividends	*14*	**(200,000,000)**	-
Interest on advances from a stockholder	*13*	**(30,798,416)**	-
Lease liabilities	*16*	**(14,159,698)**	(11,690,080)
Interest on notes payable	*12*	**(6,745,000)**	(10,251,527)
Advances from Parent Company	*13*	**-**	(234,000,000)
Proceeds from availment of:			
Notes payable	*12*	**120,000,000**	353,000,000
Advances from a stockholder	*13*	**-**	659,500,000
Net cash from (used in) financing activities		**(484,703,114)**	56,558,393
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(23,874)**	(15,175)
NET INCREASE (DECREASE) IN CASH		**85,243,534**	(181,324,225)
CASH AT BEGINNING OF YEAR		**82,601,501**	263,925,726
CASH AT END OF YEAR	*5*	**P167,845,035**	P82,601,501

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Montosco, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 13, 2008. The principal activity of the Company is to engage in the business of trading consumer goods on wholesale basis.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. (the "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at the 1501 Federal Tower, Dasmariñas Street, Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on June 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following new standard starting January 1, 2019 and accordingly, changed its accounting policies.

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Company applied PFRS 16 using the retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2018. Accordingly, the comparative information presented, as at and for the year ended December 31, 2018, is restated.

  The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

  - Applied a single discount rate to a portfolio of leases with similar characteristics;
  - Applied the exemption not to recognize right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application;
  - Excluded initial direct costs from measuring the right of-use asset at the date of initial application; and
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

  Impact on Financial Statements

  In transition to PFRS 16 on January 1, 2019 using the retrospective approach, the Company recognized right-of-use assets and lease liabilities on the commencement date of the lease agreement. Consequently, the cumulative effect of the transition was recognized on January 1, 2018. The impact on transition as at January 1, 2018 is presented in notes for prior period restatement (see Note 22).

As at January 1, 2018, the Company recognized ROU assets and lease liabilities amounting to P1,066,473 and P1,141,075, respectively. As at December 31, 2019 and 2018, the carrying amounts of the ROU assets and lease liabilities are as follows:

	Note	**2019**	2018
ROU Assets	*16*	**P26,735,588**	P20,667,907
Lease liabilities	*16*	**27,559,957**	21,179,433

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of date of lease commencement date. The weighted average rate applied is 4.74%.

The Company has also adopted the following amendments to standards and interpretations which did not have any significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation (Amendments)*
- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)*
- Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2019.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations), notes payable, dividends payable, advances from a stockholder and lease liabilities as at December 31, 2019 and 2018.

Impairment of Financial Assets
The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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 rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Fair Value Measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 markets 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2019 and 2018, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and water, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statement of financial position.

Refundable Deposits

Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Office equipment	2
Furniture and fixtures	2
Computer software license	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Commission Income
Commission is recognized at a point in time when the related indirect sale of goods have been received and accepted by the buyer at their premises.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as Lessee

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for accrued rent payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the ROU asset reflects that the Company will exercise a purchase option. In that case, the ROU asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The ROU asset is presented as a separate line item in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is 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 a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the amortization charge for the ROU asset. The interest expense on lease liability is presented under "Costs and expenses" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation

Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The Company plans to adopt the amendments to standard on the required effective date.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a.) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b.) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c.) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d.) clarifying the explanatory paragraphs accompany the definition; and

  (e.) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 16).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).

- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The Company uses an allowance matrix to measure the ECLs of its trade receivables from individual customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates computed were based on actual credit loss experience over the last three years. As the profile of the Company's trade receivables is substantially current and past due trade receivables are no more than one year, the computed estimated allowance using the loss rates is not significant to the Company's financial statements.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P1,449,032,159 and P850,860,290 as at December 31, 2019 and 2018, respectively (see Notes 6, 10 and 19).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2019 and 2018 are P3,427,765,849 and P2,541,957,090, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2019 and 2018.

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful lives of property and equipment in 2019 and 2018.

The carrying amounts of property and equipment as at December 31, 2019 and 2018 amounted to P9,412,433 and P9,170,411, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P2,340,592 and P1,112,907 as at December 31, 2019 and 2018, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

In 2019 and 2018, the Company elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. The Company intends to continue its availment of the optional standard deduction in the subsequent years.

As at December 31, 2019 and 2018, the Company has not recognized deferred income tax assets arising from temporary differences amounting to a total of P3,417,913 and P8,203,410, respectively (see Note 18).

5. Cash

This account consists of:

	Note	**2019**	2018
Cash on hand		**P439,000**	P421,000
Cash in banks	*19*	**167,406,035**	82,180,501
		P167,845,035	P82,601,501

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P3,195,077 and P2,397,647 in 2019 and 2018, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	**2019**	2018
Trade			
Third parties		**P871,332,204**	P657,395,462
Related parties	*13*	**567,717,139**	185,699,843
Nontrade		**5,393,020**	5,091,591
Others		**461,917**	527,511
	19	**P1,444,904,280**	P848,714,407

Trade receivables are non-interest-bearing and are generally on a 30 to 60-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses incurred by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

There was no allowance for impairment losses on receivables as at December 31, 2019 and 2018.

7. Inventories

This account consists of:

	Note	**2019**	2018
At cost:			
Spirits		**P3,392,677,145**	P2,521,243,647
Wines		**34,883,522**	20,713,443
Others		**205,182**	-
	15	**P3,427,765,849**	P2,541,957,090

Cost of goods sold recognized in profit or loss amounted to P6,130,312,640 and P4,019,765,423 in 2019 and 2018, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Prepaid duties and taxes	**P328,088,254**	P543,115,123
Advances to suppliers	**84,110,586**	105,397,992
Input VAT	**28,672,444**	91,102,251
Prepaid import charges	**1,715,615**	369,522
Other prepaid expenses	**2,695,968**	313,719
	P445,282,867	P740,298,607

Prepaid duties and taxes include advance payment for excise taxes, customs duties and seals for purchased goods not yet received.

Advances to suppliers pertain to partial down payment made by the Company to suppliers which will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Computer Software License	Total
Cost						
December 31, 2017	P7,389,343	P2,295,229	P1,523,796	P1,759,428	P -	P12,967,796
Additions	6,635,464	-	152,898	16,000	-	6,804,362
December 31, 2018	14,024,807	2,295,229	1,676,694	1,775,428	-	19,772,158
Additions	1,848,214	-	566,875	-	1,021,152	3,436,241
December 31, 2019	**15,873,021**	**2,295,229**	**2,243,569**	**1,775,428**	**1,021,152**	**23,208,399**
Accumulated Depreciation and Amortization						
December 31, 2017	3,418,644	1,391,060	1,334,940	1,726,280	-	7,870,924
Depreciation and amortization	1,800,905	706,140	184,631	39,147	-	2,730,823
December 31, 2018	5,219,549	2,097,200	1,519,571	1,765,427	-	10,601,747
Depreciation and amortization	2,503,146	198,029	249,144	8,000	235,900	3,194,219
December 31, 2019	**7,722,695**	**2,295,229**	**1,768,715**	**1,773,427**	**235,900**	**13,795,966**
Net Book Value						
December 31, 2018	P8,805,258	P198,029	P157,123	P10,001	P -	P9,170,411
December 31, 2019	**P8,150,326**	**P -**	**P474,854**	**P2,001**	**P785,252**	**P9,412,433**

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 were charged as part of "Operating Expenses" in profit or loss.

10. Refundable Deposits

This account consists of:

	Note	2019	2018
Security deposits	*16*	**P3,981,061**	P2,007,564
Others		**146,818**	138,319
	19	**P4,127,879**	P2,145,883

11. Trade and Other Payables

This account consists of:

	Note	2019	2018 (As restated - see Note 22)
Trade payables	*19*	**P992,362,760**	P496,420,164
Non-trade payables	*19*	**112,569,905**	75,505,513
Accrued expenses	*19*	**17,486,364**	6,459,610
Statutory obligations		**2,546,406**	3,900,026
		P1,124,965,435	P582,285,313

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest-bearing and are generally on a 30-day payment term.

Accrued expenses consist of accruals for interest, utilities, advertisement and other operating expenses.

12. Notes Payable

In 2018, the Company entered into various unsecured, short-term loans with maturities of less than one year from Metropolitan Bank and Trust Company and Asia United Bank totaling to P203,000,000 with a fixed annual interest of 5.25% to 6.00% and P150,000,000 with fixed annual interest of 6.00%, respectively. These notes were paid in 2019.

On November 20, 2019, the Company obtained an unsecured, three-month loan from Metropolitan Bank and Trust Company amounting to P120,000,000 with a fixed interest of 4.50%.

The proceed from these loan availments were intended to finance the Company's working capital requirements.

Interest expense recognized in profit or loss relating to notes payable amounted to P6,745,000 and P7,560,695 for the years ended December 31, 2019 and 2018, respectively.

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
Parent Company							
• Interest expense	2019	c	P -	P -	P -	Annual interest at 1.8%,	
	2018		1,750,100	-	-	payable on a monthly basis	
• Dividends	2019	14	50,000,000	-	50,000,000	Due and demandable	Unsecured
	2018		100,000,000	-	200,000,000		
Entities under Common Control							
• Sales of goods	2019	6, a	2,375,870,288	567,717,139	-	30 days credit term;	Unsecured;
	2018		1,313,414,818	185,699,843	-	non-interest bearing	no impairment
• Lease expense	2019	16, b	14,472,541	-	27,559,957	Payable on a monthly basis	Unsecured
	2018		12,127,004	-	21,179,433		
Stockholder							
• Advances	2019	d	-	-	659,500,000	2 years; annual interest of 4%	Unsecured
	2018		659,500,000	-	659,500,000		
• Interest expense	2019	d	26,663,694	-	-	Annual interest of 4.00%,	Unsecured
	2018		4,134,722	-	4,134,722	payable on a monthly basis	
	2019			P567,717,139	P737,059,957		
	2018			P185,699,843	P884,814,155		

a. In the normal course of business, the Company distributes wines, liquors and water to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse. Lease expenses include amortization expense on ROU assets and interest expense on lease liabilities (see Note 16).

c. In prior years, the Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years. The principal, amounting to P234,000,000, and related interest, amounting to P1,750,100, were paid by the Company in 2018.

d. In 2018, the Company received cash advances from a stockholder in a form of promissory notes. These advances earn fixed annual interest rate of 4.00% with maturities of one (1) year. The advances were intended for the Company's working capital requirements to finance inventory purchases.

   On November 5, 2019, both parties renewed the promissory note for the same amount and interest rate with a new maturity date of November 21, 2021.

   Interest expense recognized in profit or loss relating to advances from a stockholder amounted to P26,663,694 and P4,134,722 for the years ended December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, outstanding interest payable related to these loans recorded as part of "Accrued expenses" under "Trade and other payables" account in the statement of financial position amounted to nil and P4,134,722, respectively (see Note 11).

There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock
The balances as at December 31, 2019 and 2018 are as follows:

	Number of Shares	Amount
Authorized P100 par value	7,500,000	P750,000,000
Issued and Outstanding		
Balance at beginning and end of year	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

Declaration of Dividends
On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date. These were paid in 2019.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date. These were paid in 2019.

On December 5, 2019, the Company's BOD approved the declaration of cash dividends of P6.66 per share or an aggregate amount of P50,000,000 payable to stockholders of record as of the same date. These dividends are outstanding as of December 31, 2019.

Retained Earnings
Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code.

On December 13, 2018, the BOD approved the appropriation of P950,000,000 from the Company's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction is expected to be completed in December 2020.

As at December 31, 2019, the Company has retained earnings in excess of its paid-up capital amounting to P952,740,656. These retained earnings, which resulted substantially from the net income for the current year, will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances. It is the Company's practice to declare cash dividends on a yearly basis subject to the availability of cash.

15. Cost of Goods Sold

This account consists of:

	Note	**2019**	2018
Inventory at beginning of year	7	**P2,541,957,090**	P1,262,556,953
Net purchases		**7,016,121,399**	5,299,165,560
Total goods available for sale		**9,558,078,489**	6,561,722,513
Inventory at end of year	7	**3,427,765,849**	2,541,957,090
		P6,130,312,640	P4,019,765,423

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for its office space with an area of 150.84 square meters. The lease is for a period of two (2) years until June 30, 2016. The lease was renewed for another 3 years until June 30, 2019. The parties have agreed to further renew the lease for a period of three (3) years from July 1, 2019 to June 30, 2022. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 5,770.84 square meters. The lease is for a period of two (2) years commencing on January 1, 2016 until December 31, 2017. The lease was renewed for another three (3) years until December 31, 2020.

c. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 2,025.38 square meters. The lease is for a period of five (5) years from May 1, 2019 to April 30, 2024. The lease has annual escalation rate of 3%.

The lease payments provides for, among others, security deposits amounting to P3,981,061 and P2,007,564 as at December 31, 2019 and 2018, respectively, which are shown under "Refundable Deposits" account in the statements of financial position (see Note 10).

On transition to PFRS 16, the Company recognized ROU assets in relation to lease agreements (a) and (b). As at January 1, 2018, the ROU assets and lease liabilities recognized amounted to P1,066,473 and P1,141,075, respectively.

The movement of the ROU assets and lease liabilities for the years ended December 31, 2019 and 2018 are as follows:

i. Right-of-Use Assets

	Note	**2019**	2018 (As restated - see Note 22)
Balance at beginning of year		**P20,667,907**	P1,066,473
Additions		**19,225,021**	30,468,624
Amortization charge for the year	13	**(13,157,340)**	(10,867,190)
Balance at end of year		**P26,735,588**	P20,667,907

ii. Lease Liabilities

	Note	**2019**	2018 (As restated - see Note 22)
Balance at beginning of year		**P21,179,433**	P1,141,075
Additions		**19,225,021**	30,468,624
Interest charge for the year	*13*	**1,315,201**	1,259,814
Payments made		**(14,159,698)**	(11,690,080)
Balance at end of year		**P27,559,957**	P21,179,433

Maturity analyses of the undiscounted lease liabilities as at December 31, 2019 and 2018 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P15,416,045**	**P984,753**	**P14,431,292**
Later than one year but not later than five years	**14,164,593**	**1,035,928**	**13,128,665**
Balance at December 31, 2019	**P29,580,638**	**P2,020,681**	**P27,559,957**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P11,308,034	P763,514	P10,544,520
Later than one year but not later than five years	10,906,888	271,975	10,634,913
Balance at December 31, 2018	P22,214,922	P1,035,489	P21,179,433

As at December 31, 2019 and 2018, the Company's lease liabilities are classified in the statements of financial positions as follows:

	2019	2018 (As restated - see Note 22)
Current	**P14,431,292**	P10,544,520
Noncurrent	**13,128,665**	10,634,913
	P27,559,957	P21,179,433

iii. Amounts recognized in profit or loss

	Note	**2019**	2018 (As restated - see Note 22)
Amortization expense		**P13,157,340**	P10,867,190
Interest on lease liabilities		**1,315,201**	1,259,814
	13	**P14,472,541**	P12,127,004

iv. Amounts recognized in the statement of cash flows

	2019	2018 (As restated - see Note 22)
Total cash outflow for leases	**P14,159,698**	P11,690,080

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2019.

The following table shows the reconciliation from the opening balances to the closing balances for retirement benefits liability and its components:

	2019	2018
Balance at beginning of year	**P1,112,907**	P1,550,561
Recognized in Profit or Loss		
Interest cost	**83,691**	83,420
Current service cost	**219,313**	199,914
	303,004	283,334
Recognized in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Change in financial assumptions	**1,258,666**	(315,195)
Change in demographic assumptions	**(383,834)**	(952,123)
Experience adjustments	**49,849**	666,330
	924,681	(600,988)
Benefits paid	**-**	(120,000)
Balance at end of year	**P2,340,592**	P1,112,907

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

As at December 31, 2019 and 2018, accumulated remeasurements on retirement benefits amounted to P364,826 loss and P559,855 gain, respectively, as presented in the statements of financial position.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	2019	2018
Discount rate	5.21%	7.53%
Future salary increases	8.00%	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 11.8 and 11.3 years as at December 31, 2019 and 2018, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2019		2018	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P145,351)	P98,539	(P94,820)	P72,562
Salary increase rate	210,653	(163,841)	44,516	(22,258)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and noncontributory. Benefit claims under the retirement benefits plan obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analyses based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P2,340,592	P3,268,187	P -	P89,252	P3,178,935

	December 31, 2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P1,112,907	P1,816,821	P -	P -	P1,816,821

18. Income Taxes

The Company's provision for income tax are all current which represents regular corporate income tax (RCIT) in both years.

The Company elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income in 2019 and 2018.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2019	2018
Income before income tax	**P1,479,997,626**	P954,499,542
Provision for income tax at the statutory income tax rate of 30%	**P443,999,288**	P286,349,863
Additions to (reductions from) income taxes resulting to the tax effects of:		
Availment of optional standard deduction	**(246,873,886)**	(163,790,600)
Non-deductible expenses	**175,857,003**	121,692,160
Change in unrecognized deferred income tax asset	**(1,713,053)**	2,153,770
Interest income subjected to final tax	**(958,523)**	(719,294)
Provision for income tax	**P370,310,829**	P245,685,899

The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized because management believes that it is not probable that the tax benefits of these temporary differences will be availed of as the Company intends to continue its availment of the optional standard deduction in the subsequent years:

	2019	2018
Retirement benefits liability	**P2,340,592**	P1,112,907
PFRS16, *Leases* adjustment	**824,369**	511,526
Unrealized foreign exchange losses - net	**252,952**	6,578,977
	P3,417,913	P8,203,410

19. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2019**	2018
Cash in banks	*5*	**P167,406,035**	P82,180,501
Trade and other receivables	*6*	**1,444,904,280**	848,714,407
Refundable deposits	*10*	**4,127,879**	2,145,883
		P1,616,438,194	P933,040,791

As at December 31, 2019 and 2018, the aging per class of financial assets is as follows:

	December 31, 2019					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	31 to 120 Days	More than 120 Days	Impaired	Total
Cash in banks	P167,406,035	P -	P -	P -	P -	P167,406,035
Trade and other receivables	1,147,239,146	254,138,824	43,526,310	-	-	1,444,904,280
Refundable deposits	4,127,879	-	-	-	-	4,127,879
	P1,318,773,060	P254,138,824	P43,526,310	P -	P -	P1,616,438,194

	December 31, 2018					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	31 to 120 Days	More than 120 Days	Impaired	Total
Cash in banks	P82,180,501	P -	P -	P -	P -	P82,180,501
Trade and other receivables	743,270,666	104,759,320	614,636	69,785	-	848,714,407
Refundable deposits	2,145,883	-	-	-	-	2,145,883
	P827,597,050	P104,759,320	P614,636	P69,785	P -	P933,040,791

As at December 31, 2019 and 2018, no allowance for impairment losses on trade and other receivables was recognized.

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2019 and 2018, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

As at December 31, 2019 and 2018, the cash in banks, trade receivables and refundable deposits which are neither past due nor impaired are categorized under high grade quality.

The Company assessed the credit quality of the following financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.
b. Trade and other receivables were assessed as high grade since these have a high probability of collection and there is no history of default.

c. Refundable deposits were assessed as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment as at December 31, 2019

The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2019 and 2018:

	2019		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P1,147,239,146**	**P -**	**No**
1 - 30 days past due	**254,138,824**	**-**	**No**
31 - 120 days past due	**43,526,310**	**-**	**No**
Balance at December 31, 2019	**P1,444,904,280**	**P -**	

	2018		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P743,270,666	P -	No
1 - 30 days past due	104,759,320	-	No
31 - 120 days past due	614,636	-	No
More than 120 days	69,785	-	No
Balance at December 31, 2018	P848,714,407	P -	

The Company uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers.

Loss rates are based on actual credit loss experience over two years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The additional allowance for impairment in respect of trade and other receivables of the Company as a result of the expected credit loss assessment amounted to nil as at December 31, 2019 and 2018. The application of the expected loss rates to the trade and other receivables of the Company does not have a material impact on the financial statements, hence, no additional provision was recognized during 2019.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and loan payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities as at December 31:

	December 31, 2019			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P1,122,419,029	P1,122,419,029	P1,122,419,029	P -
Notes payable**	120,000,000	120,300,000	120,300,000	-
Advances from a stockholder***	659,500,000	708,522,833	26,380,000	682,142,833
Dividends payable	50,000,000	50,000,000	50,000,000	-
Lease liabilities	27,559,957	29,580,638	15,416,045	14,164,593
Total	**P1,979,478,986**	**P2,030,822,500**	**P1,334,515,074**	**P696,307,426**

**Excluding statutory obligations amounting to P2,546,406.*
***Including future interest payable with interest rates of 4.50%.*
****Including of future interest payable with interest rates of 4.00%*

	December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P574,250,565	P574,250,565	P574,250,565	P -
Notes payable**	353,000,000	355,958,250	355,958,250	-
Advances from a stockholder***	663,634,722	690,014,722	690,014,722	-
Dividends payable	200,000,000	200,000,000	200,000,000	-
Lease liabilities	21,179,433	22,214,922	11,308,034	10,906,888
Total	P1,812,064,720	P1,842,438,459	P1,831,531,571	P10,906,888

**Excluding statutory obligations and accrued interest payable amounting to P3,900,026 and P4,134,722 (see Notes 11 and 13).*
***Including future interest payable with interest rates of 5.25%.*
****Including accrued interest payable amounting to P4,134,722 and future interest payable with interest rates of 4.00% (see Note 13).*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risks is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's exposure to the risk for changes in market interest rates relates mainly to the Company's notes payable, advances from a stockholder and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2019			
	USD	**SGD**	**EUR**	**PHP Equivalent**
Foreign currency - denominated monetary asset:				
Cash	**325,460**	**-**	**-**	**16,515,167**
Foreign currency - denominated monetary liabilities				
Trade payables	**20,538**	**57,036**	**16,835,426**	**953,390,742**
Net foreign currency - denominated monetary asset (liabilities)	**304,922**	**(57,036)**	**(16,835,426)**	**(936,875,575)**

	December 31, 2018			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	41,406	-	-	2,183,099
Trade receivables	1,658,325	-	-	87,433,551
	1,699,731	-	-	89,616,650
Foreign currency - denominated monetary liabilities				
Trade payable	165,970	21,100	7,868,164	484,099,184
Net foreign currency - denominated monetary asset (liabilities)	1,533,761	(21,100)	(7,868,164)	(394,482,534)

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2019	2018
USD	**50.74**	52.72
SGD	**37.49**	38.47
EUR	**56.35**	60.31

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2019	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**(3.76%)**	**(P581,071)**
SGD	**(2.55%)**	**54,571**
EUR	**(6.57%)**	**62,317,633**

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	6%	P4,851,593
SGD	3%	(24,352)
EUR	2%	(9,490,579)

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

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

The Company manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may pay-off existing debts, return capital to stockholders or issue new shares.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding statutory obligations) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Notes Payable and Advances from a Stockholder

The estimated fair values of notes payable and advances from a stockholder are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of notes payable and advances from a stockholder is considered immaterial by management.

Lease Liabilities

The fair value of lease liabilities was estimated as the present value of all future cash flows discounted using the incremental borrowing rate.

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	December 31, 2019				
	Notes Payable	**Accrued Interests**	**Advances from a Stockholder**	**Dividends Payable**	**Total**
Balances at beginning of year	P353,000,000	P4,134,722	P659,500,000	P200,000,000	P1,216,634,722
Payments of:					
Notes payable	(353,000,000)	-	-	-	(353,000,000)
Interest	-	(37,543,416)	-	-	(37,543,416)
Dividends payable	-	-	-	(200,000,000)	(200,000,000)
Proceeds from availment of:					
Notes payable	120,000,000	-	-	-	120,000,000
Interest expense	-	33,408,694	-	-	33,408,694
Dividends declared	-	-	-	50,000,000	50,000,000
Balances at end of year	P120,000,000	P -	P659,500,000	P50,000,000	P829,500,000

	December 31, 2018				
	Notes Payable	Accrued Interests	Advances from a Stockholder and Parent Company	Dividends Payable	Total
Balances at beginning of year	P700,000,000	P940,732	P234,000,000	P100,000,000	P1,034,940,732
Payments to:					
Advances from Parent Company	-	-	(234,000,000)	-	(234,000,000)
Notes payable	(700,000,000)	-	-	-	(700,000,000)
Interest	-	(10,251,527)	-	-	(10,251,527)
Proceeds from availment of:					
Notes payable	353,000,000	-	-	-	353,000,000
Advances from a stockholder	-	-	659,500,000	-	659,500,000
Interest expense	-	13,445,517	-	-	13,445,517
Dividends declared	-	-	-	100,000,000	100,000,000
Balances at end of year	P353,000,000	P4,134,722	P659,500,000	P200,000,000	P1,216,634,722

22. Prior Period Restatements

The Company restated its statement of financial position as at December 31, 2018 and January 1, 2018 and its profit or loss for the year ended December 31, 2018 in accordance with PAS 8 as effect of adoption of PFRS 16 (see Note 16). These restatements have material impact on the statement of financial position and profit or loss as at the beginning of the earliest period presented. The following tables summarizes the impacts on the Company's financial statements.

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
ROU assets - net	P -	P20,667,907	P20,667,907
Trade and other payables	582,320,705	(35,392)	582,285,313
Lease liabilities - current	-	10,544,520	10,544,520
Lease liabilities - net of current portion	-	10,634,913	10,634,913
Retained earnings - unappropriated	643,529,993	(476,134)	643,053,859
Statement of Comprehensive Income			
Depreciation and amortization	P2,730,823	P10,867,190	P13,598,013
Rent	11,690,079	(11,690,079)	-
Interest expense	13,445,517	1,259,814	14,705,331
Net income	709,250,568	(436,925)	708,813,643
Statement of Cash Flows			
Net cash used in operating activities	(P242,753,161)	P11,798,510	(P230,954,651)
Net cash used in investing activities	(6,804,362)	(108,430)	(6,912,792)
Net cash from financing activities	68,248,473	(11,690,080)	56,558,393

January 1, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
ROU assets - net	P -	P1,066,473	P1,066,473
Trade and other payables	183,718,013	(35,393)	183,682,620
Lease liabilities - current	-	745,356	745,356
Lease liabilities - net of current portion	-	395,719	395,719
Retained earnings	984,279,425	(39,209)	984,240,216

23. Subsequent Events

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households, all public transportation are suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the supplementary information required for the taxable year ended December 31, 2019:

a. **VAT**

Output VAT	**P972,183,691**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P8,069,341,355**
Sale to government	**32,189,403**
Zero rated sales	**50,565,310**
Exempt sales	**3,429,043**
Total sales	**P8,155,525,111**
Input VAT	
Beginning of the year	**P91,102,251**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**97,565,440**
b. Importations other than capital goods	**738,110,519**
c. Others	**54,742,122**
Deductions from input tax	**(1,367,889)**
Other adjustments	**1,751,063**
Total allowable input VAT	**P981,903,506**
Total Vat payable (refundable) during the year	**(P9,719,815)**
Less: VAT payments during the year	**(19,023,013)**
Balance at the end of the year	**P28,742,828**

b. **Customs Duties and Tariff Fees:**

Landed cost of imports	**P6,150,920,995**
Customs duties paid or accrued	**404,911,839**
	P6,555,832,834

c. **Excise Taxes**

Imported excisable items:	
a. Spirits	P1,795,245,538
b. Wines	30,014,518
	P1,825,260,056

d. **Documentary Stamp Tax**

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On loan instruments	P5,466,524
On others	1,095,106
	P6,561,630

e. **Withholding Taxes**

Expanded withholding taxes	P18,141,365
Tax on compensation and benefits	1,334,245
	P19,475,610

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	P20,249,272
Others	79,762
	P20,329,034

g. **Tax Cases and Assessment**

On May 17, 2018, March 28, 2019 and June 19, 2019, the Company received Letters of Authority from the BIR to examine the Company's books of accounts and other accounting records for the periods January 1, 2016 to December 31, 2016, January 1, 2018 to December 31, 2018 and January 1, 2017 to December 31, 2017, respectively.

On September 16, 2019, the Company received Notice of Discrepancy for excise tax deficiency and its' related VAT for taxable years 2018 and 2017.

In August to October 2019, the Company paid the total deficiency taxes, including penalties and interest, in relation to these assessments amounting to P17,732,340.

As at December 31, 2019, the Company has no pending nor outstanding tax cases.

Information on tariff fees, paid or accrued, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

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Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the years ended December 31, 2019 and 2018, on which we have rendered our report dated June 25, 2020.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

MONTOSCO, INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

	(Figures based on functional currency audited financial statements)
Unappropriated Retained Earnings, January 1, 2019	P643,053,859
Net income based on the face of audited financial statements	1,109,686,797
Less: Dividend declaration during the year	(50,000,000)
Unappropriated Retained Earnings, as adjusted, December 31, 2019	P1,702,740,656

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	8	1	2	5	2	8

COMPANY NAME

MONTOSCO, INC.
(A Wholly-owned Subsidiary of
Cosco Capital, Inc.)

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

1501 Federal Tower Dasmariñas
Street, Binondo, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 30	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co		(02) 242-0635	

CONTACT PERSON's ADDRESS

1501 Federal Tower, Dasmariñas Street, Binondo, Manila

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

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

MONTOSCO INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **MONTOSCO, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form 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.

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

JANNELLE O. UY
President & Chairman of the Board

MARIA CRISANTA A. RELOS
Treasurer

Signed this 11th day of April 2019

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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 the 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited the accompanying financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has only one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
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Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information in the accompanying Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
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Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash	5, 19	**P82,601,501**	P263,925,726
Trade and other receivables	6, 19	**848,714,407**	1,053,351,711
Inventories	7, 15	**2,541,957,090**	1,262,556,953
Prepaid expenses and other current assets	8	**740,298,607**	427,302,948
Total Current Assets		**4,213,571,605**	3,007,137,338
Noncurrent Assets			
Property and equipment - net	9	**9,170,411**	5,096,872
Refundable deposits	10, 19	**2,145,883**	2,037,453
Total Noncurrent Assets		**11,316,294**	7,134,325
		P4,224,887,899	P3,014,271,663
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11, 19	**P582,320,705**	P183,718,013
Advances from a stockholder	13, 19	**659,500,000**	-
Notes payable	12, 19	**353,000,000**	700,000,000
Dividends payable	13, 14, 19	**200,000,000**	100,000,000
Income tax payable		**84,864,439**	60,764,797
Advances from Parent Company	13, 19	-	234,000,000
Total Current Liabilities		**1,879,685,144**	1,278,482,810
Noncurrent Liability			
Retirement benefits liability	17	**1,112,907**	1,550,561
Total Liabilities		**1,880,798,051**	1,280,033,371
Equity			
Capital stock	14	**750,000,000**	750,000,000
Retained earnings			
Unappropriated	14	**643,529,993**	984,279,425
Appropriated	14	**950,000,000**	-
Accumulated remeasurements on retirement benefits		**559,855**	(41,133)
Total Equity		**2,344,089,848**	1,734,238,292
		P4,224,887,899	P3,014,271,663

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2018	2017
NET SALES	13	**P5,291,847,624**	P3,647,917,229
COST OF GOODS SOLD	15	**4,019,765,423**	2,767,822,893
GROSS PROFIT		**1,272,082,201**	880,094,336
OPERATING EXPENSES			
Advertisement		**190,123,388**	111,354,403
Distribution costs		**76,069,173**	62,499,779
Outside services		**44,034,167**	28,179,248
Salaries and other employee benefits		**21,587,006**	18,213,055
Rent	16	**11,690,079**	15,354,658
Taxes and licenses		**10,699,402**	17,140,918
Utilities and communication		**7,059,934**	3,239,763
Insurance		**6,163,715**	7,034,651
Transportation and travel		**6,110,201**	5,213,951
Depreciation and amortization	9	**2,730,823**	2,793,476
Representation and entertainment		**1,514,791**	1,397,385
Miscellaneous		**14,575,670**	8,691,768
		392,358,349	281,113,055
INCOME FROM OPERATIONS		**879,723,852**	598,981,281
OTHER INCOME - Net			
Commission income		**53,674,117**	68,593,291
Foreign exchange gain (loss) - net		**32,586,368**	(19,031,679)
Interest expense	12, 13	**(13,445,517)**	(7,749,094)
Interest income	5	**2,397,647**	781,573
		75,212,615	42,594,091
INCOME BEFORE INCOME TAX		**954,936,467**	641,575,372
PROVISION FOR INCOME TAX	18	**245,685,899**	170,808,156
NET INCOME		**709,250,568**	470,767,216
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	17	**600,988**	-
Income tax effect		**-**	(12,340)
		600,988	(12,340)
TOTAL COMPREHENSIVE INCOME		**P709,851,556**	P470,754,876

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 3 0 2019
EXCISE LT REGULATORY DIV

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Capital Stock (Note 14)	Stock Dividends Distributable (Note 14)	Retained Earnings Unappropriated (Note 14)	Retained Earnings Appropriated (Note 14)	Accumulated Remeasurements on Retirement Benefits	Total
Balances as at December 31, 2016	P210,000,000	P540,000,000	P613,512,209	P -	(P28,793)	P1,363,483,416
Net income for the year	-	-	470,767,216	-	-	470,767,216
Other comprehensive loss for the year	-	-	-	-	(12,340)	(12,340)
Stock dividends issuances	540,000,000	(540,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	(100,000,000)	-	-	(100,000,000)
Balances as at December 31, 2017	750,000,000	-	984,279,425	-	(41,133)	1,734,238,292
Net income for the year	-	-	709,250,568	-	-	709,250,568
Other comprehensive income for the year	-	-	-	-	600,988	600,988
Cash dividends declared during the year	-	-	(100,000,000)	-	-	(100,000,000)
Appropriations during the year	-	-	(950,000,000)	950,000,000	-	-
Balances as at December 31, 2018	**P750,000,000**	**P -**	**P643,529,993**	**P950,000,000**	**P559,855**	**P2,344,089,848**

See Notes to Financial Statements.

EXCISE LT REGULAR
APR 30 2019

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P954,936,467**	P641,575,372
Adjustments for:			
Interest expense	*12, 13, 21*	**13,445,517**	7,749,094
Unrealized foreign exchange loss - net		**6,578,977**	3,047,788
Depreciation and amortization	*9*	**2,730,823**	2,793,476
Interest income	*5*	**(2,397,647)**	(781,573)
Retirement benefits costs	*17*	**283,334**	345,565
Operating income before working capital changes		**975,577,471**	654,729,722
Decrease (increase) in:			
Trade and other receivables		**203,575,979**	(202,602,216)
Inventories		**(1,279,400,137)**	212,561,049
Prepaid expenses and other current assets		**(312,995,659)**	(337,927,097)
Refundable deposits		**(108,430)**	1,197,276
Increase (decrease) in trade and other payables		**389,906,225**	(425,456,548)
Cash used in operations		**(23,444,551)**	(97,497,814)
Income taxes paid		**(221,586,257)**	(206,574,950)
Interest received	*5*	**2,397,647**	781,573
Retirement benefits paid	*17*	**(120,000)**	-
Net cash used in operating activities		**(242,753,161)**	(303,291,191)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	**(6,804,362)**	(2,402,268)
CASH FLOWS FROM FINANCING ACTIVITIES	*21*		
Payments of:			
Advances from Parent Company	*13*	**(234,000,000)**	(290,000,000)
Notes payable		**(700,000,000)**	(175,000,000)
Interest		**(10,251,527)**	(6,808,362)
Proceeds from availment of:			
Advances from a stockholder	*13*	**659,500,000**	-
Notes payable		**353,000,000**	700,000,000
Net cash from financing activities		**68,248,473**	228,191,638
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(15,175)**	8,007
NET DECREASE IN CASH		**(181,324,225)**	(77,493,814)
CASH AT BEGINNING OF YEAR		**263,925,726**	341,419,540
CASH AT END OF YEAR	*5*	**P82,601,501**	P263,925,726

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RECEIVED
APR 30 2019

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Montosco, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 13, 2008. The principal activity of the Company is to engage in the business of trading consumer goods on wholesale basis.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. (the "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at the 1501 Federal Tower, Dasmariñas Street, Binondo, Manila.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements

The accompanying financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on April 11, 2019.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards and Interpretations
The Company has adopted the following new or revised standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These standards are as follows:

- PFRS 9, *Financial Instruments (2014)* replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurements requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets and Financial Liabilities
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity (HTM) investments, loans and receivables and available for sale (AFS) financial assets.

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial Assets	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Cash in banks	Loans and receivables	Financial Assets at Amortized cost	P263,509,726	P263,509,726
Trade and other receivables	Loans and receivables	Financial Assets at Amortized cost	1,053,351,711	1,053,351,711
Refundable deposits	Loans and receivables	Financial Assets at Amortized cost	2,037,453	2,037,453
Total Financial Assets			**P1,318,898,890**	**P1,318,898,890**

  Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There were no financial assets or financial liabilities which the Company has previously designated as at FVTPL under PAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of PFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of PFRS 9.

Impairment of Financial Assets
PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" (ECL) model in relation to the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39. For assets in the scope of PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has assessed that the impact of providing ECL is immaterial. Thus, the Company has determined that the application of PFRS 9's impairment requirements as at January 1, 2018 did not result in an additional allowance for impairment.

General Hedging Accounting
The adoption of PFRS 9 with respect to hedging accounting has not had an impact on the Company's accounting policies since the Company has no hedging transactions.

The Company has used an exemption not to restate comparative information. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosure requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9 and the consequential amendments to PFRS 7.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18 *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

  Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

For the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods.

Timing of Revenue Recognition
The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' warehouse, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue. Variable considerations are measured based on the most likely amount based on the agreement with customers.

The new standard did not have a material impact on the financial statements, including the Company's accounting policies with respect to its revenue streams.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Company makes foreign currency sales and purchases. The Company's accounting policy is aligned with the interpretation.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities at FVTPL, includes transaction costs.

Classification and Measurement of Financial Instruments - Policy Applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost of financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables [excluding statutory obligations and output Value-added Tax (VAT)], notes payable, advances from a stockholder, and dividends payable.

Classification and Measurement of Financial instruments - Policy Applicable before January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Company's loans and receivables include cash in banks, trade and other receivables, and refundable deposits.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017, the Company's other financial liabilities include trade and other payables (excluding statutory obligations and output VAT), notes payable, advances from Parent Company, and dividends payable.

Impairment of Financial Assets.

Policy Applicable from January 1, 2018

PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy Applicable before January 1, 2018
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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 rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 markets 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2018 and 2017, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and water, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statements of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Furniture and fixtures	2
Office equipment	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses, at end of each reporting period, whether there is indication that its noncurrent nonfinancial assets which consist of property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue,* revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue.

Commission Income
Commission is recognized at a point in time when the related indirect sale of goods have been received and accepted by the buyer at their premises.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  Early adoption is permitted. The Company has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions and the Company's latest assessment of whether it will exercise any lease renewal options.

  So far, the most significant impact identified is that the Company will recognize new assets and liabilities for the operating lease of its office space and warehouse.

  In addition, the nature of expenses related to this lease will now change as PFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use of assets and interest expense on lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  Early adoption is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

The Company is currently assessing the potential impact of adopting this interpretation.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardships, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompany the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Determination on whether an Agreement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at the inception date, and makes assessment on whether the arrangement is dependent on the use of the specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risk and rewards incidental to ownership to the Company.

Recognition of Revenue

The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered and services that it rendered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse. Further, for commission income, control over the goods for the indirect sale is transferred upon buyer's acceptance of the goods at their premises.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

No impairment losses were recognized in 2018 and 2017 in respect of the Company's financial assets because management assessed that these are fully recoverable.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P850,860,290 and P1,055,389,164 as at December 31, 2018 and 2017, respectively (see Note 19).

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2018 and 2017 are P2,541,957,090 and P1,262,556,953, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2018 and 2017.

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the estimated useful lives of property and equipment in 2018 and 2017.

The carrying amounts of property and equipment as at December 31, 2018 and 2017 are P9,170,411 and P5,096,872, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P1,112,907 and P1,550,561 as at December 31, 2018 and 2017, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

As at December 31, 2018 and 2017, the Company has not recognized deferred income tax assets arising from temporary differences amounting to a total of P7,691,884 and P4,548,349, respectively (see Note 18).

5. Cash

This account consists of:

	Note	**2018**	2017
Cash on hand		**P421,000**	P416,000
Cash in banks	*19*	**82,180,501**	263,509,726
		P82,601,501	P263,925,726

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P2,397,647 and P781,573 in 2018 and 2017, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	**2018**	2017
Trade			
Third parties		**P657,395,462**	P765,425,643
Related parties	*13*	**185,699,843**	284,419,163
Nontrade		**1,097,882**	808,890
Others		**4,521,220**	2,698,015
	19	**P848,714,407**	P1,053,351,711

Trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses incurred by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

There was no allowance for impairment losses on receivables as at December 31, 2018 and 2017.

7. Inventories

This account consists of:

	Note	**2018**	2017
At cost:			
Spirits		**P2,521,243,647**	P1,185,079,637
Wines		**20,713,443**	76,443,123
Water		**-**	1,034,193
	15	**P2,541,957,090**	P1,262,556,953

Cost of goods sold recognized in profit or loss amounted to P4,019,765,423 and P2,767,822,893 in 2018 and 2017, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Prepaid duties and taxes	**P543,115,123**	P188,806,480
Advances to suppliers	**105,397,992**	238,290,465
Input VAT	**91,102,251**	-
Prepaid import charges	**369,522**	137,703
Other prepaid expenses	**313,719**	68,300
	P740,298,607	P427,302,948

Prepaid duties and taxes include advance payment for excise taxes, custom's duties and seals for purchased goods not yet received.

Advances to suppliers pertain to partial downpayment made by the Company to suppliers which will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
December 31, 2016	P5,187,557	P2,295,229	P1,323,314	P1,759,428	P10,565,528
Additions	2,201,786	-	200,482	-	2,402,268
December 31, 2017	7,389,343	2,295,229	1,523,796	1,759,428	12,967,796
Additions	6,635,464	-	152,898	16,000	6,804,362
December 31, 2018	**14,024,807**	**2,295,229**	**1,676,694**	**1,775,428**	**19,772,158**
Accumulated Depreciation and Amortization					
December 31, 2016	2,036,574	599,496	997,764	1,443,614	5,077,448
Depreciation and amortization	1,382,070	791,564	337,176	282,666	2,793,476
December 31, 2017	3,418,644	1,391,060	1,334,940	1,726,280	7,870,924
Depreciation and amortization	1,800,905	706,140	184,631	39,147	2,730,823
December 31, 2018	**5,219,549**	**2,097,200**	**1,519,571**	**1,765,427**	**10,601,747**
Net Book Value					
December 31, 2017	P3,970,699	P904,169	P188,856	P33,148	P5,096,872
December 31, 2018	**P8,805,258**	**P198,029**	**P157,123**	**P10,001**	**P9,170,411**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 were charged as part of "Operating Expenses" in profit or loss.

10. Refundable Deposits

This account consists of:

	Note	**2018**	2017
Security deposits	*16*	**P2,007,564**	P1,914,634
Others		**138,319**	122,819
	19	**P2,145,883**	P2,037,453

11. Trade and Other Payables

This account consists of:

	Note	**2018**	2017
Trade payables	*19*	**P496,420,164**	P106,781,808
Non-trade payables	*19*	**75,505,513**	24,167,746
Accrued expenses	*19*	**6,495,002**	29,663,434
Statutory obligations		**3,900,026**	2,102,453
Output VAT - net		**-**	20,741,783
Others	*19*	**-**	260,789
		P582,320,705	P183,718,013

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest bearing and are generally on a 30-day payment term.

Accrued expenses consist of accruals for interest, utilities, advertisement and other operating expenses.

12. Notes Payable

This account pertains to unsecured, peso-denominated short-term notes from various local banks with maturities of less than one (1) year and bear annual interests from 3.75% to 6.00% in 2018 and 2.13% in 2017. These loans were intended for the Company's working capital requirements to finance inventory purchases.

Interest expense recognized in profit or loss relating to notes payable amounted to P7,560,695 and P1,791,094 for the years ended December 31, 2018 and 2017, respectively.

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
Parent Company							
• Advances	2018	*13c*	P -	P -	P -	2 years; interest-bearing	Unsecured
	2017	*13c*	-	-	234,000,000		
• Interest expense	2018	*13c*	1,750,100	-	-	Annual interest at 1.8%,	
	2017	*13c*	5,958,000	-	-	payable on a monthly basis	
• Dividends	2018	*14*	100,000,000	-	200,000,000	Due and demandable	Unsecured
	2017	*14*	100,000,000	-	100,000,000		
Entities under Common Control							
• Sales of goods	2018	*6, 13a*	1,313,414,818	185,699,843	-	30 days	Unsecured;
	2017	*6, 13a*	952,094,114	284,419,163	-	Credit term; non-interest bearing	no impairment
• Rent expense	2018	*13b*	11,690,079	-	-		
	2017	*13b*	11,133,409	-	-		
Stockholder							
• Advances	2018	*13d*	659,500,000	-	659,500,000	1 year; interest-bearing	Unsecured
	2017	*13d*	-	-	-		
• Interest expense	2018	*13d*	4,134,722	-	4,134,722	Annual interest at 4.0%,	Unsecured
	2017	*13d*	-	-	-	payable on a monthly basis	
	2018			P185,699,843	P863,634,722		
	2017			P284,419,163	P334,000,000		

a. In the normal course of business, the Company distributes wines, liquors and water to entities under common control.

b. The Company entered into operating lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years. The principal, including interest, was paid by the Company in 2018.

d. The Company received cash advances from a stockholder in a form of promissory notes. These advances earn fixed annual interest rate of 4.0% with maturities of one (1) year. The advances were intended for the Company's working capital requirements to finance inventory purchases.

There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock

The balances as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Number of Shares	Amount	Number of Shares	Amount
Authorized				
P100 par value	**7,500,000**	**P750,000,000**	7,500,000	P750,000,000
Issued and Outstanding				
Balance at beginning of year	**7,500,000**	**P750,000,000**	2,100,000	P210,000,000
Stock issuances	**-**	**-**	5,400,000	540,000,000
Balance at end of year	**7,500,000**	**P750,000,000**	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P210,000,000 divided into 2,100,000 common shares to P750,000,000 divided into 7,500,000 shares of common stock, both at P100 par value to accommodate the stock dividends declared.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P540,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends

On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date. Both dividends remain outstanding as at December 31, 2018.

Retained Earnings

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code.

As at December 31, 2017, the Company has retained earnings in excess of its paid-up capital amounting to P234,279,425. These retained earnings will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances.

On December 13, 2018, the BOD approved the appropriation of P950,000,000 from the Company's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction is expected to be completed in December 2020.

15. Cost of Goods Sold

This account consists of:

	Note	2018	2017
Inventory at beginning of year		**P1,262,556,953**	P1,475,118,002
Net purchases		**5,299,165,560**	2,555,261,844
Total goods available for sale		**6,561,722,513**	4,030,379,846
Inventory at end of year	7	**2,541,957,090**	1,262,556,953
		P4,019,765,423	P2,767,822,893

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for its office space with an area of 150.84 square meters. The lease is for a period of two (2) years until June 30, 2016. The lease was renewed for another 3 years until June 30, 2019. The lease has an annual escalation rate of 5%. Rent expense amounted to P783,192 and P731,643 in 2018 and 2017, respectively.

b. The Company entered into a lease agreement with a third party for a warehouse with an area of 3,869 square meters. The lease is for a period of three (3) years commencing on November 1, 2014 until October 31, 2017. The lease agreement was not renewed.

c. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 5,770.84 square meters. The lease is for a period of two (2) years commencing on January 1, 2016 until December 31, 2017. The lease was renewed for another three (3) years until December 31, 2020. Rent expense amounted to P10,906,887 and P10,387,512 in 2018 and 2017, respectively.

The lease payments provides for, among others, security deposits amounting to P2,007,564 and P1,914,634 as at December 31, 2018 and 2017, respectively, which are shown under "Refundable Deposits" account in the statements of financial position (see Note 10).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P11,690,079 and P15,354,658 in 2018 and 2017, respectively.

Future minimum lease payments under noncancellable operating leases as at December 31 are as follows:

	2018	2017
Not later than one year	**P11,871,480**	P749,340
Later than one year but not later than five years	**12,024,844**	383,808
	P23,896,324	P1,133,148

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2018.

The following table shows the reconciliation from the opening balances to the closing balances for retirement benefits liability and its components:

	2018	2017
Balance at beginning of year	**P1,550,561**	P1,204,996
Recognized in Profit or Loss		
Interest cost	**83,420**	64,829
Current service cost	**199,914**	280,736
	283,334	345,565
Recognized in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Experience adjustments	**666,330**	-
Change in financial assumptions	**(315,195)**	-
Change in demographic assumptions	**(952,123)**	-
	(600,988)	-
Benefits paid	**(120,000)**	-
Balance at end of year	**P1,112,907**	P1,550,561

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" account under operating expenses in the statements of comprehensive income.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	2018
Discount rate	**7.52%**
Future salary increases	**3.00%**

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 11.3 years as at December 31, 2018.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2018		2017	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P94,820)**	**P72,562**	(P98,926)	P67,915
Salary increase rate	**44,516**	**(22,258)**	62,022	(31,011)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and noncontributory. Benefit claims under the retirement benefits plan obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2018				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Retirement benefits liability	**P1,112,907**	**P1,816,821**	**P -**	**P -**	**P1,816,821**

18. Income Taxes

The components of provision for income tax are shown below:

	2018	2017
Current	**P245,685,899**	P171,220,940
Deferred	**-**	(412,784)
	P245,685,899	P170,808,156

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The Company elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income in 2018 and 2017.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2018	2017
Income before income tax	**P954,936,467**	P641,575,372
Provision for income tax at the statutory income tax rate of 30%	**P286,480,940**	P192,472,611
Additions to (reductions from) income taxes resulting to the tax effects of:		
Availment of optional standard deduction	**(163,790,600)**	(114,147,292)
Non-deductible expenses	**121,692,160**	92,368,150
Change in unrecognized deferred income tax asset	**2,058,693**	-
Interest income subjected to final tax	**(719,294)**	(234,472)
Derecognition of deferred income tax asset	**-**	349,159
Provision for income tax	**P245,685,899**	P170,808,156

The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized because management believes that it is not probable that the tax benefits of these temporary differences will be availed of as the Company intends to continue its availment of the optional standard deduction in the subsequent years:

	2018	2017
Unrealized foreign exchange loss - net	**P6,578,977**	P3,047,788
Retirement benefits liability	**1,112,907**	1,500,561
	P7,691,884	P4,548,349

19. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2018**	2017
Cash in banks	*5*	**P82,180,501**	P263,509,726
Trade and other receivables	*6*	**848,714,407**	1,053,351,711
Refundable deposits	*10*	**2,145,883**	2,037,453
		P933,040,791	P1,318,898,890

As at December 31, 2018 and 2017, the aging per class of financial assets is as follows:

	December 31, 2018					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due More than 120 Days	Impaired	Total
Cash in banks	P82,180,501	P -	P -	P -	P -	P82,180,501
Trade and other receivables	743,270,666	104,759,320	614,636	69,785	-	848,714,407
Refundable deposits	2,145,883	-	-	-	-	2,145,883
	P827,597,050	P104,759,320	P614,636	P69,785	P -	P933,040,791

	December 31, 2017					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due More than 120 Days	Impaired	Total
Cash in banks	P263,509,726	P -	P -	P -	P -	P263,509,726
Trade and other receivables	833,065,992	184,336,352	35,949,367	-	-	1,053,351,711
Refundable deposits	2,037,453	-	-	-	-	2,037,453
	P1,098,613,171	P184,336,352	P35,949,367	P -	P -	P1,318,898,890

As at December 31, 2018 and 2017, no allowance for impairment losses on trade and other receivables was recognized.

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2018 and 2017, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks	**P82,180,501**	**P -**	**P -**	**P82,180,501**
Trade and other receivables	**743,270,666**	**-**	**-**	**743,270,666**
Refundable deposits	**2,145,883**	**-**	**-**	**2,145,883**
Total	**P827,597,050**	**P -**	**P -**	**P827,597,050**

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P263,509,726	P -	P -	P263,509,726
Trade and other receivables	833,065,992	-	-	833,065,992
Refundable deposits	2,037,453	-	-	2,037,453
Total	P1,098,613,171	P -	P -	P1,098,613,171

The Company assessed the credit quality of the following financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. Trade and other receivables and refundable deposits were assessed as high grade since these have a high probability of collection and there is no history of default.

Expected Credit Loss Assessment as at December 31, 2018
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and loan payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities as at December 31:

	December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P578,420,679	P578,420,679	P578,420,679	P -
Notes payable	353,000,000	355,958,250	355,958,250	-
Advances from a Stockholder	659,500,000	685,880,000	685,880,000	-
Dividends payable	200,000,000	200,000,000	200,000,000	-
Total	P1,790,920,679	P1,820,258,929	P1,820,258,929	P -

**Excluding statutory obligations amounting to P3,900,026.*

	December 31, 2017			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P160,873,777	P160,873,777	P160,873,777	P -
Notes payable	700,000,000	706,412,847	706,412,847	-
Advances from Parent Company	234,000,000	238,212,000	238,212,000	-
Dividends payable	100,000,000	100,000,000	100,000,000	-
Total	P1,194,873,777	P1,205,498,624	P1,205,498,624	P -

**Excluding statutory obligations and Output VAT amounting to P22,844,236.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk
Interest rate risks is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's exposure to the risk for changes in market interest rates relates mainly to the Company's notes payable, advances from a stockholder and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2018			
	USD	**SGD**	**EUR**	**PHP Equivalent**
Foreign currency - denominated monetary assets				
Cash	**41,406**	**-**	**-**	**2,183,099**
Trade receivables	**1,658,325**	**-**	**-**	**87,433,551**
	1,699,731	**-**	**-**	**89,616,650**
Foreign currency - denominated monetary liabilities				
Trade payable	**(165,970)**	**(21,100)**	**(7,868,164)**	**(484,099,184)**
Net foreign currency - denominated monetary assets (liabilities)	**1,533,761**	**(21,100)**	**(7,868,164)**	**(394,482,534)**

	December 31, 2017			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	206,431	-	-	10,307,120
Trade receivables	3,289,798	-	-	164,259,589
	3,496,229	-	-	174,566,709
Foreign currency - denominated monetary liabilities				
Trade payable	-	(35,406)	(466,798)	(29,148,710)
Net foreign currency - denominated monetary assets (liabilities)	3,496,229	(35,406)	(466,798)	145,417,999

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2018	2017
USD	**52.72**	49.93
SGD	**38.47**	37.32
EUR	**60.31**	59.61

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**6%**	**P4,851,593 increase**
SGD	**3%**	**24,352 decrease**
EUR	**2%**	**9,490,579 decrease**

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	5%	P8,728,336 increase
SGD	7%	92,495 decrease
EUR	9%	2,504,325 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

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

The Company manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may pay-off existing debts, return capital to stockholders or issue new shares.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables, Advances from a Stockholder, Advances from Parent Company, Notes Payable and Dividends Payable

The carrying amounts approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

21. Note to Statements of Cash Flows

Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	December 31, 2018				
	Notes Payable	**Accrued Interests**	**Advances from a Stockholder and Parent Company**	**Dividends Payable**	**Total**
Balances at beginning of year	**P700,000,000**	**P940,732**	**P234,000,000**	**P100,000,000**	**P1,034,940,732**
Payments of:					
Advances from Parent Company	-	-	(234,000,000)	-	(234,000,000)
Notes payable	(700,000,000)	-	-	-	(700,000,000)
Interest	-	(10,251,527)	-	-	(10,251,527)
Proceeds from availment of:					
Notes payable	353,000,000	-	-	-	353,000,000
Advances from a stockholder	-	-	659,500,000	-	659,500,000
Interest expense	-	13,445,517	-	-	13,445,517
Dividends declared	-	-	-	100,000,000	100,000,000
	(347,000,000)	**3,193,990**	**425,500,000**	**100,000,000**	**181,693,990**
Balances at end of year	**P353,000,000**	**P4,134,722**	**P659,500,000**	**P200,000,000**	**P1,216,634,722**

	December 31, 2017				
	Notes Payable	Accrued Interests	Advances from a Stockholder and Parent Company	Dividends Payable	Total
Balances at beginning of year	P175,000,000	P -	P524,000,000	P -	P699,000,000
Payments to:					
Advances from Parent Company	-	-	(290,000,000)	-	(290,000,000)
Notes payable	(175,000,000)	-	-	-	(175,000,000)
Interest	-	(6,808,362)	-	-	(6,808,362)
Proceeds from availment of:					
Notes payable	700,000,000	-	-	-	700,000,000
Interest expense	-	7,749,094	-	-	7,749,094
Dividends declared	-	-	-	100,000,000	100,000,000
	525,000,000	940,732	(290,000,000)	100,000,000	335,940,732
Balances at end of year	P700,000,000	P940,732	P234,000,000	P100,000,000	P1,034,940,732

22. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the supplementary information required for the taxable year ended December 31, 2018:

a. VAT

Output VAT	**P624,540,780**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P5,180,043,232**
Sale to government	**24,463,267**
Zero-rated sales	**85,922,459**
Exempt sales	**1,418,656**
	P5,291,847,614
Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods other than capital goods	**91,797,291**
b. Services lodged under other accounts	**27,449,324**
VAT on importations	**569,073,553**
VAT payments and other adjustments	**27,322,863**
VAT credits used	**(624,540,780)**
Balance at the end of the year	**P91,102,251**

b. Customs Duties and Tariff Fees:

Landed cost of imports	**P4,742,279,612**
Customs duties paid or accrued	**334,098,708**
	P5,076,378,320

c. Excise Taxes

Imported excisable items:	
a. Spirits	**P1,272,816,415**
b. Wines	**12,908,666**
	P1,285,725,081

d. **Documentary Stamp Tax**

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On loan instruments	**P5,921,455**
On others	**789,571**
	P6,711,026

e. **Withholding Taxes**

Expanded withholding taxes	**P14,152,256**
Tax on compensation and benefits	**1,246,354**
	P15,398,610

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,810,755**
Others	**177,621**
	P3,988,376

g. **Tax Cases and Assessment**

As at December 31, 2018, the Company has no pending tax cases nor has received tax assessments notices from the BIR.

Information on tariff fees, paid or accrued, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX B-5"

KPMG

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REPORT OF INDEPENDENT AUDITORS

BUREAU OF INTERNAL REVENUE
MAY 02 2018
EXCISE LT REGULATORY

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended 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 audit of the 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.

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 its 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 the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

- 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 audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-002511-041-2018
Issued February 6, 2018, valid until February 5, 2021
PTR No. 6615158MD
Issued January 3, 2018 at Makati City

April 26, 2018
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
RECEIVED
MAY 02 2018
EXCISE LT REGULATORY DIVISION

SATELLITE OFFICE SM MANILA Electronic Records Management Division ICTD
Securities and Exchange Commission
MAY 11 2018
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2017**	**2016**
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P263,925,726**	P341,419,540
Trade and other receivables	*5*	**1,053,351,711**	853,925,392
Inventories	*6*	**1,262,556,953**	1,475,118,002
Prepaid expenses and other current assets	*7*	**427,302,948**	89,375,851
Total Current Assets		**3,007,137,338**	2,759,838,785
Noncurrent Assets			
Property and equipment - net	*8*	**5,096,872**	5,488,080
Refundable deposits	*9*	**2,037,453**	3,234,729
Total Noncurrent Assets		**7,134,325**	8,722,809
		P3,014,271,663	P2,768,561,594
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*10*	**P183,718,013**	P608,353,931
Advances from Parent Company - current	*12*	**234,000,000**	290,000,000
Notes payable	*11*	**700,000,000**	175,000,000
Income tax payable		**60,764,797**	96,118,807
Dividends payable	*13*	**100,000,000**	-
Total Current Liabilities		**1,278,482,810**	1,169,472,738
Noncurrent Liabilities			
Retirement benefits liability	*16*	**1,550,561**	1,204,996
Advances from Parent Company - noncurrent	*12*	**-**	234,000,000
Deferred income tax liability - net	*17*	**-**	400,444
Total Noncurrent Liabilities		**1,550,561**	235,605,440
Total Liabilities		**1,280,033,371**	1,405,078,178
Equity			
Capital stock	*13*	**750,000,000**	210,000,000
Stock dividends distributable	*13*	**-**	540,000,000
Retained earnings	*13*	**984,279,425**	613,512,209
Accumulated remeasurements on retirement benefits		**(41,133)**	(28,793)
Total Equity		**1,734,238,292**	1,363,483,416
		P3,014,271,663	P2,768,561,594

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
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MAY 02 2018
EXCISE LT

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2017**	2016
NET SALES	*12a*	**P3,647,917,229**	P3,113,653,128
COST OF GOODS SOLD	*14*	**2,767,822,893**	2,373,019,245
GROSS PROFIT		**880,094,336**	740,633,883
OPERATING EXPENSES			
Advertisement		**111,354,403**	100,944,144
Distribution costs		**62,499,779**	24,448,651
Outside services		**28,179,248**	43,300,317
Salaries and other employee benefits		**18,213,055**	15,913,616
Taxes and licenses		**17,140,918**	5,611,970
Rent	*15*	**15,354,658**	16,484,343
Insurance		**7,034,651**	7,274,001
Transportation and travel		**5,213,951**	2,823,243
Depreciation and amortization	*8*	**2,793,476**	1,850,926
Representation and entertainment		**1,397,385**	1,366,388
Management fee	*12d*	**-**	70,000,000
Miscellaneous		**11,931,531**	9,682,268
		281,113,055	299,700,867
INCOME FROM OPERATIONS		**598,981,281**	440,933,016
OTHER INCOME (CHARGES) - Net			
Commission income		**68,593,291**	72,188,191
Interest expense	*11, 12c*	**(7,749,094)**	(12,335,226)
Foreign exchange gain (loss) - net	*18*	**(19,031,679)**	789,989
Interest income	*4*	**781,573**	349,956
		42,594,091	60,992,910
INCOME BEFORE INCOME TAX		**641,575,372**	501,925,926
PROVISION FOR INCOME TAX	*17*	**170,808,156**	150,516,098
NET INCOME		**470,767,216**	351,409,828
OTHER COMPREHENSIVE LOSS			
Item that will never be reclassified to profit or loss			
Remeasurement loss on retirement benefits	*16*	**-**	(41,133)
Income tax effect		**(12,340)**	12,340
		(12,340)	(28,793)
TOTAL COMPREHENSIVE INCOME		**P470,754,876**	P351,381,035

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
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MAY 02 2018
EXCISE LT REGULATORY DIVISION

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 13)	Stock Dividends Distributable (Note 13)	Retained Earnings (Note 13)	Accumulated Remeasurements on Retirement Benefits	Total
As at December 31, 2015	P210,000,000	P -	P802,102,381	P -	P1,012,102,381
Net income for the year	-	-	351,409,828	-	351,409,828
Other comprehensive loss for the year	-	-	-	(28,793)	(28,793)
Total comprehensive income (loss)	-	-	351,409,828	(28,793)	351,381,035
Stock dividends declared		540,000,000	(540,000,000)	-	-
As at December 31, 2016	210,000,000	540,000,000	613,512,209	(28,793)	1,363,483,416
Net income for the year	-	-	470,767,216	-	470,767,216
Other comprehensive loss for the year	-	-	-	(12,340)	(12,340)
Total comprehensive income (loss)	-	-	470,767,216	(12,340)	470,754,876
Stock issuance	540,000,000	(540,000,000)	-	-	-
Cash dividends declared during the year	-	-	(100,000,000)	-	(100,000,000)
Transactions with owners	540,000,000	(540,000,000)	(100,000,000)	-	(100,000,000)
As at December 31, 2017	**P750,000,000**	**P -**	**P984,279,425**	**(P41,133)**	**P1,734,238,292**

See Notes to the Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2017**	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P641,575,372**	P501,925,926
Adjustments for:			
Interest expense	*11, 12*	**7,749,094**	12,335,226
Unrealized foreign exchange loss (gain) - net		**3,047,788**	(2,539,807)
Depreciation and amortization	*8*	**2,793,476**	1,850,926
Retirement benefits costs	*16*	**345,565**	1,163,863
Interest income	*4*	**(781,573)**	(349,956)
Operating income before working capital changes		**654,729,722**	514,386,178
Decrease (increase) in:			
Trade and other receivables		**(202,602,216)**	(135,961,135)
Inventories		**212,561,049**	137,540,203
Prepaid expenses and other current assets		**(337,927,097)**	(71,258,225)
Refundable deposits		**1,197,276**	(1,516,990)
Increase (decrease) in trade and other payables		**(425,456,548)**	470,935,642
Cash generated from (absorbed by) operations		**(97,497,814)**	914,125,673
Income taxes paid		**(206,574,950)**	(104,720,277)
Interest paid		**(6,808,362)**	(10,978,466)
Interest received		**781,573**	349,956
Net cash provided by (used in) operating activities		**(310,099,553)**	798,776,886
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*8*	**(2,402,268)**	(5,367,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to:			
Advances from Parent Company		**(290,000,000)**	(486,297,220)
Notes payable		**(175,000,000)**	(239,000,000)
Cash dividends paid		**-**	(50,000,0000)
Proceeds from availment of notes payable		**700,000,000**	175,000,000
Net cash provided by (used in) financing activities		**235,000,000**	(600,297,220)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**8,007**	32,030
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(77,493,814)**	193,144,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**341,419,540**	148,275,535
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P263,925,726**	P341,419,540

See Notes to the Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Montosco, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 13, 2008. The principal activity of the Company is to engage in the business of trading consumer goods on wholesale or retail basis. The Company started its commercial operations on June 1, 2011.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at the 1501 Federal Tower, Dasmariñas Street, Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

The accompanying financial statements as at and for the year ended December 31, 2017 and 2016 of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 26, 2018.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Management's Use of Significant Judgments, Estimates and Assumptions
The Company's financial statements prepared in accordance with PFRS require management to exercise judgments, make accounting estimates and use assumptions that affect the application of accounting policies and the amounts reported in the financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

<u>Judgments</u>
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Operating Lease - Company as a Lessee
The Company entered into various lease agreements for its office space and warehouses as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Rent expense recognized in the profit or loss amounted to P15,354,658 and P16,484,343 in 2017 and 2016, respectively (see Note 15).

Impairment of Non-financial Assets
The Company assesses, at the end of each reporting period, whether there is any indication that its non-financial assets which pertain to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these non-financial asset which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment loss was recognized in 2017 and 2016 for the non-financial assets. The carrying amount of property and equipment as at December 31, 2017 and 2016 amounted to P5,096,872 and P5,488,080 as at December 31, 2017 and 2016, respectively (see Note 8).

Accounting Estimates and Assumptions
The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtors, their payment behavior and known market factors. The Company reviews the age and status of receivables, and identified accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the Company's recorded operating expenses and decrease current assets.

The carrying amount of receivables amounted to P1,053,351,711 and P853,925,392 as at December 31, 2017 and 2016, respectively (see Note 5).

Based on evaluation made by the management, no impairment indicator was noted on the Company's receivables in 2017 and 2016.

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2017 and 2016. The cost of inventories amounted to P1,262,556,953 and P1,475,118,002 as at December 31, 2017 and 2016, respectively (see Note 6).

Evaluating Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to the financial statements. There is no change in the estimated useful lives of property and equipment in 2017 and 2016.

The carrying amount of property and equipment amounted to P5,096,872 and P5,488,080 as at December 31, 2017 and 2016, respectively (see Note 8).

Estimation of Retirement Benefits Liability and Expense
The cost of defined benefits retirement plans, as well as the present value of the retirement obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P1,550,561 and P1,204,996 as at December 31, 2017 and 2016, respectively (see Note 16).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets arising from retirement benefits liability amounting to P361,499 as at December 31, 2016 (see Note 17).

3. Summary of Significant Accounting Policies and Financial Reporting Practices

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 20).

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The following interpretations and amendments to standards are not expected to have impact on the Company's financial statements:

- Annual Improvements to PFRSs 2014 - 2016 Cycle - Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities).*

New Standards and Interpretations and Amendments to Standards Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following relevant and applicable new or amended standards in preparing these financial statements.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The adoption of PFRS 9 will have no significant impact on the classification and measurement of the Company's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Company's financial statements since the Company has no transactions eligible for hedge accounting. However, the adoption will have an effect on the amount of the Company's credit losses. The management has not yet fully assessed the financial impact of these changes as of date.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of PFRS 15 on the Company's financial statements.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of IFRIC 22 on the Company's financial statements.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  Future adoption of the standards will result in the recognition of the right-of-use of asset, lease liability and additional disclosures. Management is still evaluating the financial impact of the new standard on the Company's financial statements as of the reporting period.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The following interpretations to standards are not expected to have impact on the Company's financial statements:

- Transfers of Investment Property (Amendments to PAS 40, *Investment Property);*
- Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*);
- Applying PFRS 9 with PFRS 4, *Insurance Contracts* (Amendments to PFRS 4);
- Annual Improvements to PFRS 2014 - 2016 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* - Deletion of short-term exemptions for first-time adopters; and
  - Amendment to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an associate or joint venture at fair value;

- Prepayment Features with Negative Compensation (Amendments to PFRS 9); and
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of cash and cash equivalents, loans and receivables, and other financial liabilities.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

As at December 31, 2017 and 2016, the Company's loans and receivables include cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Company's other financial liabilities include trade and other payables (excluding statutory obligations), notes payable, dividends payable and advances from Parent Company.

Impairment of Financial Assets
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the 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 rights to receive cash flows from the 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.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset of transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, or either directly or indirectly; and or liability.

- Level 3 - Inputs for the asset or liability that are based on observable market data.

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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2017 and 2016, no financial asset or liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories
Inventories, which consist of wines and spirits, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Furniture and fixtures	2
Office equipment	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspend during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Non-financial Assets
The Company assesses, at end of each reporting period, whether there is indication that its non-financial assets which is property and equipment, may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the non-financial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an ordinary transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Common stock is classified as equity. The proceeds from the issuance of common stock are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Stock
Cash dividends on common stock are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividends are distribution of earnings in the form of Company shares. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common stock.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales of Goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax (VAT), returns, discounts, and rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, under normal credit terms.

Interest Income
Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Commission Income
Commission income is recognized as income at the same time as the costs are incurred which generally coincides upon performance of service.

Cost and Expense Recognition
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Cost
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular, full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the net interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in other comprehensive income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statements of financial position.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P416,000**	P406,800
Cash in banks	*18*	**263,509,726**	176,012,740
Cash equivalents	*18*	**-**	165,000,000
		P263,925,726	P341,419,540

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are money market placements made for varying period up to three months, and earn interest at the respective money market placement rate of 1.9% in 2017 and 2016.

Interest income recognized in profit or loss amounted to P781,573 and P349,956 in 2017 and 2016, respectively.

5. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade			
Third parties		**P765,425,643**	P729,945,140
Related parties	*12a*	**284,419,163**	116,338,022
Non-trade		**808,890**	7,636,207
Others		**2,698,015**	6,023
	18	**P1,053,351,711**	P853,925,392

Trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

There was no allowance for impairment losses on receivables as at December 31, 2017 and 2016.

6. Inventories

This account consists of:

	Note	2017	2016
At cost:			
Spirits		**P1,185,079,637**	P1,437,358,278
Wines		**76,443,123**	35,786,557
Water		**1,034,193**	1,973,167
	14	**P1,262,556,953**	P1,475,118,002

Cost of goods sold recognized in profit or loss amounted to P2,767,822,893 and P2,373,019,245 in 2017 and 2016, respectively (see Note 14).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**P238,290,465**	P73,521,051
Prepaid expenses:		
Duties and taxes	**188,806,480**	15,041,788
Other import charges	**137,703**	5,512
Others	**68,300**	807,500
	P427,302,948	P89,375,851

Advances to suppliers pertain to partial downpayment made by the Company to suppliers which will be applied against future billings.

8. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
December 31, 2015	P2,401,843	P161,200	P980,422	P1,654,372	P5,197,837
Additions	2,785,714	2,134,029	342,892	105,056	5,367,691
December 31, 2016	5,187,557	2,295,229	1,323,314	1,759,428	10,565,528
Additions	2,201,786	-	200,482	-	2,402,268
December 31, 2017	**7,389,343**	**2,295,229**	**1,523,796**	**1,759,428**	**12,967,796**
Accumulated Depreciation and Amortization					
December 31, 2015	1,562,411	12,979	563,288	1,087,844	3,226,522
Depreciation and amortization	474,163	586,517	434,476	355,770	1,850,926
December 31, 2016	2,036,574	599,496	997,764	1,443,614	5,077,448
Depreciation and amortization	1,382,070	791,564	337,176	282,666	2,793,476
December 31, 2017	**3,418,644**	**1,391,060**	**1,334,940**	**1,726,280**	**7,870,924**
Net Book Value					
December 31, 2016	P3,150,983	P1,695,733	P325,550	P315,814	P5,488,080
December 31, 2017	**P3,970,699**	**P904,169**	**P188,856**	**P33,148**	**P5,096,872**

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 were charged as part of Operating Expenses.

9. Refundable Deposits

This account consists of:

	Note	2017	2016
Security deposits	*15*	**P1,914,634**	P3,168,359
Others		**122,819**	66,370
	18	**P2,037,453**	P3,234,729

10. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade	*18*	**P106,781,808**	P448,960,525
Accrued expenses	*18*	**29,663,434**	13,079,891
Non-trade	*18*	**24,167,746**	120,080,653
Output VAT - net		**20,741,783**	14,506,988
Statutory obligations		**2,102,453**	11,373,481
Others	*18*	**260,789**	352,393
		P183,718,013	P608,353,931

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Accrued expenses consist of accruals for interest, utilities, advertisement and other operating expenses.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest bearing and are generally on a 30-day payment term.

11. Notes Payable

This account pertains to unsecured, peso-denominated short-term notes from various local banks with maturities of less than one (1) year and bear fixed annual interests of 2.13% and 2.38% in 2017 and 2016. These loans were intended for the Company's working capital requirements to finance inventory purchases.

Interest expense recognized in profit or loss relating to notes payable amounted to P1,791,094 and P4,205,228 for the years ended December 31, 2017 and 2016, respectively.

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
Parent Company							
• Advances	2017	12c	P -	P -	P234,000,000	Payable on demand on	Unsecured
	2016	12c	234,000,000	-	524,000,000	the second year from the date at receipt	
• Interest expense	2017	10, 12c	5,958,000	-	-	Annual interest at 1.8%,	
	2016	10, 12c	11,478,417	-	-	payable on a monthly basis	
• Management fee	2017	12d	-	-	-		
	2016	12d	70,000,000	-	67,900,000	Due and demandable	Unsecured
• Dividends	2017	13	100,000,000	-	100,000,000	Due and demandable	Unsecured
	2016	13	540,000,000	-	540,000,000		
Entities under Common Control							
• Sales of goods	2017	5, 12a	952,094,114	284,419,163	-	30 days	Unsecured;
	2016	5, 12a	587,280,749	116,338,022	-	Credit term; non-interest bearing	no impairment
• Rent expense	2017	12b	11,133,409	-	-	Demandable,	Unsecured
	2016	12b	11,097,890	-	926,220	non-interest bearing	
• Others	2017		-	-	-		
	2016		162,401	-	162,401	Due and demandable	Unsecured
	2017			**P284,419,163**	**P334,000,000**		
	2016			P116,338,022	P1,132,988,621		

a. In the normal course of business, the Company distributes wines, liquors and water to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Notes 15a and 15c).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years.

d. The Company pays management fee to its Parent Company for the management consultancy and financial services by the Parent Company.

There is no key management compensation since the key management roles are functionally domiciled under Cosco.

Amounts owed by and owed to related parties are to be settled in cash.

13. Equity

Capital Stock

The balances as at December 31, 2017 and 2016 are as follows:

	2017 Number of Shares	2017 Amount	2016 Number of Shares	2016 Amount
Authorized				
P100 par value	**7,500,000**	**P750,000,000**	2,100,000	P210,000,000
Issued and outstanding				
Balance at beginning of year	**2,100,000**	**P210,000,000**	2,100,000	P210,000,000
Stock issuances	**5,400,000**	**540,000,000**	-	-
Balance at end of year	**7,500,000**	**P750,000,000**	2,100,000	P210,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P210.0 million divided into 2,100,000 shares of common stock to P750.0 million divided into 7,500,000 shares of common stock, both at P100 par value to accommodate the stock dividends declared as discussed below.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P540,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends

Cash Dividends

On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date.

Stock Dividends

On December 8, 2016, the Company's BOD approved the declaration of stock P257.14 per share or an aggregated amount of dividends of P540,000,000, distributable to stockholders of record as of the same date. Accordingly, the stock dividends declared have been presented as stock dividends distributable in the equity section of the 2016 statement of financial position and statement of changes in equity.

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code.

As at December 31, 2017, the Company has excess retained earnings amounting to P234,279,425 over its paid-up capital amounting to P750,000,000. These retained earnings will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances.

14. Cost of Goods Sold

This account consists of:

	Note	2017	2016
Inventory at beginning of year		**P1,475,118,002**	P1,612,658,205
Net purchases		**2,555,261,844**	2,235,479,042
Total goods available for sale		**4,030,379,846**	3,848,137,247
Inventory at end of year	6	**1,262,556,953**	1,475,118,002
		P2,767,822,893	P2,373,019,245

15. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for its office space with an area of 150.84 square meters. The lease is for a period of two (2) years until June 30, 2016. The lease was renewed for another 3 years until June 30, 2019. The lease has an annual escalation rate of 5%. Rent expense amounted to P731,643 and P693,051 in 2017 and 2016, respectively.

b. The Company entered into a lease agreement with a third party for a warehouse with an area of 3,869 square meters. The lease is for a period of three (3) years commencing on November 1, 2014 until October 31, 2017. The lease agreement was not renewed.

c. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 5,770.84 square meters. The lease is for a period of two (2) years commencing on January 1, 2016 until December 31, 2017, renewable upon mutual consent of both parties. Rent expense amounted to P10,387,512 in 2017 and 2016.

The lease payments provides for, among others, security deposits amounting to P1,914,634 and P3,168,359 as at December 31, 2017 and 2016, respectively, which are shown under "Refundable deposits " in the statements of financial position (see Note 9).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P15,354,658 and P16,484,343 in 2017 and 2016, respectively.

Future minimum lease under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**P749,340**	P15,125,406
One year but not more than five years	**383,808**	1,243,256
	P1,133,148	P16,368,662

16. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic eAct No. 7641, *Retirement Pay Law,* equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016.

The succeeding table summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2017	2016
Balance at beginning of year	**P1,204,996**	P -
Recognized in profit or loss		
Interest cost	**64,829**	42,374
Current service cost	**280,736**	280,736
Past service cost	**-**	840,753
	345,565	1,163,863
Recognized in other comprehensive income		
Actuarial loss (gain) arising from:		
Financial assumptions	**-**	(76,283)
Experience adjustments	**-**	117,416
	-	41,133
Balance at end of year	**P1,550,561**	P1,204,996

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" under Operating Expenses in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits in 2016 are as follows:

Discount rate	5.38%
Future salary increases	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 18.31 years as at December 31, 2016.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2017		2016	
	Defined Benefit Liability		Defined Benefit Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P98,926)**	**P67,915**	(P194,287)	P241,871
Salary increase rate	**62,022**	**(31,011)**	231,511	(190,188)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and noncontributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement obligation.

Maturity analysis of the benefit payments is as follows:

	December 31, 2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P1,204,996	P779,807	P -	P -	P779,807

17. Income Taxes

The components of provision for income tax are shown below:

	2017	2016
Current	**P171,220,940**	P150,261,646
Deferred	**(412,784)**	254,452
	P170,808,156	P150,516,098

In 2017, the Company opted to apply optional standard deduction (OSD) which is equivalent to 40% of total gross income.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2017	2016
Income before income tax	**P641,575,372**	P501,925,926
Provision for income tax at the statutory income tax rate of 30%	**P192,472,611**	P150,577,778
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**92,368,150**	43,307
Derecognition of deferred tax asset	**349,159**	-
Interest income subjected to final tax	**(234,472)**	(104,987)
Availment of optional standard deduction	**(114,147,292)**	-
	P170,808,156	P150,516,098

The components of the Company's net deferred income tax liability are as follows:

	2016
Unrealized foreign exchange gain - net	(P761,943)
Retirement benefits liability	361,499
	(P400,444)

The movements of net deferred income tax liability are accounted for as follows:

	2017	2016
Amount charged to profit or loss	**(P412,784)**	P254,452
Amount charged to OCI relating to remeasurement on defined benefits plan	**12,340**	(12,340)
Increase (decrease) in net deferred income tax liability	**(P400,444)**	P242,112

18. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2017**	2016
Cash in banks and cash equivalents	*4*	**P263,509,726**	P341,012,740
Trade and other receivables	*5*	**1,053,351,711**	853,925,392
Refundable deposits	*9*	**2,037,453**	3,234,729
		P1,318,898,890	P1,198,172,861

As at December 31, 2017 and 2016, the aging per class of financial assets is as follows:

	December 31, 2017					
	Neither Past	**Past Due**				
	Due nor Impaired	**1 to 30 Days**	**31 to 120 Days**	**More than 120 Days**	**Impaired**	**Total**
Cash in banks cash equivalents	P263,509,726	P -	P -	P -	P -	P263,509,726
Trade and other receivables	833,065,992	184,336,352	35,949,367	-	-	1,053,351,711
Refundable deposits	2,037,453	-	-	-	-	2,037,453
	P1,098,613,171	P184,336,352	P35,949,367	P -	P -	P1,318,898,890

	December 31, 2016					
	Neither Past	Past Due				
	Due nor Impaired	1 to 30 Days	31 to 120 Days	More than 120 Days	Impaired	Total
Cash in banks cash equivalents	P341,012,740	P -	P -	P -	P -	P341,012,740
Trade and other receivables	832,478,983	11,019,713	8,469,141	1,957,555	-	853,925,392
Refundable deposits	3,234,729	-	-	-	-	3,234,729
	P1,176,726,452	P11,019,713	P8,469,141	P1,957,555	P -	P1,198,172,861

As at December 31, 2017 and 2016, no allowance for impairment losses on trade and other receivables was recognized.

Based on the historical default rates, the Company believes that, apart from above, no impairment allowance is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2017 and 2016, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets as at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks and cash equivalents	**P263,925,726**	**P -**	**P -**	**P263,925,726**
Trade and other receivables	**-**	**1,040,914,689**	**12,437,022**	**1,053,351,711**
Refundable deposits	**-**	**2,037,453**	**-**	**2,037,453**
Total	**P263,925,726**	**P1,042,952,142**	**P12,437,022**	**1,318,898,890**

	December 31, 2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P341,012,740	P -	P -	P341,012,740
Trade and other receivables	-	832,478,983	21,446,409	853,925,392
Refundable deposits	-	3,234,729	-	3,234,729
Total	P341,012,740	P835,713,712	P21,446,409	P1,198,172,361

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivables include those that are collected on their due dates event without an effort from the Company to follow them up. Receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	**P160,873,777**	**P160,873,777**	**P160,873,777**	**P -**
Notes payable	**700,000,000**	**706,412,847**	**706,412,847**	**-**
Advances from Parent Company	**234,000,000**	**238,212,000**	**238,212,000**	**-**
Dividends payable	**100,000,000**	**100,000,000**	**100,000,000**	**-**
Total	**P1,194,873,777**	**P1,205,498,624**	**P1,205,498,624**	**P -**

**Excluding statutory obligations and Output VAT.*

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P582,473,462	P582,473,462	P582,473,462	P -
Notes payable	175,000,000	175,396,844	175,396,844	-
Advances from Parent Company	524,000,000	537,833,500	9,563,000	528,270,500
Total	P1,281,473,462	P1,295,703,806	P767,433,306	P528,270,500

**Excluding statutory obligations and Output VAT.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

The Company's interest rate risk management policy centers on reducing the Company's exposure to changes in interest rates. Exposure to changes in market interest rates relate primarily to the Company's cash in banks and notes payable.

As at December 31, 2017 and 2016, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Note	2017	2016
Fixed Rate Financial Instruments			
Financial Asset			
Cash in banks	5	**P263,509,726**	P176,012,740
Financial Liabilities			
Advances from Parent Company	*13c*	**(234,000,000)**	(524,000,000)
Notes payable	*12*	**(700,000,000)**	(175,000,000)
		(934,000,000)	(699,000,000)
		(P670,490,274)	(P522,987,260)

The Company does not account for any fixed rate financial assets and financial liabilities at FVPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and liabilities. The currencies in which these transactions are primarily denominated are United States dollar (USD), Singaporean dollar (SGD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2017			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	**206,431**	-	-	**10,307,120**
Trade receivables	**3,289,798**	-	-	**164,259,589**
	3,496,229	-	-	**174,566,709**
Foreign currency - denominated monetary liabilities				
Trade payable	-	**35,406**	**466,798**	**29,148,710**
Net foreign currency - denominated monetary assets (liabilities)	**3,496,229**	**(35,406)**	**(466,798)**	**145,417,999**

	December 31, 2016			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	795,866	-	-	39,644,478
Trade receivables	1,902,890	-	-	94,788,655
	2,698,756	-	-	134,433,133
Foreign currency - denominated monetary liabilities				
Trade payable	-	51,417	1,679,588	88,836,883
Net foreign currency - denominated monetary assets (liabilities)	2,698,756	(51,417)	(1,679,588)	45,596,250

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2017	2016
USD	**49.93**	49.81
SGD	**37.32**	34.35
EUR	**59.61**	51.84

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2017	
	Percentage Increase In Foreign Exchange Rates	**Effect In Income before Income Tax**
USD	**5%**	**P6,109,835 increase**
SGD	**7%**	**64,751 decrease**
EUR	**9%**	**1,753,117 decrease**

	December 31, 2016	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	1%	P941,032 increase
SGD	5%	61,823 decrease
EUR	3%	1,828,481 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

19. Fair Values of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Notes Payable and Dividends Payable

The carrying amounts approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Refundable Deposits and Advances from Parent Company

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

20. Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2017 are as follow:

	Notes Payable	Accrued Interests	Advances from a Related Party	Dividends Payable	Total
Balance at beginning of year	P175,000,000	P -	524,000,000	P -	P699,000,000
Cash flow from financing activities					
Proceeds from availment of notes payable	700,000,000	-	-	-	700,000,000
Payment of principal	(175,000,000)	-	(290,000,000)	-	(465,000,000)
Interest expense	-	7,749,094		-	7,749,094
Interest paid	-	(6,808,362)		-	(6,808,362)
Dividends paid	-	-	-	100,000,000	100,000,000
	525,000,000	940,732	(290,000,000)	100,000,000	335,940,732
Balance at end of year	P700,000,000	P940,732	P234,000,000	P100,000,000	P1,034,940,732

21. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2017:

A. VAT

Output VAT	**P428,690,826**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P3,572,423,554**
Zero-rated sales	**75,493,675**
	P3,647,917,229

Input VAT	
Beginning of the year	P -
Current year's domestic purchases:	
a. Goods other than capital goods	90,196,676
b. Services lodged under other accounts	14,647,677
VAT on importations	229,143,168
Claims for tax credit/refund and other adjustments	(333,987,521)
Balance at the end of the year	P -

B. Customs Duties and Tariff Fees:

Landed cost of imports	P1,909,526,399
Customs duties paid or accrued	125,698,938
	P2,035,225,337

C. Excise Taxes

Imported excisable items:	
a. Spirits	P520,619,760
b. Wines	38,928,982
	P559,548,742

D. Documentary Stamp Tax

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On issuance of shares of stocks	P2,700,000
On loan instruments	1,158,055
On others	886,895
	P4,744,950

E. Withholding Taxes

Tax on compensation and benefits	P1,990,533
Creditable withholding taxes	12,058,081

F. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	P3,455,897
Others	1,289,921
	P4,745,818

G. Tax Cases and Assessment

As at December 31, 2017, the Company has no pending tax cases nor has received tax assessments notices from the BIR.

Information on tariff fees, paid or accrued, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the years ended December 31, 2017 and 2016, and have issued our report dated April 26, 2018.

Our audit was made for the purpose of forming an opinion on the financial statements of the Company taken as a whole. Supplementary information included in the following accompanying additional components is the responsibility of the Company's management:

- Schedule of Philippine Financial Reporting Standards and Interpretations; and
- Reconciliation of Retained Earnings Available for Dividend Declaration.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and are not a required part of the basic financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-002511-041-2018
Issued February 6, 2018, valid until February 5, 2021
PTR No. 6615158MD
Issued January 3, 2018 at Makati City

April 26, 2018
Makati City, Metro Manila

MONTOSCO, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓

HILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✓		
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✔
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✔
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✔
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✔

Legend:

Adopted *- means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

Not Adopted *- means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

Not Applicable *- means the standard or interpretation is not relevant at all to the operations of the entity.*

MONTOSCO, INC.
1501 Federal Tower, Dasmariñas Street, Binondo, Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

Unappropriated Retained Earnings, beginning		**P613,512,209**
Adjustment in previous year's reconciliation:		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		**(6,391,070)**
Unappropriated Retained Earnings, as adjusted, beginning		**607,121,139**
Net Income based on the face of audited financial statements	P470,767,216	
Less: Non-actual income		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	3,039,781	
Net Income Actual/Realized		**473,806,997**
Less: Dividend declaration during the year		**100,000,000**
Unappropriated Retained Earnings, as adjusted, ending		**P980,928,136**

"ANNEX C"

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor. Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CS201002286

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MERITUS PRIME DISTRIBUTIONS, INC.
(Amending Article III thereof)

copy annexed, adopted on September 14, 2018 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 1st day of April, Twenty Nineteen.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

STA/qba

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application: AMENDMENT

SEC Registration Number: C S 2 0 1 0 0 2 2 8 6

Former Company Name

M E R I T U S   P R I M E   D I S T R I B U T I O N S ,
I N C .

AMENDED TO:
New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

U N I T   7 0 4   F E D E R A L   T O W E R
D A S M A R I Ñ A S   S T . ,   B I N O N D O ,   M A N I L A

ZIP CODE: 1 0 0 6

COMPANY INFORMATION

Company Email Address	Company's Telephone Number/s	Mobile Number
info@meritusph.com	243-6630	

CONTACT PERSON INFORMATION

The designated person MUST be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Evelyn B. Binanitan		(02) 522-8801	

Contact Person's Address

No. 900 Romualdez St., Paco, Manila

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor			

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION

OF

MERITUS PRIME DISTRIBUTIONS, INC.

KNOW ALL MEN BY THESE PRESENTS:

The we, all of legal age, citizens and residents of the Republic of the Philippines, this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Republic of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: The name of this corporation shall be:

MERITUS PRIME DISTRIBUTIONS, INC.

SECOND: A. That the primary purpose of this corporation is

To carry on the business of buying, selling, importing, exporting, manufacturing, repacking, preparing, bottling and distribution on wholesale of all kinds of wines and spirits, liquors, beers and other alcoholic and non-alcoholic beverages and drinks, fresh and processed foods and other consumer products and accessories as allowed by law; of dealing in and working with all kinds of ingredients, materials, articles, appliances, supplies, property, processes, machine, tools and equipment used in, necessary, convenient or incidental to the purchase, sale, import, export, manufacture, repacking, bottling and distribution of such products; and in pursuance thereof, it shall purchase, acquire, sell, dispose, and license all patent rights improved methods, trade names, trademarks and other intellectual property rights to such products, property and processes, suitable, necessary, useful or advisable in connection with any of these businesses set forth.

B. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the corporation is to be established is at Unit 704 Federal Tower, Dasmariñas St. Brgy. 282, Zone 026, San Nicolas, Manila 1010 (As amended on September 14, 2018 by the Board of Directors and by the Stockholders and the Corporation representing at least 2/3 of the entire issued and outstanding capital stock.)

FOURTH: That the term of for which the corporation is to exist is fifty (50) years from the year from and after the date of issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residents of the incorporators are as follows;

Name	Nationality	Residence
Maridel Behagan	Filipino	[redacted]
Lilia Gonzales	Filipino	[redacted]
Girlie M. Sy	Filipino	[redacted]

Mary Jane Sim	Filipino	[redacted], [redacted]
Melissa Jean Fung	Filipino	[redacted]

SIXTH: That the number of directors of said corporation shall be Five (5) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Maridel Behagan	Filipino	[redacted]
Lilia Gonzales	Filipino	[redacted]
Girlie M. Sy	Filipino	[redacted], [redacted]
Mary Jane Sim	Filipino	[redacted]
Melissa Jean Fung	Filipino	[redacted]

SEVENTH: That the authorized capital stock of the corporation is Seven Hundred Fifty Million (P750,000,000.00) pesos in lawful money of the Philippines, divided into Seven Million Five Hundred (7,500,000,000) shares with the par value of One Hundred Pesos (P100.00) each.
(As amended by all the members of the Board of Directors and all stockholders representing at least two/thirds (2/3) of the entire issued and outstanding capital stock at a special meeting held on December 8, 2016).

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Maridel Behagan	Filipino	25,000	2,500,000.00	625,500.00
Lilia Gonzales	Filipino	25,000	2,500,000.00	625,500.00
Girlie M. Sy	Filipino	25,000	2,500,000.00	625,000.00
Mary Jane Sim	Filipino	25,000	2,500,000.00	625,000.00
Melissa Jean Fung	Filipino	25,000	2,500,000.00	625,000.00
Total		125,000	12,500,000.00	3,125,000.00

NINTH: No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all or its stock certificates issued by the corporation.

TENTH: That Mary Jane Sim has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the incorporators undertake to change the name of the corporation immediately upon receipt of notice or directive from the Securities and Exchange Commission that another corporation, partnership or person has acquired a prior right to the use of the name or that the name has been declared misleading, deceptive confusingly similar to a registered name, or contrary to public morals, good customs or public policy.

In Witness whereof, we have set out hands this 10th day of February, 2010 at Manila.

(Signed)
MARIDEL BEHAGAN
[redacted]

(Signed)
LILIA GONZALES
[redacted]

(Signed)
GIRLIE M. SY
[redacted]

(Signed)
MARY JANE SIM
[redacted]

(Signed)
MELISSA JEAN FUNG
[redacted]

WITNESSES:

____________________ ____________________

ACKNOWLEDGEMENT

Republic of the Philippines)
Manila.) S.S.

BEFORE ME, a Notary Public in and for Manila Philippines, this 10th day of February, 2010, personally appeared:

Name	Community Tax Certificate No.	Date & Place Issued
Maridel Behagan	02692646	Jan. 19, 2010/Manila
Lilia Gonzales	01446849	Feb. 9, 2010/Manila
Girlie M. Sy	12249799	Feb. 9, 2010/Manila
Mary Jane Sim	12249819	Jan. 19, 2010/Manila
Melissa Jean Fung	12249808	Jan. 19, 2010/Manila

all known to me and to me known to be the same persons who executed the foregoing ARTICLES OF INCORPORATION and acknowledged to me that the same is their free and voluntarily act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the first above written.

Doc. No. 110;
Page No. 22;
Book No. 1;
Series of 2010

(SIGNED)
ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC-CITY OF MANIIA
ADMIN. NO. 2009-193-UNTIL DEC. 31, 2010
ROLL NO. 54899
NO. 794111/01-04-2010 MANILA IV
PTR NO. MLA. 8237440/01-04-2010/ MANILA

(STOCK)

BY-LAWS

OF

MERITUS PRIME DISTRIBUTIONS, INC.

(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholders shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be singed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Share - Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporations.

All certificates surrendered for transfer shall be stamped “Cancelled” on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Sesction 1. Annual / Regular Meetings – The annual / regular meeting of stockholders shall be held at the principal office on June 20th of each year, if legal holiday then on the day following.

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at anytime be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When meeting of stockholders is adjourned to another or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting if stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholder, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for ten (10) working days immediately preceding such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c) To invest the funds of the corporation in other corporations or for purposes other that those for which the corporation was organized, subject to such stockholders approval as may be required by law;

d) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation of its officer are either plaintiffs or defendants in connection with the business of the corporation;

g) To delegate, form time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation which such powers and upon such terms as may be deemed fit;

h) To implement these by-laws and to act on any matter not covered by these by-laws provided such matter does not require the approval or consent of the stockholders under Corporation Code.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filed by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of the stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held once a month on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary of each director personally, or by telephone, telegram, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary shall act as secretary of every meeting, if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

Section 8. Compensation – By-resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority if the outstanding capital stock at a regular or special meeting of the stockholders.

ARCTILE IV

OFFICER

Section 1. Election / Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the President, the Vice-President, the Treasurer, and the Secretary at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President shall be the Chief Executive Office of the corporation and shall exercise the following functions.

a) To preside at the meetings of the stockholders;

b) To initiate and develop corporate objective and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c) To supervise and manage the business affairs of the corporation upon the direction of the Board of Directors;

d) To implement the administrative and operational policies of the corporation under this supervision and control;

e) To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f) To oversee the preparation of the budgets and the statements of accounts of the corporation;

g) To represent the corporation at all functions and proceedings;

h) To execute on behalf of the corporation all contracts, agreement and other instruments affecting the interests of the corporation which require the approval of the Board of Directors.

i) To make reports to the Board of Directors and stockholders;

j) To sign certificates of stock;

k) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice-President – He shall, if qualified, act as President in the absence of the latter. He shall have such other powers and duties as may from time to time be assigned to him by the Board of Directors or by the President.

Section 4. The Secretary – The Secretary must be a resident and citizen of the Philippines. He shall have the following specific powers and duties;

a) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b) To keep record books showing the details required by the law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c) To keep the corporate seal and affix it all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.

f) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election.

g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 5. The Treasurer – The Treasurer of the corporation shall have the following duties;

a) To keep full and accurate accounts of receipts and disbursement in the books of the corporation;

b) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the money's funds, securities, bonds, and similar valuable effects belonging to the corporations which may come under his control;

d) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 6. Term of Office – The term of office of all officers shall have one (1) year and until their successors are duly elected and qualified.

Section 7. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 8. Compensation – The officers shall receive such remuneration as the Board of Directors may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise and receiving compensation thereof.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch officers, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor – At the regular stockholders meeting the external of the corporation for the ensuring year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin of the first day of January and end on the last day December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII

SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLES VIII

AMENDMENTS

Section 1. These by-laws may be amended or replaced by the affirmative vote of at least a majority if the Board Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders meeting called for that purpose. However, the power of amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

IN WITNESS WHEREOF, we the undersigned stockholders have adopted the foregoing by-laws and hereunto affixed our signatures this 10th day of February, 200 10 at Manila.

(Note: 1. If filed with Articles of Incorporation, these by-laws should be signed by all incorporations;

2. If filed after incorporators, should be signed by majority of the subscribers and should submit director's certificate for the adoption of the by-laws)

MARIDEL BEHAGAN	LILIA GONZALES
[redacted]	[redacted]
GIRLIE M. SY	MARY JANE SIM
[redacted]	[redacted]
MELISSA JEAN FUNG	
[redacted]	TIN-
D	
TIN-	TIN-
D	
TIN-	TIN-
D	
TIN-	TIN-
D	
TIN-	TIN-

"ANNEX C-2"

Securities and Exchange Commission
Electronic Records Management
SEP 15 2020

AMENDED GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2020

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

==================== PLEASE PRINT LEGIBLY ====================

CORPORATE NAME: MERITUS PRIME DISTRIBUTIONS, INC.		**DATE REGISTERED:** February 17, 2010
BUSINESS/TRADE NAME: MERITUS PRIME DISTRIBUTIONS, INC.		
SEC REGISTRATION NUMBER: CS201002286		**FISCAL YEAR END:** December 31st
DATE OF ANNUAL MEETING PER BY-LAWS: 20th day of June		**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 007-613-210
ACTUAL DATE OF ANNUAL MEETING: August 18, 2020		**WEBSITE/URL ADDRESS:** www.meritusph.com
COMPLETE PRINCIPAL OFFICE ADDRESS: Unit 704 Federal Tower, Dasmariñas St., Brgy. 282, Zone 026, San Nicolas, Manila		**E-MAIL ADDRESS:** info@meritusph.com
COMPLETE BUSINESS ADDRESS: Unit 704 Federal Tower, Dasmariñas St., Brgy. 282, Zone 026, San Nicolas, Manila		**FAX NUMBER:** (02) 83539680
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: R.G. Manabat & Company / Gregorio I. Sambrano, Jr.	**SEC ACCREDITATION NUMBER (if applicable):** N/A	**TELEPHONE NUMBER(S):** (02) 8242-0635
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: To carry on the business of buying, selling, importing, manufacturing, repacking, preparing, bottling and distribution on wholesale of all kinds of wines, spirits, liquors, beers and others.	**INDUSTRY CLASSIFICATION:** Wholesale Trade and Commission Trade, Except Motor Vehicle	**GEOGRAPHICAL CODE:** N/A

==================== INTERCOMPANY AFFILIATIONS ====================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Cosco Capital, Inc.	147669	No. 900 Romualdez St., Paco, Manila
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
N/A	N/A	N/A

NOTE: USE ADDITIONAL SHEET IF NECESSARY

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ================================

Corporate Name:	MERITUS PRIME DISTRIBUTIONS, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.
- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.
- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.
- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:
- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:
- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business:	To carry on the business of buying, selling, importing, exporting, manufacturing, repacking, preparing, bottling and distribution on wholesale of all kinds of wines, spirits, liquors, beers and other alcoholic beverages and others

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY ===================================

CORPORATE NAME:	MERITUS PRIME DISTRIBUTIONS, INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	7,500,000	100.00	750,000,000.00
	TOTAL	7,500,000	TOTAL P	750,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON	7,500,000	100.00		750,000,000.00	100.00%
		COMMON					
		TOTAL	7,500,000	TOTAL	TOTAL P	750,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A		N/A	N/A
Percentage of Foreign Equity :		TOTAL	0	TOTAL	TOTAL P	0.00	0.00%
					TOTAL SUBSCRIBED P	750,000,000.00	100.00%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON	7,500,000	100.00	750,000,000.00	100.00%
		TOTAL	7,500,000	TOTAL P	750,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A	N/A	N/A
		TOTAL	0	TOTAL P	0.00	0.00%
				TOTAL PAID-UP P	750,000,000.00	100.00%

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: MERITUS PRIME DISTRIBUTIONS, INC.

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. CAMILLE CLARISSE P. CO [redacted]	Filipino	N	C	F	Y	Chairman and President	N/A	[redacted]
2. LUCIO L. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
3. SUSAN P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
4. FERDINAND VINCENT P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
5. PAMELA JUSTINE P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
6. MARIDEL BEHAGAN [redacted]	Filipino	N	N	F	N	Vice-President	N/A	[redacted]
7. EVELYN B. BINANITAN [redacted]	Filipino	N	N	F	N	Corporate Secretary	N/A	[redacted]
8. CATHERINE W. CAI [redacted]	Filipino	N	N	F	N	Treasurer	N/A	[redacted]

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME:	MERITUS PRIME DISTRIBUTIONS, INC.		
TOTAL NUMBER OF STOCKHOLDERS:	7	NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES I	1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	1,494,110,151.00		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
1 COSCO CAPITAL, INC.	COMMON	7,499,994	749,999,400.00	100.00%	749,999,400.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	7,499,994	749,999,400.00			
2. LUCIO L. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	1	100.00			
3. SUSAN P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	1	100.00			
4. FERDINAND VINCENT P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	1	100.00			
5. PAMELA JUSTINE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	1	100.00			
6. CAMILLE CLARISSE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	1	100.00			
7. KATRINA MARIE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	1	100.00			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL				100.00%	750,000,000.00	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: MERITUS PRIME DISTRIBUTIONS, INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N/A	N/A	N/A

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N/A	

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR : 393,606,397

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	N/A	N/A
5.2 STOCK	N/A	N/A
5.3 PROPERTY	N/A	N/A
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
N/A	N/A	N/A

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
1,174,429.00	8	28	36

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, EVELYN B. BINANITAN Corporate Secretary of MERITUS PRIME DISTRIBUTIONS, INC. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this SEP 14 2020 day of September, 2020 in the City of Manila.

EVELYN B. BINANITAN
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in the City of Manila on SEP 14 2020 by affiant who personally appeared before me and exhibited to me her Tax Identification Card with no. [redacted] issued by the Bureau of Internal Revenue.

Doc. No. 181
Page No. 38
Book No. 24
Series of 2020.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9120218/01-02-2020/Mla.
MCLE Compliance No. VI-0022488/04-16-19
No. 900 Romualdez St., Paco, Manila

"ANNEX C-3"

Meritus Prime
Distributions Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MERITUS PRIME DISTRIBUTIONS, INC.** (the **"Company"**) is responsible for the preparation and fair presentation of the separate financial statements, including the schedule attached therein, as at and for the years ended **December 31, 2019 and 2018,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate 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.

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

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

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

CAMILLE CLARISSE P. CO
President and Chairman of the Board

CATHERINE W. CAI
Treasurer

Signed this 9th day of June 2020

Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila
Tel Nos. (02) 242-0635/242-0645 | Fax No. 353-9680

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	0	0	2	2	8	6

COMPANY NAME

MERITUS PRIME DISTRIBUTIONS, INC. (A Wholly-owned Subsidiary of Cosco Capital, Inc.)

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

Unit 704 Federal Tower Dasmariñas St. Binondo Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 20	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co.		(02) 242-0635	

CONTACT PERSON's ADDRESS

704 Federal Tower, Dasmarinas Street, Binondo Manila

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

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

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended 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 the 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited the accompanying financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2019, on which we have rendered our report dated June 25, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano. Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
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June 25, 2020
Makati City, Metro Manila

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018 (As restated - see Note 22)	January 1, 2018 (As restated - see Note 22)
ASSETS				
Current Assets				
Cash	5,19	**P44,277,185**	P52,180,421	P74,641,298
Trade and other receivables - net	6, 19	**379,028,186**	254,266,729	336,739,024
Inventories	7	**717,189,440**	561,595,644	624,566,976
Prepaid expenses and other current assets	8	**348,493,202**	350,652,488	242,202,868
Total Current Assets		**1,488,988,013**	1,218,695,282	1,278,150,166
Noncurrent Assets				
Right-of-use assets - net	16	**2,458,959**	5,336,946	8,214,934
Property and equipment - net	9	**924,248**	1,896,032	3,021,269
Refundable deposits	10, 19	**883,080**	873,936	842,310
Deferred income tax assets - net	18	**855,851**	876,124	1,081,766
Total Noncurrent Assets		**5,122,138**	8,983,038	13,160,279
		P1,494,110,151	P1,227,678,320	P1,291,310,445
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11	**P33,791,646**	P51,564,573	P54,514,583
Loans payable	12, 19	**296,000,000**	-	100,000,000
Income tax payable		**16,214,652**	12,018,068	7,051,346
Lease liabilities - current	16, 19	**2,913,534**	3,096,405	2,842,870
Dividends payable	14, 19	-	75,000,000	50,000,000
Advances from Parent Company		-	-	20,000,000
Total Current Liabilities		**348,919,832**	141,679,046	234,408,799
Noncurrent Liabilities				
Retirement benefits liability	17	**760,153**	764,908	1,491,441
Lease liabilities - noncurrent	16, 19	-	2,913,534	6,009,939
Total Noncurrent Liabilities		**760,153**	3,678,442	7,501,380
Total Liabilities		**349,679,985**	145,357,488	241,910,179
Equity				
Capital stock	14	**P750,000,000**	P750,000,000	P750,000,000
Retained earnings	14	**393,606,397**	331,555,404	299,297,501
Accumulated remeasurements on retirement benefits	17	**823,769**	765,428	102,765
Total Equity		**1,144,430,166**	1,082,320,832	1,049,400,266
		P1,494,110,15[illegible]	P1,227,6[illegible]	[illegible]10,445

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 22)
NET SALES	*13*	**P958,828,756**	P923,272,269
COST OF GOODS SOLD	*15*	**780,137,292**	722,487,888
GROSS PROFIT		**178,691,464**	200,784,381
OPERATING EXPENSES			
Outside services		**14,765,449**	22,885,866
Advertising		**12,850,187**	53,151,355
Salaries and other employee benefits	*17*	**12,377,632**	12,672,637
Taxes and licenses		**6,398,861**	3,963,372
Deficiency taxes		**6,278,733**	4,693,252
Distribution cost		**4,572,407**	6,121,895
Depreciation and amortization	*9, 16*	**3,883,119**	4,028,554
Transportation and travel		**2,526,242**	2,791,031
Insurance		**1,844,564**	2,925,172
Representation and entertainment		**671,203**	1,010,694
Miscellaneous		**2,644,878**	2,046,512
		68,813,275	116,290,340
INCOME FROM OPERATIONS		**109,878,189**	84,494,041
OTHER CHARGES - Net			
Interest expense	*12, 13,16*	**(14,785,316)**	(1,163,628)
Foreign exchange losses - net		**(4,459,441)**	(1,499,373)
Interest income	*5*	**187,919**	1,763,212
Bank charges		**(107,404)**	(158,730)
Commission expense		**-**	(285,121)
		(19,164,242)	(1,343,640)
INCOME BEFORE INCOME TAX		**90,713,947**	83,150,401
PROVISION FOR INCOME TAX	*18*	**28,662,954**	25,892,498
NET INCOME		**62,050,993**	57,257,903
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gains on retirement benefits	*17*	**83,345**	946,662
Income tax effect	*18*	**(25,004)**	(283,999)
		58,341	662,663
TOTAL COMPREHENSIVE INCOME		**P62,109,334**	P57,920,566

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RR5, MANILA - RDO-29 TONDO/SAN NICOLAS
RECEIVED
29 JUN 2020

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Capital Stock (Note 14)	Retained Earnings (Note 14)	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
Balances at January 1, 2018, as previously reported		P750,000,000	P299,491,129	P102,765	P1,049,593,894
Restatements	22	-	(193,628)	-	(193,628)
Balances at January 1, 2018, as restated		750,000,000	299,297,501	102,765	1,049,400,266
Net income for the year, as previously reported		-	57,282,485	-	57,282,485
Restatements	22	-	(24,582)	-	(24,582)
Net income for the year, as restated		-	57,257,903	-	57,257,903
Other comprehensive income for the year		-	-	662,663	662,663
Total comprehensive income for the year, as restated		-	57,257,903	662,663	57,920,566
Cash dividends declared		-	(25,000,000)	-	(25,000,000)
Balances at December 31, 2018, as restated		750,000,000	331,555,404	765,428	1,082,320,832
Net income for the year		-	**62,050,993**	-	**62,050,993**
Other comprehensive income for the year		-	-	**58,341**	**58,341**
Total comprehensive income for the year		-	**62,050,993**	**58,341**	**62,109,334**
Balances at December 31, 2019		**P750,000,000**	**P393,606,397**	**P823,769**	**P1,144,430,166**

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2019	2018 (As restated - see Note 22)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P90,713,947**	P83,150,401
Adjustments for:			
Interest expense	*12,13,16*	**14,785,316**	1,163,628
Depreciation and amortization	*9, 16*	**3,883,119**	4,028,554
Retirement benefits costs	*17*	**211,090**	220,129
Interest income	*5*	**(187,919)**	(1,763,212)
Unrealized foreign exchange loss (gain) - net		**1,690**	(21,409)
Operating income before working capital changes		**109,407,243**	86,778,091
Decrease (increase) in:			
Trade and other receivables		**(124,761,457)**	82,472,295
Inventories		**(155,593,796)**	62,971,332
Prepaid expenses and other current assets		**2,159,286**	(108,449,620)
Decrease in trade and other payables		**(18,515,943)**	(2,874,340)
Cash generated from (used in) operations		**(187,304,667)**	120,897,758
Income taxes paid		**(24,471,101)**	(21,004,133)
Retirement benefits paid	*17*	**(132,500)**	-
Interest received	*5*	**187,919**	1,763,212
Net cash from (used in) operating activities		**(211,720,349)**	101,656,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	**(33,348)**	(25,329)
Increase in refundable deposits	*10*	**(9,144)**	(31,626)
Cash used in investing activities		**(42,492)**	(56,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable	*21*	**394,000,000**	-
Payments of:			
Loans payable	*21*	**(98,000,000)**	(100,000,000)
Dividends	*14, 21*	**(75,000,000)**	-
Interest on loans	*12, 21*	**(13,815,902)**	(885,698)
Lease liabilities	*16*	**(3,312,172)**	(3,197,307)
Advances from parent company	*13, 21*	**-**	(20,000,000)
Net cash from (used in) financing activities		**203,871,926**	(124,083,005)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(P12,321)**	P22,246
NET DECREASE IN CASH		**(7,903,236)**	(22,460,877)
CASH AT BEGINNING OF YEAR		**52,180,421**	74,641,298
CASH AT END OF YEAR	*5*	**P44,277,185**	P52,180,421

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers, and other alcoholic and non-alcoholic beverages and drinks.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

This is the first set of the Company's annual financial statements in which PFRS 16, *Leases*, has been applied. Changes to significant accounting policies are described in Note 3.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Company's Board of Directors (BOD) on June 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following new standard starting January 1, 2019 and accordingly, changed its accounting policies.

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Company applied PFRS 16 using the retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2018. Accordingly, the comparative information presented, as at and for the year ended December 31, 2018, is restated.

  The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

  - Applied a single discount rate to a portfolio of leases with similar characteristics;
  - Applied the exemption not to recognize right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application;
  - Excluded initial direct costs from measuring the right of-use asset at the date of initial application; and
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

  Impact on Financial Statements

  In transition to PFRS 16 on January 1, 2019 using the retrospective approach, the Company recognized right-of-use assets and lease liabilities on the commencement date of the lease agreement. Consequently, the cumulative effect of the transition was recognized on January 1, 2018. The impact on transition as at January 1, 2018 is presented in notes for prior period restatement (see Note 22)

As at January 1, 2018, the Company recognized ROU assets and lease liabilities amounting to P8,214,934 and P8,852,809, respectively. As at December 31, 2019 and 2018, the carrying amounts of ROU assets and lease liabilities are as follows:

	Note	2019	2018
ROU Assets - net	*16*	**P2,458,959**	P5,336,946
Lease liabilities	*16*	**2,913,534**	6,009,939

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of date of lease commencement date. The weighted average rate applied is 4.74%.

The Company has also adopted the following amendments to standards and interpretations which did not have any significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation (Amendments)*
- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)*
- Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2019.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations), dividends payable, loans payable and lease liabilities as at December 31, 2019 and 2018.

Impairment of Financial Assets
The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
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 rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Fair Value Measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 markets 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2019 and 2018, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits and wines, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statement of financial position.

Refundable Deposits

Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Furniture and fixtures	2
Office equipment	2
Leasehold improvements	3 or lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares

Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Interest Income

Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition

Cost of Goods Sold

Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses

Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs

The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as Lessee

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for accrued rent payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the ROU asset reflects that the Company will exercise a purchase option. In that case, the ROU asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The ROU asset is presented as a separate line item in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is 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 a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the depreciation charge for the ROU asset. The interest expense on lease liability is presented under "Costs and expenses" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The Company plans to adopt the amendments to standard on the required effective date.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a.) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b.) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c.) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d.) clarifying the explanatory paragraphs accompany the definition; and

  (e.) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates, and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 16).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).

- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The Company uses an allowance matrix to measure the ECLs of its trade receivables from individual customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates computed were based on actual credit loss experience over the last three years. As the profile of the Company's trade receivables is substantially current and past due trade receivables are no more than one year, the computed estimated allowance using the loss rates is not significant to the Company's financial statements.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P379,911,266 and P255,140,665 as at December 31, 2019 and 2018, respectively (see Notes 6, 10 and 19).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2019 and 2018 are P717,189,440 and P561,595,644, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2019 and 2018.

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.
The estimated useful life of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful life of property and equipment in 2019 and 2018.

The carrying amounts of property and equipment as at December 31, 2019 and 2018 amounted to P924,248 and P1,896,032, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P760,153 and P764,908 as at December 31, 2019 and 2018, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P855,851 and P876,124 as at December 31, 2019 and 2018, respectively (see Note 18).

5. Cash

This account consists of:

	Note	**2019**	2018
Cash on hand		**P164,000**	P191,000
Cash in banks	*19*	**44,113,185**	51,989,421
		P44,277,185	P52,180,421

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P187,919 and P1,763,212 in 2019 and 2018, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	**2019**	2018
Trade:			
Related parties	*13*	**P247,536,614**	P167,548,864
Third parties		**65,462,999**	55,195,223
Non-trade		**67,344,199**	32,699,199
Receivable from employees		**188,296**	327,365
	19	**380,532,108**	255,770,651
Less allowance for impairment losses on trade receivables		**1,503,922**	1,503,922
	19	**P379,028,186**	P254,266,729

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 60-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

7. Inventories

This account consists of:

	Note	**2019**	2018
At cost:			
Spirits		**P668,311,496**	P521,809,925
Wines		**48,877,944**	39,785,719
	15	**P717,189,440**	P561,595,644

Cost of goods sold recognized in profit or loss amounted to P780,137,292 and P722,487,888 in 2019 and 2018, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers	**P325,526,836**	P303,986,181
Prepaid expenses:		
Duties and taxes	**14,055,381**	46,430,770
Input VAT	**7,143,422**	-
Other import charges	**885,411**	34,537
Others	**882,152**	201,000
	P348,493,202	P350,652,488

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
December 31, 2017	P8,953,451	P1,051,430	P560,377	P1,794,809	P12,360,067
Additions	-	20,955	4,374	-	25,329
December 31, 2018	8,953,451	1,072,385	564,751	1,794,809	12,385,396
Additions	-	-	33,348	-	33,348
December 31, 2019	**8,953,451**	**1,072,385**	**598,099**	**1,794,809**	**12,418,744**
Accumulated Depreciation and Amortization					
December 31, 2017	6,254,904	805,523	483,562	1,794,809	9,338,798
Depreciation and amortization	922,269	174,105	54,192	-	1,150,566
December 31, 2018	7,177,173	979,628	537,754	1,794,809	10,489,364
Depreciation and amortization	886,452	90,834	27,846	-	1,005,132
December 31, 2019	**8,063,625**	**1,070,462**	**565,600**	**1,794,809**	**11,494,496**
Carrying Amounts					
December 31, 2018	P1,776,278	P92,757	P26,997	P -	P1,896,032
December 31, 2019	**P889,826**	**P1,923**	**P32,499**	**P -**	**P924,248**

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P9,712,032 and P7,427,899 as at December 31, 2019 and 2018, respectively.

10. Refundable Deposits

This account consists of:

	Note	2019	2018
Security deposits	*16*	**P715,229**	P706,085
Others		**167,851**	167,851
	19	**P883,080**	P873,936

11. Trade and Other Payables

This account consists of:

	Note	2019	2018
Trade payables	*19*	**P11,226,047**	P8,137,340
Nontrade payables:			
Third parties	*19*	**19,534,167**	30,292,247
Related parties	*13, 19*	**1,511,480**	1,086,113
Accrued expenses	*19*	**686,733**	389,768
Statutory obligations		**511,203**	868,348
Output VAT - net		**-**	10,538,341
Others	*19*	**322,016**	252,416
		P33,791,646	P51,564,573

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies, interest payable on loans and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term, except for related party balance which is due on demand.

Accrued expenses consist mainly of accruals for utilities and other operating charges.

12. Loans Payable

In 2019, the Company entered into various unsecured, short-term loans with a maturity of less than one year from Metropolitan Bank and Trust Company and Asia United Bank totaling to P81,000,000 with a fixed annual interest of 4.50% to 5.50% and P215,000,000 with fixed annual interest of 4.75% to 6.00%, respectively. The proceeds from these loan availments were intended to finance the Company's working capital requirements.

Interest expense recognized in profit or loss relating to these loans amounted to P14,569,549 and P750,191 in 2019 and 2018, respectively. As at December 31, 2019, outstanding interest payable related to these loans recorded as part of "Non-trade payables" under "Trade and other payables" account in the statement of financial position amounted to P753,647 (see Note 11).

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category	Year	Note	Transactions During the Year	Outstanding Balance: Trade Receivables	Outstanding Balance: Nontrade Payable	Terms	Conditions
Parent Company							
▪ Interest	2019		P -	P -	P -	Monthly	Unsecured
	2018		59,000	-	-		
Entities under Common Control							
▪ Sale of goods	2019	6, a	734,974,442	247,536,614	-	30 days credit term; non-interest-bearing	Unsecured; no impairment
	2018	6, a	698,465,965	167,548,864	-		
▪ Lease expense	2019	16, b	3,093,754	-	-	Monthly; non-Interest-bearing	Unsecured
	2018	16, b	3,232,425	-	-		
▪ Advances	2019	11, c	1,511,480	-	1,511,480	Due on demand; non-interest bearing	Unsecured
	2018	11, c	1,086,113	-	1,086,113		
	2019			P247,536,614	P1,511,480		
	2018			P167,548,864	P1,086,113		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. Cash advances obtained from entities under common control for working capital requirements.

d. In 2018, the Company paid advances from parent company amounted to P20,000,000. No new advances were made in 2019.

e. There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock

The balances as at December 31, 2019 and 2018 are as follows:

	Number of Shares	Amount
Authorized		
P100 par value	7,500,000	P750,000,000
Issued and Outstanding		
Balance at beginning and end of year	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

Declaration of Dividends
On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000,000, payable to stockholders of record as of the same date.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends of P3.33 per share or an aggregate amount of P25,000,000, payable to stockholders of record of the same date.

All outstanding dividends were paid in 2019.

15. Cost of Goods Sold

This account consists of:

	Note	**2019**	2018
Inventory at beginning of year		**P561,595,644**	P624,566,976
Add: Net purchases		**935,731,088**	659,516,556
Total goods available for sale		**1,497,326,732**	1,284,083,532
Less: Inventory at end of year	7	**717,189,440**	561,595,644
		P780,137,292	P722,487,888

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020.

On transition to PFRS 16, the Company recognized retrospectively ROU assets and lease liabilities in relation to lease agreements (a) and (b). As at January 1, 2018, the ROU assets and lease liabilities recognized amounted to P8,214,934 and P8,852,809, respectively.

The movement of the ROU assets and lease liabilities for the years ended December 31, 2019 and 2018 are as follows:

i. Right-of-Use Assets

	Note	**2019**	2018 (As restated - see Note 22)
Balance at beginning of year		**P5,336,946**	P8,214,934
Amortization charge for the year	*13*	**(2,877,987)**	(2,877,988)
Balance at end of year		**P2,458,959**	P5,336,946

ii. Lease Liabilities

	Note	2019	2018 (As restated - see Note 22)
Balance at beginning of year		**P6,009,939**	P8,852,809
Interest charge for the year	*13*	**215,767**	354,437
Payments made		**(3,312,172)**	(3,197,307)
Balance at end of year		**P2,913,534**	P6,009,939

Maturity analyses of the undiscounted lease liabilities as at December 31, 2019 and 2018 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P2,982,781**	**P69,247**	**P2,913,534**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P3,312,172	P215,767	P3,096,405
Later than one year but not later than five years	2,982,781	69,247	2,913,534
Balance at December 31, 2019	P6,294,953	P285,014	P6,009,939

As at December 31, 2019 and 2018, the Company's lease liabilities are classified in the statements of financial positions as follows:

	2019	2018 (As restated - see Note 22)
Current	**P2,913,534**	P3,096,405
Noncurrent	**-**	2,913,534
	P2,913,534	P6,009,939

iii. Amounts recognized in profit or loss

	2019	2018 (As restated - see Note 22)
Interest on lease liabilities	**P215,767**	P354,437
Amortization expense	**2,877,987**	2,877,988
	P3,093,754	P3,232,425

iv. Amounts recognized in the statement of cash flows

	2019	2018 (As restated - see Note 22)
Total cash outflow for leases	**P3,312,172**	P3,197,307

The lease agreements provide for, among others, security deposits amounting to P715,229 and P706,085 as at December 31, 2019 and 2018, respectively, which are shown under "Refundable deposits" account in the statements of financial position (see Note 10).

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its permanent, regular, and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2019.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2019	2018
Balance at beginning of year	**P764,908**	P1,491,441
Recognized in profit or loss		
Interest cost	**57,598**	80,240
Current service cost	**153,492**	139,889
	211,090	220,129
Recognized in other comprehensive income		
Actuarial gain arising from:		
Financial assumptions	**438,219**	(266,274)
Demographic assumptions	**(862,118)**	(253,953)
Experience adjustments	**340,554**	(426,435)
	(83,345)	(946,662)
Benefits paid	**(132,500)**	-
Balance at end of year	P760,153	P764,908

The retirement benefits cost is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2019 and 2018 are as follows:

	2019	2018
Discount rate	**5.21%**	7.53%
Future salary increases	**8.00%**	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 13.4 and 13.2 years as at December 31, 2019 and 2018, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2019		2018	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P47,206)**	**P32,002**	(P65,247)	P49,948
Salary increase rate	**68,414**	**(53,211)**	30,596	(15,298)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement benefits obligation.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	**P760,153**	**P1,147,119**	**P -**	**P363,968**	**P783,151**

	December 31, 2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P764,908	P783,151	P -	P -	P783,151

18. Income Taxes

The components of provision for income tax are shown below:

	2019	2018
Current	**P28,667,685**	P25,970,854
Deferred	**(4,731)**	(78,356)
	P28,662,954	P25,892,498

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2019	2018
Income before income tax	**P90,713,947**	P83,150,401
Provision for income tax at the statutory income tax rate of 30%	**P27,214,184**	P24,945,120
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**1,505,146**	1,476,341
Interest income subjected to final tax	**(56,376)**	(528,963)
Provision for income tax	**P28,662,954**	P25,892,498

The components of the Company's net deferred income tax assets are as follows:

	Net Balance at December 31, 2018 (as restated)	Recognized During the Year	Net Balance at December 31, 2019
Deferred income tax assets (liability) recognized in profit or loss:			
Retirement benefits liability	P557,513	P63,327	P620,840
Allowance for impairment on trade receivables	451,177	-	451,177
PFRS 16, *Leases* adjustment	201,897	(65,526)	136,371
Unrealized foreign exchange loss (gain) - net	(6,423)	6,930	507
	1,204,164	4,731	1,208,895
Deferred income tax liability recognized directly in other comprehensive income:			
Retirement benefits liability	(328,040)	(25,004)	(353,044)
Deferred income tax assets - net	P876,124	(P20,273)	P855,851

	Net Balance at December 31, 2017 (as restated)	Recognized During the Year	Net Balance at December 31, 2018 (as restated)
Deferred income tax assets (liability) recognized in profit or loss:			
Retirement benefits liability	P491,474	P66,039	P557,513
Allowance for impairment on trade receivables	451,177	-	451,177
PFRS 16, *Leases* adjustment	191,362	10,535	201,897
Unrealized foreign exchange loss (gain) - net	(8,205)	1,782	(6,423)
	1,125,808	78,356	1,204,164
Deferred income tax liability recognized directly in other comprehensive income:			
Retirement benefits liability	(44,042)	(283,998)	(328,040)
Deferred income tax assets - net	P1,081,766	(P205,642)	P876,124

19. Financial Risk and Capital Management

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework
The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure is as follows:

	Note	**2019**	2018
Cash in banks	*5*	**P44,113,185**	P51,989,421
Trade and other receivables - net	*6*	**379,028,186**	254,266,729
Refundable deposits	*10*	**883,080**	873,936
		P424,024,451	P307,130,086

As at December 31, 2019 and 2018, the aging per class of financial assets is as follows:

	December 31, 2019				
	Neither Past Due nor Impaired	**Past Due 1 to 30 Days**	**Past Due 31 to 120 Days**	**Past Due and Impaired**	**Total**
Cash in banks	**P44,113,185**	**P -**	**P -**	**P -**	**P44,113,185**
Trade and other receivables	**193,059,201**	**85,815,657**	**100,153,328**	**1,503,922**	**380,532,108**
Refundable deposits	**883,080**	**-**	**-**	**-**	**883,080**
	P238,055,466	**P85,815,657**	**P100,153,328**	**P1,503,922**	**P425,528,373**

	December 31, 2018				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks	P51,989,421	P -	P -	P -	P51,989,421
Trade and other receivables	189,569,830	54,738,482	9,958,417	1,503,922	255,770,651
Refundable deposits	873,936	-	-	-	873,936
	P242,433,187	P54,738,482	P9,958,417	P1,503,922	P308,634,008

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

As at December 31, 2019 and 2018, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration
The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

As at December 31, 2019 and 2018, the cash in banks, trade receivables and refundable deposits which are neither past due nor impaired are categorized under high grade quality.

The credit quality of financial assets was determined as follows:

a. Cash in banks - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Trade and other receivables - the credit quality is assessed as high grade since these have a high probability of collection and there is no history of default.

c. Refundable deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment as at December 31, 2019
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P32,526,796	P32,526,796	P32,526,796	P -
Loans payable**	296,753,647	297,897,675	297,897,675	-
Lease liabilities	2,913,534	2,982,781	2,982,781	-
	P332,193,977	P333,407,252	P333,407,252	P -

Excluding statutory obligations and accrued interest payable amounting to P511,203 and P753,647, respectively (see Notes 11 and 12).
***Including accrued interest payable amounting to P753,647 and future interest payable with interest rates of 4.50% to 6.00% (see Note 12).*

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P40,157,884	P40,157,884	P40,157,884	P -
Dividends payable	75,000,000	75,000,000	75,000,000	-
Lease liabilities	6,009,939	6,294,953	3,312,172	2,982,781
	P121,167,823	P121,452,837	P118,470,056	P2,982,781

Excluding statutory obligations and Output VAT amounting to P11,406,689 (see Note 11).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in the market interest rates.

The Company's exposure to the risks for changes in market interest rates relates mainly to the Company's loans payable and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Exchange Risk
Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2019			
	USD	**SGD**	**EUR**	**PHP Equivalent**
Foreign Currency - Denominated Monetary Asset				
Cash in banks	**151,494**	**-**	**-**	**7,687,414**
Foreign Currency - Denominated Monetary Liability				
Trade payables	**606**	**34**	**2,935**	**135,891**
Net Foreign Currency - Denominated Monetary Asset (Liability)	**150,888**	**(34)**	**(2,935)**	**7,551,523**

	December 31, 2018			
	USD	SGD	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Asset				
Cash in banks	152,275	-	-	8,028,557
Foreign Currency - Denominated Monetary Liability				
Trade payables	1,823	-	2,935	273,120
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	150,452	-	(2,935)	7,755,437

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2019	2018
USD	**50.76**	52.58
SGD	**37.50**	38.47
EUR	**56.36**	60.31

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2019	
	Percentage Decrease in Foreign Exchange Rates	**Increase (decrease) in Income before Income Tax**
USD	**(3%)**	**(P267,519)**
SGD	**(3%)**	**32**
EUR	**(7%)**	**10,834**

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	Increase (decrease) in Income before Income Tax
USD	5%	P395,538
SGD	3%	-
EUR	1%	(1,770)

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, retained earnings and accumulated remeasurements on retirement benefits.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding statutory obligations and Output VAT) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Loans Payable and Advances from Parent Company

The estimated fair value of loans and advances from Parent Company is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans payable and advances from Parent Company is considered immaterial by management.

Lease Liabilities
The fair value of lease liabilities was estimated as the present value of all future cash flows discounted using the incremental borrowing rate.

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2019 are as follow:

	December 31, 2019			
	Loans Payable	Accrued Interest	Dividends Payable	Total
Balances at beginning of year	P -	P -	P75,000,000	P75,000,000
Proceeds from loans payable	394,000,000	-	-	394,000,000
Payment of principal	(98,000,000)	-	-	(98,000,000)
Interest expense	-	14,569,549	-	14,569,549
Interest paid	-	(13,815,902)	-	(13,815,902)
Payment of dividends	-	-	(75,000,000)	(75,000,000)
Balances at end of year	P296,000,000	P753,647	P -	P296,753,647

	December 31, 2018				
	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balances at beginning of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507
Proceeds from loans payable	-	-	-	-	-
Payment of principal	(100,000,000)	-	(20,000,000)	-	(120,000,000)
Interest expense	-	809,191	-	-	809,191
Interest paid	-	(885,698)	-	-	(885,698)
Dividends declared	-	-	-	25,000,000	25,000,000
Balances at end of year	P -	P -	P -	P75,000,000	P75,000,000

22. Prior Period Restatements

The Company restated its statements of financial position as at December 31, 2018 and January 1, 2018 and profit or loss for the year ended December 31, 2018 in accordance with PAS 8 as effect of the adoption of the PFRS 16 (see Note 16). These restatements have material impact on the statements of financial position and profit or loss as at the beginning of the earliest period presented. The following tables summarizes the impacts on the Company's financial statements.

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
ROU asset - net	P -	P5,336,946	P5,336,946
Deferred income tax assets - net	782,605	93,519	876,124
Lease liabilities - current	-	3,096,405	3,096,405
Lease liabilities - net of current portion	-	2,913,534	2,913,534
Accrued rent expense	361,264	(361,264)	-
Retained earnings	331,773,614	(218,210)	331,555,404
Statement of Comprehensive Income			
Depreciation and amortization	P1,150,566	P2,877,988	P4,028,554
Rent expense	3,197,308	(3,197,308)	-
Interest expense	809,191	354,437	1,163,628
Provision for income tax	25,903,033	(10,535)	25,892,498
Net income	57,282,485	(24,582)	57,257,903
Statement of Cash Flows			
Net cash from operating activities	P98,459,530	3,197,307	P101,656,837
Net cash used financing activities	(120,885,698)	(3,197,307)	(124,083,005)

January 1, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
ROU Asset - net	P -	P8,214,934	P8,214,934
Deferred income tax assets - net	998,783	82,983	1,081,766
Lease liabilities - current	-	2,842,870	2,842,870
Lease liabilities - net of current portion	-	6,009,939	6,009,939
Accrued rent expense	361,264	(361,264)	-
Retained earnings	299,491,129	(193,628)	299,297,501

23. Subsequent Events

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine was implemented in all households, all public transportation were suspended, provision for food and essential health services was regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2019:

a. VAT

Output VAT	**P111,938,568**
Basis of the Output VAT:	
Vatable sales	**P932,821,399**
Zero-rated sales	**25,800,319**
Exempt sales	**207,038**
Total sales	**P958,828,756**
Input VAT	
Beginning of the year	**P -**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**5,861,987**
b. Importations other than capital goods	**105,023,854**
c. Others	**7,405,050**
Deductions from input tax and other adjustments	**(84,898)**
Total allowable input VAT	**P118,205,993**
Total Vat payable (refundable) during the year	**(P6,267,425)**
Less: VAT payments during the year	**(875,997)**
Net VAT payable (refundable) at the end of the year	**(P7,143,422)**

b. Customs Duties

Landed cost of imports	**P875,198,783**
Customs duties paid or accrued	**63,641,787**
	P938,840,570

c. Excise Taxes

Imported excisable items	
a. Spirits	**P188,811,842**
b. Wines	**13,351,278**
	P202,163,120

d. Documentary Stamp Tax

On loan instruments	**P2,163,411**
On others	**303,920**
	P2,467,331

e. **Withholding Taxes**

Tax on compensation and benefits	**P533,414**
Expanded withholding taxes	**2,248,649**
	P2,782,063

f. **All Other Taxes (Local and National)**

Other taxes paid during the year included under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,843,295**
Others	**88,235**
	P3,931,530

g. **Tax Cases**

On July 25, 2019, the Company received a Letter of Authority from the BIR to examine the Company's books of accounts and other accounting records for the period January 1, 2018 to December 31, 2018.

On September 16, 2019, the Company received Notice of Discrepancy for excise tax deficiency and its' related VAT for taxable years 2018 and 2017.

In October 2019, the Company paid the total deficiency taxes, including penalties and interest, in relation to these assessments amounting to P6,278,733.

As at December 31, 2019, the Company has no pending nor outstanding tax cases.

Information on tariff fee paid or accrued are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX C-4"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 0 0 2 2 8 6

COMPANY NAME

MERITUS PRIME DISTRIBUTIONS, INC. (A Wholly-owned Subsidiary of Cosco Capital, Inc.)

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

Unit 704 Federal Tower Dasmariñas St. Binondo Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 20	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co.		(02) 242-0635	

CONTACT PERSON's ADDRESS

704 Federal Tower, Dasmarinas Street, Binondo Manila

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

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

Meritus Prime
Distributions Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MERITUS PRIME DISTRIBUTIONS, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form 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.

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

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

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

CAMILLE CLARISSE P.CO
President & Chairman of the Board

CATHERINE W. CAI
Treasurer

Signed this 11th day of April 2019

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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 the 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.

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 its operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited the accompanying financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information in the accompanying Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

MAY 07 2019

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**P52,180,421**	P74,641,298
Trade and other receivables - net	*6, 19*	**254,266,729**	336,739,024
Inventories	*7*	**561,595,644**	624,566,976
Prepaid expenses and other current assets	*8*	**350,652,488**	242,202,868
Total Current Assets		**1,218,695,282**	1,278,150,166
Noncurrent Assets			
Property and equipment - net	*9*	**1,896,032**	3,021,269
Deferred income tax assets - net	*18*	**782,605**	998,783
Refundable deposits	*10, 19*	**873,936**	842,310
Total Noncurrent Assets		**3,552,573**	4,862,362
		P1,222,247,855	P1,283,012,528
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*11*	**P51,564,573**	P54,514,583
Dividends payable	*14, 19*	**75,000,000**	50,000,000
Income tax payable		**12,018,068**	7,051,346
Loans payable	*12, 19*	**-**	100,000,000
Advances from Parent Company	*13, 19*	**-**	20,000,000
Total Current Liabilities		**138,582,641**	231,565,929
Noncurrent Liabilities			
Retirement benefits liability	*17*	**764,908**	1,491,441
Accrued rent expense		**361,264**	361,264
Total Noncurrent Liabilities		**1,126,172**	1,852,705
Total Liabilities		**139,708,813**	233,418,634
Equity			
Capital stock	*14*	**750,000,000**	750,000,000
Retained earnings		**331,773,614**	299,491,129
Accumulated remeasurements on retirement benefits		**765,428**	102,765
Total Equity		**1,082,539,042**	1,049,593,894
		P1,222,247,855	P1,283,012,528

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RR6 MANILA - RDO 29 - TONDO/SAN NICOLAS
RECEIVED
3 0 APR 2019
EUNICE COLIN T. LIM
REVENUE OFFICER

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2018**	2017
NET SALES	*13*	**P923,272,269**	P842,384,728
COST OF GOODS SOLD	*15*	**722,487,888**	623,615,304
GROSS PROFIT		**200,784,381**	218,769,424
OPERATING EXPENSES			
Advertising		**53,151,355**	95,305,310
Outside services		**22,885,866**	7,075,584
Salaries and other employee benefits	*17*	**12,672,637**	12,239,810
Freight out		**6,121,895**	14,656,127
Deficiency taxes		**4,693,252**	4,001,456
Taxes and licenses		**3,963,372**	6,872,986
Rent	*16*	**3,197,307**	5,532,900
Insurance		**2,925,172**	2,901,488
Transportation and travel		**2,791,031**	2,745,949
Depreciation and amortization	*9*	**1,150,566**	1,410,780
Representation and entertainment		**1,010,694**	1,078,121
Miscellaneous		**2,046,512**	2,108,402
		116,609,659	155,928,913
INCOME FROM OPERATIONS		**84,174,722**	62,840,511
OTHER CHARGES - Net			
Interest income	*5*	**1,763,211**	821,986
Foreign exchange losses - net		**(1,499,373)**	(3,725,334)
Interest expense	*12, 13*	**(809,191)**	(706,174)
Commission expense		**(285,121)**	(1,026,073)
Bank charges		**(158,730)**	(102,936)
		(989,204)	(4,738,531)
INCOME BEFORE INCOME TAX		**83,185,518**	58,101,980
PROVISION FOR INCOME TAX	*18*	**25,903,033**	18,348,211
NET INCOME		**57,282,485**	39,753,769
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	*17*	**946,662**	-
Income tax effect		**(283,999)**	-
		662,663	-
TOTAL COMPREHENSIVE INCOME		**P57,945,148**	P39,753,769

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RR6 MANILA - RDO 29 - TONDO/SAN NICOLAS
RECEIVED
3 0 APR 2019
EUNICE COLIN T. LIM
REVENUE OFFICER

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 14)	Stock Dividends Distributable (Note 14)	Retained Earnings (Note 14)	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
					Years Ended December 31
Balances as at December 31, 2016	P350,000,000	P400,000,000	P309,737,360	P102,765	P1,059,840,125
Net income for the year	-	-	39,753,769	-	39,753,769
Cash dividends declared	-	-	(50,000,000)	-	(50,000,000)
Stock issuances	400,000,000	(400,000,000)	-	-	-
Balances as at December 31, 2017	750,000,000	-	299,491,129	102,765	1,049,593,894
Net income for the year	-	-	57,282,485	-	57,282,485
Other comprehensive income for the year	-	-	-	662,663	662,663
Cash dividends declared	-	-	(25,000,000)	-	(25,000,000)
Balances as at December 31, 2018	**P750,000,000**	**P -**	**P331,773,614**	**P765,428**	**P1,082,539,042**

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P83,185,518**	P58,101,980
Adjustments for:			
Interest income	*5*	**(1,763,211)**	(821,986)
Depreciation and amortization	*9*	**1,150,566**	1,410,780
Interest expense	*12, 13*	**809,191**	706,174
Retirement benefits costs	*17*	**220,129**	333,020
Unrealized foreign exchange gains		**(21,409)**	(27,349)
Rent expense in excess of billings		**-**	361,264
Operating income before working capital changes		**83,580,784**	60,063,883
Decrease (increase) in:			
Trade and other receivables		**82,472,295**	(45,607,194)
Inventories		**62,971,332**	138,475,884
Prepaid expenses and other current assets		**(108,449,620)**	(198,217,848)
Decrease in trade and other payables		**(2,874,340)**	(7,355,973)
Cash generated from (used in) operations		**117,700,451**	(52,641,248)
Income taxes paid		**(21,004,132)**	(32,799,304)
Interest received	*5*	**1,763,211**	821,986
Net cash from (used in) operating activities		**98,459,530**	(84,618,566)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in refundable deposits	*10*	**(31,626)**	588,577
Additions to property and equipment	*9*	**(25,329)**	(1,293,598)
Net cash used in investing activities		**(56,955)**	(705,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable		**(100,000,000)**	-
Advances from Parent Company	*13*	**(20,000,000)**	(30,000,000)
Interest paid		**(885,698)**	(629,667)
Proceeds from loans payable		**-**	100,000,000
Net cash from (used in) financing activities		**(120,885,698)**	69,370,333
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**22,246**	(12,028)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,460,877)**	(15,965,282)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**74,641,298**	90,606,580
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P52,180,421**	P74,641,298

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers, and other alcoholic and non-alcoholic beverages and drinks.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 11, 2019.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards and Interpretations
The Company has adopted the following new or revised standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These standards are as follows:

- PFRS 9, *Financial Instruments (2014)* replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurements requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets and Financial Liabilities
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity, loans and receivables and available for sale.

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial Assets	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Cash in banks and cash equivalents	Loans and receivables	Financial assets at amortized cost	P74,440,298	P74,440,298
Trade and other receivables - net	Loans and receivables	Financial assets at amortized cost	336,739,024	336,739,024
Refundable deposits	Loans and receivables	Financial assets at amortized cost	842,310	842,310
Total Financial Assets			P412,021,632	P412,021,632

Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There were no financial assets or financial liabilities which the Company has previously designated as at FVTPL under PAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of PFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of PFRS 9.

Impairment of Financial Assets
PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" (ECL) model in relation to the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39. For assets in the scope of PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has assessed that the impact of providing ECL is immaterial. Thus, the Company has determined that the application of PFRS 9's impairment requirements as at January 1, 2018 did not result in an additional allowance for impairment.

General Hedging Accounting
The adoption of PFRS 9 with respect to hedging accounting has not had an impact on the Company's accounting policies since the Company has no hedging transactions.

The Company has used an exemption not to restate comparative information. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosure requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9 and the consequential amendments to PFRS 7.

- PFRS 15, *Revenue from Contracts with Customers,* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18, *Transfer of Assets from Customers*, and SIC-31. *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

For the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Timing of Revenue Recognition
The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' warehouse, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue. Variable considerations are measured based on the most likely amount based on the agreement with customers.

The new standard did not have a material impact on the financial statements, including the Company's accounting policies with respect to its revenue streams.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The Company makes foreign currency sales and purchases. The Company's accounting policy is aligned with the interpretation.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities FVTPL, includes transaction costs.

Classification and Measurement of Financial Instruments - Policy Applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost of financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations and output Value-added Tax (VAT) and dividends payable as at December 31, 2018.

Classification and Measurement of Financial instruments - Policy Applicable before January 1, 2018
On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Company's loans and receivables include cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017, the Company's other financial liabilities include trade and other payables (excluding statutory obligations and output VAT), loans payable, advances from Parent Company and dividends payable.

Impairment of Financial Assets

Policy Applicable from January 1, 2018

PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy Applicable before January 1, 2018
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

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 rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

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. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 markets 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2018 and 2017, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and water, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-Added Tax
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statements of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Furniture and fixtures	2
Office equipment	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs

The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

Early adoption is permitted. The Company has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions and the Company's latest assessment of whether it will exercise any lease renewal options.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for the operating lease of its office space and warehouse.

In addition, the nature of expenses related to this lease will now change as PFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use of assets and interest expense on lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  Early adoption is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

  The Company is currently assessing the potential impact of adopting this interpretation.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a.) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b.) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c.) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d.) clarifying the explanatory paragraphs accompany the definition; and
  (e.) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates, and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Determination on Whether an Agreement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at the inception date, and makes assessment on whether the arrangement is dependent on the use of the specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risk and rewards incidental to ownership to the Company.

Rent expense recognized in the profit or loss amounted to P3,197,307 and P5,532,900 in 2018 and 2017, respectively (see Note 16).

Recognition of Revenue

The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits

The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

No impairment losses were recognized in 2018 and 2017 in respect of the Company's financial assets because management assessed that these are fully recoverable.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P255,140,665 and P337,581,334 as at December 31, 2018 and 2017, respectively (see Note 19).

Determination of Net Realizable Value (NRV) of Inventories

The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2018 and 2017 are P561,595,644 and P624,566,976, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2018 and 2017.

Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful life of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful life of property and equipment in 2018 and 2017.

The carrying amounts of property and equipment as at December 31, 2018 and 2017 amounted to P1,896,032 and P3,021,269, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P764,908 and P1,491,441 as at December 31, 2018 and 2017, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P789,028 and P1,006,988 as at December 31, 2018 and 2017, respectively (see Note 18).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2018**	2017
Cash on hand		**P191,000**	P201,000
Cash in banks	*19*	**51,989,421**	24,440,298
Cash equivalents	*19*	**-**	50,000,000
		P52,180,421	P74,641,298

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P1,763,211 and P821,986 in 2018 and 2017, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade:			
Related parties	*13*	**P167,548,864**	P238,999,476
Third parties		**55,195,223**	69,433,925
Non-trade		**32,699,199**	29,398,431
Receivable from employees		**327,365**	411,114
	19	**255,770,651**	338,242,946
Less allowance for impairment losses on trade receivables		**1,503,922**	1,503,922
	19	**P254,266,729**	P336,739,024

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

7. Inventories

This account consists of:

	Note	2018	2017
At cost:			
Spirits		**P521,809,925**	P569,082,470
Wines		**39,785,719**	55,484,506
	15	**P561,595,644**	P624,566,976

Cost of goods sold recognized in profit or loss amounted to P722,487,888 and P623,615,304 in 2018 and 2017, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	**P303,986,181**	P188,500,321
Prepaid expenses:		
Duties and taxes	**46,430,770**	53,209,429
Other import charges	**34,537**	493,118
Others	**201,000**	-
	P350,652,488	P242,202,868

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
December 31, 2016	P9,194,414	P810,359	P463,744	P1,794,809	P12,263,326
Additions	955,894	241,071	96,633	-	1,293,598
Disposals	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	8,953,451	1,051,430	560,377	1,794,809	12,360,067
Additions	-	20,955	4,374	-	25,329
December 31, 2018	**8,953,451**	**1,072,385**	**564,751**	**1,794,809**	**12,385,396**
Accumulated Depreciation and Amortization					
December 31, 2016	6,216,831	681,053	432,182	1,794,809	9,124,875
Depreciation and amortization	1,234,930	124,470	51,380	-	1,410,780
Disposals	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	6,254,904	805,523	483,562	1,794,809	9,338,798
Depreciation and amortization	922,269	174,105	54,192	-	1,150,566
December 31, 2018	**7,177,173**	**979,628**	**537,754**	**1,794,809**	**10,489,364**
Carrying Amounts					
December 31, 2017	P2,698,547	P245,907	P76,815	P -	P3,021,269
December 31, 2018	**P1,776,278**	**P92,757**	**P26,997**	**P -**	**P1,896,032**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P1,794,809 as at December 31, 2018 and 2017.

10. Refundable Deposits

This account consists of:

	Note	**2018**	2017
Security deposits	*16*	**P706,085**	P687,852
Others		**167,851**	154,458
	19	**P873,936**	P842,310

11. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables	19	**P8,137,340**	P9,231,436
Nontrade payables:			
Third parties	19	**30,292,247**	28,599,993
Related parties	13, 19	**1,086,113**	3,339,714
Accrued expenses	19	**389,768**	7,350,043
Output VAT - net		**10,538,341**	4,721,990
Statutory obligations		**868,348**	764,925
Others	19	**252,416**	506,482
		P51,564,573	P54,514,583

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term, except for related party balance which is due on demand.

Accrued expenses consist mainly of accruals for utilities, rent, interest and other operating charges.

12. Loans Payable

This account pertains to unsecured, peso-denominated loans from various local banks with maturities of less than one (1) year and bear fixed annual interest of 2.875% and were intended to finance the Company's working capital requirements.

Loans payable amounting to P100,000,000 was paid in 2018. Interest expense recognized in profit or loss relating to these loans amounted to P750,191, and P555,674 in 2018 and 2017, respectively.

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

				Outstanding Balance				
Category	Year	Note	Transactions During the Year	Trade Receivables	Advances from Parent Company	Nontrade Payable	Terms	Conditions
Parent Company								
• Advances	**2018**	*c*	**P -**	**P -**	P -	**P -**	2 years; interest bearing	Unsecured
	2017	*c*	-	-	20,000,000	-		
• Interest	**2018**	*c*	**59,000**	-	-	-		
	2017	*c*	150,500	-	-	-		
Entities under Common Control								
• Sale of goods	**2018**	*6, a*	**698,465,965**	167,548,864	-	-	30 days credit term; non-interest bearing	Unsecured, no impairment
	2017	*6, a*	493,533,242	238,999,476	-	-		
• Rent expense	**2018**	*b*	**1,020,000**	-	-	-		
	2017	*b*	5,171,636	-	-	-		
• Advances	**2018**	*11, d*	**1,086,113**	-	-	1,086,113	Due on demand, non-interest bearing	Unsecured
	2017	*11, d*	3,339,714	-	-	3,339,714		
	2018			**P167,548,864**	**P -**	**P1,086,113**		
	2017			P238,999,476	P20,000,000	P3,339,714		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years.

   In 2018, the Company paid the outstanding advances from the Parent Company amounting to P20,000,000.

d. Cash advances obtained from entities under common control for working capital requirements.

e. There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock
The movements and balances of this account as at December 31, 2018 and 2017 are follows:

	2018		2017	
	Number of Shares	Amount	Number of Shares	Amount
Authorized P100 par value	7,500,000	P750,000,000	7,500,000	P750,000,000
Issued and Outstanding				
Balance at beginning of year	7,500,000	P750,000,000	3,500,000	P350,000,000
Stock issuances	-	-	4,000,000	400,000,000
Balance at end of year	7,500,000	P750,000,000	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P350,000,000 divided into 3,500,000 common shares to P750,000,000 divided into 7,500,000 common shares, both at P100 par value to accommodate the stock dividends declared.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P400,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends
On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000,000, payable to stockholders of record as of the same date.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends in the total amount of P25,000,000, payable to stockholders as of the same date.

15. Cost of Goods Sold

This account consists of:

	Note	2018	2017
Inventory at beginning of year		**P624,566,976**	P763,042,860
Add: Net purchases		**659,516,556**	485,139,420
Total goods available for sale		**1,284,083,532**	1,248,182,280
Less: Inventory at end of year	7	**561,595,644**	624,566,976
		P722,487,888	P623,615,304

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with a third party for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020 (see Note 13).

The lease agreements provide for, among others, security deposits amounting to P706,085 and P687,852 as at December 31, 2018 and 2017, respectively, which are shown under "Refundable deposits" account in the statements of financial position (see Note 10).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P3,197,307 and P5,532,900 in 2018 and 2017, respectively.

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Not later than one year	**P3,348,172**	P3,317,307
Later than one year but not later than five years	**2,982,781**	6,984,953
	P6,330,953	P10,302,260

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its permanent, regular, and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2018.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2018	2017
Balance at beginning of year	**P1,491,441**	P1,158,421
Recognized in profit or loss		
Interest cost	**80,240**	62,323
Current service cost	**139,889**	270,697
	220,129	333,020
Recognized in other comprehensive income		
Actuarial gain arising from:		
Financial assumptions	**(266,274)**	-
Demographic assumptions	**(253,953)**	-
Experience adjustments	**(426,435)**	-
	(946,662)	-
Balance at end of year	**P764,908**	P1,491,441

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2018 and 2017 are as follows:

	2018	2017
Discount rate	**7.53%**	5.38%
Future salary increases	**3.00%**	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 13 and 18 years as at December 31, 2018 and 2017, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2018		2017	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P65,247)	P49,948	(P95,154)	P65,325
Salary increase rate	30,596	(15,298)	59,658	(29,829)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement benefits obligation.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P764,908	P783,151	P -	P -	P783,151

18. Income Taxes

The components of provision for income tax are shown below:

	2018	2017
Current	P25,970,854	P18,636,618
Deferred	(67,821)	(288,407)
	P25,903,033	P18,348,211

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2018	2017
Income before income tax	**P83,185,518**	P58,101,980
Provision for income tax at the statutory income tax rate of 30%	**P24,955,655**	P17,430,594
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**1,476,341**	1,164,213
Interest income subjected to final tax	**(528,963)**	(246,596)
Provision for income tax	**P25,903,033**	P18,348,211

The components of the Company's net deferred income tax assets are as follows:

	2018	2017
Allowance for impairment losses on trade receivables	**P451,177**	P451,177
Retirement benefits liability	**229,472**	447,432
Accrued rent expense	**108,379**	108,379
Unrealized foreign exchange gain - net	**(6,423)**	(8,205)
	P782,605	P998,783

The movements of net deferred income tax assets are accounted for as follows:

	2018	2017
Amount charged to profit or loss	**P67,821**	P288,407
Amount charged to OCI relating to remeasurement on defined benefits plan	**(283,999)**	-
Increase (decrease) in net deferred income tax assets	**(P216,178)**	P288,407

19. Financial Risk and Capital Management

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework
The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure is as follows:

	Note	**2018**	2017
Cash in banks and cash equivalents	*5*	**P51,989,421**	P74,440,298
Trade and other receivables - net	*6*	**254,266,729**	336,739,024
Refundable deposits	*10*	**873,936**	842,310
		P307,130,086	P412,021,632

As at December 31, 2018 and 2017, the aging per class of financial assets is as follows:

	December 31, 2018				
	Neither Past Due nor Impaired	**Past Due 1 to 30 Days**	**Past Due 31 to 120 Days**	**Past Due and Impaired**	**Total**
Cash in banks and cash equivalents	**P51,989,421**	**P -**	**P -**	**P -**	**P51,989,421**
Trade and other receivables	**189,569,830**	**54,738,482**	**9,958,417**	**1,503,922**	**255,770,651**
Refundable deposits	**873,936**	**-**	**-**	**-**	**873,936**
	P242,433,187	**P54,738,482**	**P9,958,417**	**P1,503,922**	**P308,634,008**

	December 31, 2017				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks and cash equivalents	P74,440,298	P -	P -	P -	P74,440,298
Trade and other receivables	207,131,462	79,683,036	49,924,526	1,503,922	338,242,946
Refundable deposits	842,310	-	-	-	842,310
	P282,414,070	P79,683,036	P49,924,526	P1,503,922	P413,525,554

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

As at December 31, 2018 and 2017, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration
The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks and cash equivalents	**P51,989,421**	**P -**	**P -**	**P51,989,421**
Trade and other receivables	**189,569,830**	**-**	**-**	**189,569,830**
Refundable deposits	**873,936**	**-**	**-**	**873,936**
	P242,433,187	**P -**	**P -**	**P242,433,187**

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P74,440,298	P -	P -	P74,440,298
Trade and other receivables	207,131,462	-	-	207,131,462
Refundable deposits	842,310	-	-	842,310
	P282,414,070	P -	P -	P282,414,070

The credit quality of financial assets were determined as follows:

a. Cash in banks and cash equivalents - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Trade and other receivables - the credit quality is assessed as high grade since these have a high probability of collection and there is no history of default.

c. Refundable deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment as at December 31, 2018
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P40,157,884	P40,157,884	P40,157,884	P -
Dividends payable	75,000,000	75,000,000	75,000,000	-
	P115,157,884	P115,157,884	P115,157,884	P -

**Excluding statutory obligations and Output VAT amounting to P11,406,689.*

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P49,027,668	P49,027,668	P49,027,668	P -
Loans payable	100,000,000	100,239,583	100,239,583	-
Advances from Parent Company	20,000,000	20,365,000	20,365,000	-
Dividends payable	50,000,000	50,000,000	50,000,000	-
Total	P219,027,668	P219,632,251	P219,632,251	P -

**Excluding statutory obligations and Output VAT amounting to P5,486,915*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in the market interest rates.

The Company's exposure to the risks for changes in market interest rates relates mainly to the Company's loans payable and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2018				
	USD	SGD	GBP	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets					
Cash in banks	152,275	-	-	-	8,028,557
Trade receivables	-	-	-	-	-
	152,275	-	-	-	8,028,557
Foreign Currency - Denominated Monetary Liabilities					
Trade payables	(1,823)	-	-	(2,935)	(273,120)
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	150,452	-	-	(2,935)	7,755,437

	December 31, 2017				
	USD	SGD	GBP	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets					
Cash in banks	22,896	-	-	-	1,143,207
Trade receivables	-	-	-	5,872	350,048
	22,896	-	-	5,872	1,493,255
Foreign Currency - Denominated Monetary Liabilities					
Trade payables	(31,840)	(244)	(1,273)	-	(1,684,317)
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	(8,944)	(244)	(1,273)	5,872	(191,062)

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2018	2017
USD	**52.58**	49.93
SGD	**38.47**	37.32
GBP	**66.73**	67.12
EUR	**60.31**	59.61

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2018	
	Percentage Increase (Decrease) in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**5%**	**P395,538 increase**
SGD	**3%**	**-**
GBP	**(6%)**	**-**
EUR	**1%**	**1,770 decrease**

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	5%	P15,630 decrease
SGD	7%	1,032 decrease
GBP	10%	5,981 decrease
EUR	9%	22,053 increase

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, retained earnings and accumulated remeasurements on retirement benefits.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash and cash equivalents, trade and other receivables, trade and other payables (excluding statutory obligations and Output VAT) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

In the case of security deposits the difference between the carrying amounts and fair values is considered immaterial by management.

Loans and Advances from Parent Company

The estimated fair value of loans and advances from Parent Company is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans and advances from Parent Company is considered immaterial by management.

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2018 are as follow:

	December 31, 2018				
	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balances at beginning of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507
Payment of principal	(100,000,000)	-	(20,000,000)	-	(120,000,000)
Interest expense	-	809,191	-	-	809,191
Interest paid	-	(885,698)	-	-	(885,698)
Dividends declared	-	-	-	25,000,000	25,000,000
Balances at end of year	P -	P -	P -	P75,000,000	P75,000,000

	December 31, 2017				
	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balances at beginning of year	P -	P -	P50,000,000	P -	P50,000,000
Proceeds from loans payable	100,000,000	-	-	-	100,000,000
Payments of:					
Advances from Parent Company	-	-	(30,000,000)	-	(30,000,000)
Interest	-	(629,667)	-	-	(629,667)
Interest expense	-	706,174	-	-	706,174
Dividends declared	-	-	-	50,000,000	50,000,000
Balances at end of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507

22. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2018:

a. VAT

Output VAT	**P106,991,317**
Basis of the Output VAT:	
Vatable sales	**P889,740,216**
Sale to government	**1,854,089**
Zero-rated sales	**31,157,172**
Input VAT	
Beginning of the year	-
Current year's domestic purchases:	
a. Goods other than capital goods	**7,041,416**
b. Services lodged under other accounts	**8,823,643**
VAT on importations	**73,916,011**
Tax credits/payments and other adjustments	**6,671,906**
Balance at the end of the year	**P10,538,341**

b. Customs Duties

Landed cost of imports	**P615,966,762**
Customs duties paid or accrued	**46,884,929**
	P662,851,691

c. Excise Taxes

Imported excisable items	
a. Spirits	**P125,064,721**
b. Wines	**7,837,534**
	P132,902,255

d. **Documentary Stamp Tax**

On loan instruments	**P9,555**
On others	**362,216**
	P371,771

e. **Withholding Taxes**

Tax on compensation and benefits	**P646,461**
Expanded withholding taxes	**1,975,107**
	P2,621,568

f. **All Other Taxes (Local and National)**

Other taxes paid during the year included under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,493,283**
Others	**98,318**
	P3,591,601

g. **Tax Cases**

As at December 31, 2018, the Company is not involved in any tax cases and has not received deficiency tax assessments from the BIR.

Information on tariff fee paid or accrued are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX C-5"

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended 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 audit of the 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.

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

Management is responsible for the preparation and fair presentation of the 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 its 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 the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-002511-041-2018
Issued February 6, 2018, valid until February 5, 2021
PTR No. 6615158MD
Issued January 3, 2018 at Makati City

April 26, 2018
Makati City, Metro Manila

MAY 02 2018
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MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	**P74,641,298**	P90,606,580
Trade and other receivables - net	5	**336,739,024**	291,131,830
Inventories	6	**624,566,976**	763,042,860
Prepaid expenses and other current assets	7	**242,202,868**	43,985,020
Total Current Assets		**1,278,150,166**	1,188,766,290
Noncurrent Assets			
Property and equipment - net	8	**3,021,269**	3,138,451
Deferred income tax assets - net	17	**998,783**	710,376
Refundable deposits	9	**842,310**	1,430,887
Total Noncurrent Assets		**4,862,362**	5,279,714
		P1,283,012,528	P1,194,046,004
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**P54,514,583**	P61,833,426
Loans payable	11	**100,000,000**	-
Dividends payable		**50,000,000**	-
Advances from Parent Company	12	**20,000,000**	50,000,000
Income tax payable		**7,051,346**	21,214,032
Total Current Liabilities		**231,565,929**	133,047,458
Noncurrent Liabilities			
Retirement benefits liability	16	**1,491,441**	1,158,421
Accrued rent expense	12	**361,264**	-
Total Noncurrent Liabilities		**1,852,705**	1,158,421
Total Liabilities		**233,418,634**	134,205,879
Equity			
Capital stock	13	**750,000,000**	350,000,000
Stock dividends distributable	13	-	400,000,000
Retained earnings		**299,491,129**	309,737,360
Accumulated remeasurements on retirement benefits		**102,765**	102,765
Total Equity		**1,049,593,894**	1,059,840,125
		P1,283,012,528	P1,194,046,004

See Notes to the Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2017	2016
		Years Ended December 31	
NET SALES	12	P842,384,728	P979,877,868
COST OF GOODS SOLD	14	623,615,304	728,689,540
GROSS PROFIT		218,769,424	251,188,328
OPERATING EXPENSES			
Advertising		95,305,310	31,358,349
Freight out		14,656,127	4,910,283
Salaries and other employee benefits	16	12,239,810	11,832,702
Outside services		7,075,584	11,774,062
Taxes and licenses		6,872,986	3,411,158
Rent	15	5,532,900	921,436
Deficiency taxes		4,001,456	1,006,259
Insurance		2,901,488	3,331,183
Transportation and travel		2,745,949	4,167,098
Depreciation and amortization	8	1,410,780	1,179,697
Representation and entertainment		1,078,121	1,023,300
Management fee	12	-	30,000,000
Miscellaneous		2,108,402	1,885,295
		155,928,913	106,800,822
INCOME FROM OPERATIONS		62,840,511	144,387,506
OTHER INCOME (CHARGES) - Net			
Interest income	4	821,986	143,813
Bank charges		(102,936)	(86,407)
Interest expense	11, 12	(706,174)	(5,282,576)
Commission expense		(1,026,073)	(5,897,745)
Foreign exchange loss - net		(3,725,334)	(2,828,333)
		(4,738,531)	(13,951,248)
INCOME BEFORE INCOME TAX		58,101,980	130,436,258
PROVISION FOR INCOME TAX	17	18,348,211	39,377,660
NET INCOME		39,753,769	91,058,598
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss			
Remeasurement gain on retirement benefits	16	-	146,807
Income tax effect		-	(44,042)
		-	102,765
TOTAL COMPREHENSIVE INCOME		P39,753,769	P91,161,363

See Notes to the Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Capital Stock (Note 13)	Stock Dividends Distributable (Note 13)	Retained Earnings (Note 13)	Accumulated Remeasurements on Retirement Benefits (Note 16)	Total
As at December 31, 2015	P350,000,000	P -	P618,678,762	P -	P968,678,762
Net income for the year	-	-	91,058,598	-	91,058,598
Other comprehensive income for the year	-	-	-	102,765	102,765
Total comprehensive income	-	-	91,058,598	102,765	91,161,363
Transaction with the owners					
Stock dividends declared	-	400,000,000	(400,000,000)	-	-
As at December 31, 2016	350,000,000	400,000,000	309,737,360	102,765	1,059,840,125
Net income/total comprehensive income for the year	-	-	39,753,769	-	39,753,769
Transaction with owners					
Cash dividends declared	-	-	(50,000,000)	-	(50,000,000)
Stock issuances	400,000,000	(400,000,000)	-	-	-
Transactions with owners	400,000,000	(400,000,000)	(50,000,000)	-	(50,000,000)
As at December 31, 2017	**P750,000,000**	**P -**	**P299,491,129**	**P102,765**	**P1,049,593,894**

See Notes to the Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P58,101,980**	P130,436,258
Adjustments for:			
Depreciation and amortization	*8*	**1,410,780**	1,179,697
Interest expense	*11, 12*	**706,174**	5,282,576
Rent expense in excess of billings		**361,264**	-
Retirement benefits costs	*16*	**333,020**	1,305,228
Unrealized foreign exchange gain		**(27,349)**	(294,425)
Interest income	*4*	**(821,986)**	(143,813)
Operating income before working capital changes		**60,063,883**	137,765,521
Decrease (increase) in:			
Trade and other receivables		**(45,607,194)**	314,988,060
Inventories		**138,475,884**	311,313,476
Prepaid expenses and other current assets		**(198,217,848)**	181,237,990
Increase (decrease) in trade and other payables		**(7,355,973)**	4,314,085
Cash generated from (absorbed in) operations		**(52,641,248)**	949,619,132
Income taxes paid		**(32,799,304)**	(51,380,963)
Interest paid		**(629,667)**	(5,282,576)
Interest received		**821,986**	143,813
Net cash provided by (used in) operating activities		**(85,248,233)**	893,099,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*8*	**(1,293,598)**	(1,080,892)
Increase in refundable deposits		**588,577**	558,319
Net cash used in investing activities		**(705,021)**	(522,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable	*11*	**100,000,000**	-
Payments to:			
Advances from Parent Company		**(30,000,000)**	(431,000,000)
Loans payable	*11*	**-**	(390,000,000)
Dividends	*13*	**-**	(50,000,000)
Net cash provided by (used in) financing activities		**70,000,000**	(871,000,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(12,028)**	(1,933)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(15,965,282)**	21,574,900
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**90,606,580**	69,031,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P74,641,298**	P90,606,580

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquor's, beers and other alcoholic and non-alcoholic beverages and drinks. The Company started commercial operations on April 1, 2010.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

The accompanying financial statements of the Company as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 26, 2018.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Management's Use of Significant Judgments, Estimates and Assumptions

The Company's financial statements prepared in accordance with PFRS require management to exercise judgments, make accounting estimates and use assumptions that affect the application of accounting policies and the amounts reported in the financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Operating Lease - Company as a Lessee
The Company entered into various lease agreements for its office space and warehouses as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Rent expense recognized in the profit or loss amounted to P5,532,900 and P921,436 in 2017 and 2016, respectively (see Note 15).

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 date of the financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtors, their payment behavior and known market factors. The Company reviews the age and status of receivables, and identified accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the Company's recorded operating expenses and decrease current assets.

Based on evaluation made by the management, no impairment indicator was noted on the Company's receivables in 2017 and 2016.

The carrying amount of receivables amounted to P336,739,024 and P291,131,830, net of allowance for impairment loss amounting to P1,503,922, as at December 31, 2017 and 2016, respectively (see Note 5).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2017 and 2016 (see Note 6).

The cost of inventories amounted to P624,566,976 and P763,042,860 as at December 31, 2017 and 2016, respectively (see Note 6).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to the financial statements. There is no change in the estimated useful lives of property and equipment in 2017 and 2016.

The carrying amount of property and equipment amounted to P3,021,269 and P3,138,451 as at December 31, 2017 and 2016, respectively (see Note 8).

Impairment of Non-financial Assets
The Company assesses at the end of each reporting period whether there is any indication that its non-financial assets which pertain to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these non-financial asset which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment loss was recognized for the non-financial assets in 2017 and 2016.

The carrying amount of property and equipment as at December 31, 2017 and 2016 amounted to 3,021,269 and P3,138,451, respectively (see Note 8).

Estimation of Retirement Benefits Liability and Expense
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The Company has retirement benefits liability amounting to P1,491,441 and P1,158,421 as at December 31, 2017 and 2016, respectively (see Note 16).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P998,783 and P710,376 as at December 31, 2017 and 2016, respectively (see Note 17).

Estimating Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

The Company does not have any contingent legal or constructive obligation that requires provision as at December 31, 2017 and 2016.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of Amendments to Standards</u>
The Company has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 20).

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The following amendment to standards are not expected to have impact on the Company's financial statements:

- Annual Improvements to PFRSs 2014 - 2016 Cycle - Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities)*.

New Standards and Interpretations and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following relevant and applicable new or amended standards in preparing these financial statements.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

  The adoption of PFRS 9 will have no significant impact on the classification and measurement of the Company's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Company's financial statements since the Company has no transactions eligible for hedge accounting. However, the adoption will have an effect on the amount of the Company's credit losses. The management has not yet fully assessed the financial impact of these changes as of date.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes* IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of PFRS 15 on the Company's financial statements.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of IFRIC 22 on the Company's financial statements.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  Future adoption of the standards will result in the recognition of the right-of-use of asset, lease liability and additional disclosures. Management is still evaluating the financial impact of the new standard on the Company's financial statements as of the reporting period.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The following amendments to standards are not expected to have impact on the Company's financial statements:

- Transfers of Investment Property (Amendments to PAS 40, *Investment Property);*
- Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*);
- Applying PFRS 9 with PFRS 4, *Insurance Contracts* (Amendments to PFRS 4);
- Annual Improvements to PFRS 2014 - 2016 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* - Deletion of short-term exemptions for first-time adopters; and
  - Amendment to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an associate or joint venture at fair value;
- Prepayment Features with Negative Compensation (Amendments to PFRS 9); and
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of cash and cash equivalents, loans and receivables, and other financial liabilities.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017 and 2016, the Company's loans and receivables include cash and cash equivalents, trade and other receivable and refundable deposits.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than 12 months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Company's other financial liabilities include trade and other payables (excluding statutory obligations), loans payable, dividends payable and advances from Parent Company.

Impairment of Financial Assets
The Company assesses, at each reporting date, whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the 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 rights to receive cash flows from the 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.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 prices (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly

- Level 3 - Inputs for the asset or liability that are not based on observable market data.

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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2017 and 2016, no financial asset or liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of wines and spirits, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Furniture and fixtures	2
Office equipment	2
Leasehold improvements	3 or lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspend during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Non-financial Assets

The Company assesses, at end of each reporting period, whether there is indication that its non-financial assets which is property and equipment, may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the non-financial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an ordinary transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal are treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Common stock is classified as equity. The proceeds from the issuance of common stock are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Stock
Cash dividends on common stock are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividends are distribution of earnings in the form of Company shares. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common stock.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales of Goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax (VAT), returns, discounts, and rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, under normal credit terms.

Interest Income
Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Cost
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular, full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Operating Leases - Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in other comprehensive income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statements of financial position.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Cash

This account consists of:

	Note	**2017**	2016
Cash on hand		**P201,000**	P195,200
Cash in banks	*18*	**24,440,298**	90,411,380
Cash equivalents	*18*	**50,000,000**	-
		P74,641,298	P90,606,580

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are money market placements made for varying period up to three (3) months, and earn interest at a money market placement rate of 3.75% in 2017.

Interest income recognized in profit or loss amounted to P821,986 and P143,813 in 2017 and 2016, respectively.

5. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade:			
Related parties	*12a*	**P238,999,476**	P256,516,922
Third parties		**69,433,925**	31,126,642
Non-trade		**29,398,431**	4,973,856
Receivable from employees		**411,114**	18,332
		338,242,946	292,635,752
Less allowance for impairment losses on trade receivables		**1,503,922**	1,503,922
	18	**P336,739,024**	P291,131,830

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

6. Inventories

This account consists of:

	Note	2017	2016
At cost			
Spirits		**P569,082,470**	P708,090,416
Wines		**55,484,506**	54,952,444
	14	**P624,566,976**	P763,042,860

Cost of goods sold recognized in profit or loss amounted to P623,615,304 and P728,689,540 in 2017 and 2016, respectively (see Note 14).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**P188,500,321**	P43,236,546
Prepaid expenses:		
Duties and taxes	**53,209,429**	498,474
Other import charges	**493,118**	-
Others	**-**	250,000
	P242,202,868	P43,985,020

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

8. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
December 31, 2015	P8,265,843	P712,145	P409,637	P1,794,809	P11,182,434
Additions	928,571	98,214	54,107	-	1,080,892
December 31, 2016	9,194,414	810,359	463,744	1,794,809	12,263,326
Additions	955,894	241,071	96,633	-	1,293,598
Disposal	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	**8,953,451**	**1,051,430**	**560,377**	**1,794,809**	**12,360,067**
Accumulated Depreciation and Amortization					
December 31, 2015	5,166,955	589,900	393,514	1,794,809	7,945,178
Depreciation and amortization	1,049,876	91,153	38,668	-	1,179,697
December 31, 2016	6,216,831	681,053	432,182	1,794,809	9,124,875
Depreciation and amortization	1,234,930	124,470	51,380	-	1,410,780
Disposal	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	**6,254,904**	**805,523**	**483,562**	**1,794,809**	**9,338,798**
Carrying Amounts					
December 31, 2016	P2,977,583	P129,306	P31,562	P -	P3,138,451
December 31, 2017	**P2,898,547**	**P245,907**	**P76,815**	**P -**	**P3,021,269**

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P1,794,809 as at December 31, 2017 and 2016.

9. Refundable Deposits

This account consists of:

	Note	**2017**	2016
Security deposits	*15*	**P687,852**	P653,950
Container deposits		**-**	657,000
Others		**154,458**	119,937
	18	**P842,310**	P1,430,887

10. Trade and Other Payables

This account consists of:

	Note	**2017**	2016
Non-trade:	*18*		
Third parties		**P28,599,993**	P 9,697,704
Related parties	*12*	**3,339,714**	30,272,388
Trade	*18*	**9,231,436**	3,238,979
Accrued expenses	*12c, 18*	**7,350,043**	180,180
Output VAT - net		**4,721,990**	13,496,826
Statutory obligations		**764,925**	4,910,759
Others	*18*	**506,482**	36,590
		P54,514,583	P61,833,426

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term.

Accrued expenses consist mainly of accruals for utilities, rent, interest and other operating charges.

11. Loans Payable

This account pertains to unsecured, peso-denominated loans from various local banks with maturities of less than one (1) year and bear fixed annual interest of 2.875% in 2017 and were intended to finance the Company's working capital requirements.

In 2016, the Company paid its loan which amounted to P390,000,000 from various local banks with maturities of less than one (1) year which bear fixed annual interest ranging from 2.375% to 2.600%.

Interest expense recognized in profit or loss relating to these loans amounted to P555,674 and P813,076 in 2017 and 2016, respectively.

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category	Year	Note	Transactions During the Year	Outstanding Balance: Trade Receivables	Outstanding Balance: Advances from Parent Company	Outstanding Balance: Nontrade Payable	Terms	Conditions
Parent Company								
• Advances	**2017**	*12c*	**P -**	**P -**	**P20,000,000**	**P -**	2 years from the time of availment	Unsecured
	2016	*12c*	-	-	50,000,000	-		
• Interest	**2017**	*11, 12c*	**150,500**	-	-	-	Fixed annual interest rate of 1.8% on the outstanding balance	Unsecured
	2016	*11, 12c*	4,469,500	-	-	-		
• Management fee	2016	*12d*	30,000,000	-	-	30,000,000	Due and demandable	Unsecured
Entities under Common Control								
• Sale of goods	**2017**	*6, 12a*	**493,533,242**	**238,999,476**	-	-	30 days credit term; non-interest bearing	Unsecured; no impairment
	2016	*6, 12a*	587,280,749	256,516,922	-	-		
• Rent expense	**2017**	*12b*	**5,171,636**	-	-	-	Payable monthly	
	2016	*12b*	900,000	-	-	91,250		
• Advances	**2017**	*10, 13e*	**3,339,714**	-	-	-		
	2016	*10, 13e*	181,138	-	-	-		
	2017			**P238,999,476**	**P20,000,000**	**P3,339,714**		
	2016			P256,516,992	P50,000,000	P30,272,388		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years.

d. The Company pays management fee to its Parent Company for the management consultancy and financial services provided by the Parent Company.

e. Cash advances extended from entities under common control for working capital requirements.

f. There is no key management compensation since the key management roles are functionally domiciled under CosCo.

Amounts owed by and owed to related parties are to be settled in cash.

13. Equity

Capital Stock

The movements and balances of this account as at December 31, 2017 and 2016 are follows:

	2017		2016	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized P100 par value	**7,500,000**	**P750,000,000**	3,500,000	P350,000,000
Issued and outstanding				
Balance at beginning of year	**3,500,000**	**P350,000,000**	2,100,000	P350,000,000
Stock issuances	**4,000,000**	**400,000,000**	-	-
Balance at end of year	**7,500,000**	**P750,000,000**	2,100,000	P350,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P350,000,000 divided into 3,500,000 shares of common stock to P750,000,000 divided into 7,500,000 shares of common stock, both at P100 par value to accommodate the stock dividends declared as discussed below.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P540,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends

Cash Dividends

On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000,000, payable to stockholders of record as of the same date.

Stock Dividends

On December 8, 2016, the Company's BOD approved the declaration of stock dividends P190.48 per share or an aggregate amount of P400,000,000, distributable to stockholders of record as of the same date. Accordingly, the stock dividends declared have been presented as stock dividends distributable in the equity section of the 2016 statement of financial position and statement of changes in equity.

14. Cost of Goods Sold

This account consists of:

	Note	**2017**	2016
Inventory at beginning of year		**P763,042,860**	P1,074,356,336
Add: Net purchases		**485,139,420**	417,376,064
Total goods available for sale		**1,248,182,280**	1,491,732,400
Less: Inventory at end of year	7	**624,566,976**	763,042,860
		P623,615,304	P728,689,540

15. Operating Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for office space. The term of the lease is for a period of three (3) years from January 1, 2016 to December 31, 2018, renewable by mutual agreements of both parties. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%.

c. The Company entered into a lease agreement with a third party for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020.

The lease agreements provides for, among others, security deposits amounting to P687,852 and P653,950 as at December 31, 2017 and 2016, respectively, which are shown under "Refundable deposits" in the statements of financial position (see Note 9).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P5,532,900 and P921,436 in 2017 and 2016, respectively.

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**P3,317,307**	P3,218,843
One year but not more than five years	**6,984,953**	7,789,238
	P10,302,260	P11,008,081

16. Retirement Benefits

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular, full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2017	2016
Balance at beginning of year	**P1,158,421**	P -
Recognized in profit or loss		
Interest cost	**62,323**	48,230
Current service cost	**270,697**	270,697
Past service cost	-	986,301
	333,020	1,305,228
Recognized in other comprehensive income		
Actuarial gain arising from:		
Financial assumptions	-	(106,915)
Experience adjustments	-	(39,892)
	-	(146,807)
Balance at end of year	**P1,491,441**	P1,158,421

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" under Operating Expenses in the statements of comprehensive income.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2017 and 2016 are as follows:

Discount rate	5.38%
Future salary increases	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 18 years as at December 31, 2017 and 2016.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2017		2016	
	Defined Benefit Liability		Defined Benefit Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P95,154)**	**P65,325**	(P185,263)	P231,575
Salary increase rate	**59,658**	**(29,829)**	221,618	(181,251)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefit shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement obligation.

Maturity analysis of the benefit payments is as follows:

	December 31, 2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P1,158,421	P879,217	P -	P -	P879,217

17. Income Taxes

The components of provision for income tax are shown below:

	2017	2016
Current	**P18,636,618**	P39,428,024
Deferred	**(288,407)**	(50,364)
	P18,348,211	P39,377,660

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2017	2016
Income before income tax	**P58,101,980**	P130,436,258
Provision for income tax at the statutory income tax rate of 30%	**P17,430,594**	P39,130,877
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**1,164,213**	289,927
Interest income subjected to final tax	**(246,596)**	(43,144)
Provision for income tax	**P18,348,211**	P39,377,660

The components of the Company's net deferred income tax assets are as follows:

	2017	2016
Allowance for impairment losses on trade receivables	**P451,177**	P451,177
Retirement benefits liability	**447,432**	347,526
Accrued rent expense	**108,379**	-
Unrealized foreign exchange gain - net	**(8,205)**	(88,327)
	P998,783	P710,376

The movements of net deferred income tax assets are accounted for as follows:

	2017	2016
Amount charged to profit or loss	**P288,407**	(P50,364)
Amount charged to OCI relating to remeasurement on defined benefits plan	-	44,042
Increase (decrease) in net deferred income tax assets	**P288,407**	(P6,322)

18. Financial Risk and Capital Management, Objectives and Policies

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework
The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2017**	2016
Cash in banks and cash equivalents	*4*	**P74,440,298**	P90,411,380
Trade and other receivables - net	*5*	**336,739,024**	291,131,830
Refundable deposits	*9*	**842,310**	1,430,887
		P412,021,632	P382,974,097

As at December 31, 2017 and 2016, the aging per class of financial assets is as follows:

	December 31, 2017				
	Neither Past Due nor Impaired	**Past Due 1 to 30 Days**	**Past Due 31 to 120 Days**	**Past Due and Impaired**	**Total**
Cash in banks and cash equivalents	**P74,440,298**	**P -**	**P -**	**P -**	**P74,440,298**
Trade and other receivables	**205,627,540**	**79,683,036**	**49,924,526**	**1,503,922**	**336,739,024**
Refundable deposits	**842,310**	**-**	**-**	**-**	**842,310**
	P280,910,148	**P79,683,036**	**P49,924,526**	**P1,503,922**	**P412,021,632**

	December 31, 2016				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks	P90,411,380	P -	P -	P -	P90,411,380
Trade and other receivables	277,849,439	2,961,103	8,817,366	1,503,922	291,131,830
Refundable deposits	1,430,887	-	-	-	1,430,887
	P369,691,706	P2,961,103	P8,817,366	P1,503,922	P382,974,097

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2017 and 2016, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets as at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	**P74,440,298**	**P -**	**P -**	**P74,440,298**
Trade and other receivables - net	**-**	**205,627,539**	**131,111,485**	**336,739,024**
Refundable deposits	**842,310**	**-**	**-**	**842,310**
Total	**P75,282,608**	**P205,627,539**	**P131,111,485**	**P412,021,632**

	December 31, 2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P90,411,380	P -	P -	P90,411,380
Trade and other receivables - net	-	277,849,439	13,282,391	291,131,830
Refundable deposits	1,430,887	-	-	1,430,887
Total	P91,842,267	P277,849,439	P13,282,391	P382,927,097

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. *Standard grade* receivable includes those that are collected on their due dates event without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under *Substandard grade* receivables. Past due receivables and advances include those that are either past due but still collectible or determined not to be individually impaired.

a. Cash in banks and cash equivalents - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Receivables - the credit quality is standard grade for these financial instruments with satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary to mitigate the risk of default. The credit quality for receivables with provision is substandard grade since constant reminder follow-ups are performed to collect accounts from customers. Adequate allowance for impairment losses on receivables are made for potential bad debts at each reporting date (Note 5).

c. Refundable deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2017			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P49,027,668**	**P49,027,668**	**P49,027,668**	**P -**
Loans payable	**100,000,000**	**100,239,583**	**100,239,583**	**-**
Advances from Parent Company	**20,000,000**	**20,365,000**	**20,365,000**	**-**
Dividends payable	**50,000,000**	**50,000,000**	**50,000,000**	**-**
Total	**P219,027,3668**	**P219,632,251**	**P219,632,251**	**P -**

**Excluding statutory obligations and Output VAT.*

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P43,425,841	P43,425,841	P43,425,841	P -
Advances from Parent Company	50,000,000	50,912,500	50,912,500	-
Total	P93,425,841	P94,338,341	P94,338,341	P -

**Excluding statutory obligations and Output VAT.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk
The Company's interest rate risk management policy centers on reducing the Company's exposure to changes in interest rates. Exposure to changes in market interest rates relate primarily to the Company's cash in banks, advances from Parent Company and loans payable.

As at December 31, 2017 and 2016, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Note	**2017**	2016
Fixed Rate Financial Instruments			
Financial asset:			
Cash in banks and cash equivalents	*4*	**P74,440,298**	P90,411,380
Financial liabilities:			
Advances from Parent Company	*12*	**(20,000,000)**	(50,000,000)
Loans payable	*11*	**(100,000,000)**	-
		(120,000,000)	(50,000,000)
		P45,559,702	P40,411,380

The Company does not account for any fixed rate financial assets and financial liabilities at FVPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and liabilities. The currencies in which these transactions are primarily denominated are United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2017				
	USD	SGD	GBP	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets					
Cash in banks	22,896	-	-	-	1,143,207
Trade receivables	-	-	-	5,872	350,048
	22,896	-	-	-	1,493,255
Foreign Currency - Denominated Monetary Liabilities					
Trade payables	31,840	244	1,273	-	1,684,317
Net Foreign Currency-Denominated Monetary Assets (Liabilities)	(8,944)	(244)	1,273	5,872	(191,062)

	December 31, 2016			
	USD	SGD	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets				
Cash	23,482	-	-	1,169,697
Trade receivables	198,180	-	-	9,871,952
	221,662	-	-	11,041,649
Foreign Currency - Denominated Monetary Liabilities				
Trade payable	-	858	217,616	11,310,776
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	221,662	(858)	(217,616)	(269,127)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2017	2016
USD	**49.93**	49.81
SGD	**37.32**	34.35
GBP	**67.12**	60.87
EUR	**59.61**	51.84

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**5%**	**P15,630 decrease**
SGD	**7%**	**1,032 decrease**
GBP	**10%**	**5,981 decrease**
EUR	**9%**	**22,053 increase**

	December 31, 2016	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	1%	77,292 increase
SGD	5%	1,032 decrease
EUR	3%	236,907 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

19. Fair Values of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash and cash equivalents, trade and other receivables, trade and other payables (excluding statutory obligations and Output VAT), dividends payable and loans payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

In the case of security deposits the difference between the carrying amounts and fair values is considered immaterial by management.

Loans and Advances from Parent Company

The estimated fair value of loans and advances from Parent Company is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans and advances from Parent Company is considered immaterial by management.

20. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2017 are as follow:

	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balance at beginning of year	**P -**	**P -**	**P50,000,000**	**P -**	**P50,000,000**
Cash flow from financing activities					
Proceeds from availment of loans	100,000,000	-	-	-	100,000,000
Payment of principal	-	-	(30,000,000)	-	(30,000,000)
Interest expense	-	706,174	-	-	706,174
Interest paid	-	(629,667)	-	-	(629,667)
Dividends declared	-	-	-	50,000,000	50,000,000
	100,000,000	76,507	(30,000,000)	50,000,000	120,076,507
Balance at end of year	**P100,000,000**	**P76,507**	**P20,000,000**	**P50,000,000**	**P170,076,507**

21. **Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010**

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2017:

A. VAT

Output VAT	**P97,093,784**
Basis of the Output VAT:	
Vatable sales	**P808,936,295**
Zero-rated sales	**33,269,865**
Vatable receipts	**178,568**

Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods other than capital goods	**6,752,125**
b. Services lodged under other accounts	**7,699,413**
VAT on importations	**54,504,904**
Claims for tax credit/refund and other adjustments	**(68,956,442)**
Balance at the end of the year	**P -**

B. Customs Duties and Tariff Fees

Landed cost of imports	**P454,207,533**
Customs duties paid or accrued	**29,829,632**
	P484,037,165

C. Excise Taxes

Imported excisable items	
a. Spirits	**P104,664,086**
b. Wines	**9,614,791**
	P114,278,877

D. Documentary Stamp Tax

On issuance of shares of stocks	**P2,000,000**
On loan instruments	**345,863**
On others	**367,720**
	P2,713,583

E. Withholding Taxes

Tax on compensation and benefits	P1,441,110
Creditable withholding taxes	1,653,178
	P3,094,288

F. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	P3,258,366
Others	901,037
	P4,159,403

G. Tax Cases

As at December 31, 2017, the Company is not involved in any tax cases nor has received deficiency tax assessments from the BIR.

Information on tariff fees, paid or accrual, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

ANNEX D"

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. A199600988

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

PREMIER WINE AND SPIRITS, INC.
(Amending Article III thereof)

copy annexed, adopted on December 19, 2014 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the entire outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 9th day of January, Twenty Fifteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARMENT

Nature of Application: AAI

SEC Registration Number: A199600988

Former Company Name

PREMIER WINE AND SPIRITS, INC.

AMENDED TO

New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

GATE 1, TABACALERA COMPOUND,
900 ROMUALDEZ ST., PACO, MANILA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Company's Facsimile Number/s
	(02) 524-2117/524-2165	

CONTACT PERSON INFORMATION

Name of Contact Person	Email Address	Telephone Number/s	Facsimile Number/s
Candy H. Dacanay-Datuon	candy.dacanay@gmail.com	(02) 523-3055	(02) 523-3055

Contact Person's Address

No. 900 Romualdez St., Paco, Manila

To be accomplished by CRMD Personnel

Assigned Processor	Date	Signature

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- Corporate and Partnership Registration Division
- Green Lane Unit
- Financial Analysis and Audit Division
- Licensing Unit
- Compliance and Monitoring Division

AMENDED

ARTICLES OF INCORPORATION

OF

PREMIER WINE AND SPIRITS, INC.

KNOWN ALL MEN BY THESE PRESENTS:

We, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE CERTIFY THAT

FIRST: - The name of the said Corporation shall be

PREMIER WINE AND SPIRITS, INC.

SECOND: - The purpose for which the Corporation is formed are:

PRIMARY

To engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indetor, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise or products whether natural or artificial.

SECONDARY

1. To purchase, acquire, own, lease, sell and convey real properties such as buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental as to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidence of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

2. To borrow money or raise money necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidences of indebtedness, and to secure the repayment thereof by mortgage, pledge, deed of trust of lieu upon the properties of the corporation or to issue pursuant to law shares of its capital stock, debentures and other evidences of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business;

3. To invest and deal with the money and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interest and to sell, dispose of or transfer the business, properties and goodwill of the corporation or any part thereof for such consideration and under such terms as its shall see fit to accept.

4. To aid in any manner any corporation, association, or trust estate, domestic or foreign, or any firm of individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts, or obligations of which are held by or for this corporation, directly or indirectly or through other corporations or otherwise.

5. To enter into any lawful arrangement for sharing profits, union of interest, unitization or farmout agreement, reciprocal concession or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purpose of this corporation.

6. To acquire or obtain from any government or authority, national, provincial, municipal, or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the corporation;

7. To establish and operate one or more branch offices or agencies and to carry on any of all its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in with real and personal property anywhere in the Philippines.

8. To conduct and transact any and all lawful business and to do or cause to be done any one or more of the acts and things herein set forth as its purpose, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one of more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of this corporation.

THIRD: That the place where the principal office of the corporation is to be established is at Gate 1, Tabacalera Compoung, No. 900 Romualdez St., Paco, Manila.
(As amended on December 19, 2014 by the Board of Directors and Stockholders representing at least 2/3 of the entire issued and outstanding capital stock of the corporation.)

FOURTH: That the term for which said corporation is to exist is fifty (50) years from and after the date of incorporation.

FIFTH: That the names, nationalities and residences of the incorporators of said corporation are as follows:

Name	Nationality	Residences
EDWARD F. McDONNELL	American	[redacted]
EDWARD FRANCIS McDONNEL, JR.	American	[redacted]
FLORENTINO M. HERRERA III	Filipino	[redacted]
ROBERT COLOMBO	American	[redacted]

JOSE ESTEBAN III	Filipino	[redacted]

SIXTH: That the number of directors of said corporation shall be seven (7) and that the names, nationalities and residences of the directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Name	Nationality	Residences
ENRIQUE TEEHANKEE	Filipino	[redacted]
ARSENIO CABRERA, JR.	Filipino	[redacted]
FLORENTINO M. HERRERA III	Filipino	[redacted]
ELSIE MARTHA COLOMBO	Filipino	[redacted]
JOSE ESTEBAN III	Filipino	[redacted]
JP SANTAMARINA	Filipino	[redacted]

SEVENTH: That the authorized capital stock of said corporation is ONE HUNDRED FIFTY MILLION Pesos (P150,000,000.00), Philippine Currency, and said capital stock is divided into ONE MILLION FIVE HUNDRED THOUSAND shares (1,500,000) with par value of ONE HUNDRED Pesos (P100.00) each. (As amended on November 26, 2012 by the Board and Directors and by the Stockholders of the Corporation.)

EIGHT: That the amount of said capital stock which has been actually subscribed is THIRTEEN MILLION FIVE HUNDRED THOUSAND PESOS (P13,500,000.00), and the following persons have subscribed for the number of shares and the amount of capital stock indicated opposite their respective name:

Name	Citizenship	No. of Shares	Amount Subscribed
ROBERT COLOMBO	American	1	100.00
EDWARD F. McDONNELL	American	1	100.00
EDWARD FRANCIS McDONNEL, JR.	American	1	100.00
FLORENTINO M. HERRERA III	Filipino	1	100.00
MA. LOURDES C. ESTEBANLAR	Filipino	1	100.00
EFM, INC.	Filipino	74,240	7,424,400.00
COLOMBO MERCHANTS PHILS, INC.	Filipino	6,750	675,000.00
JOSE ESTEBAN III	Filipino	1	100.00
JP SANTAMARINA	Filipino	1	100.00
ETC HOLDINGS, INC.	Filipino	53,996	5,399,600.00
Total		135,000	P13,500,000.00

NINTH: That the following persons have paid on the shares of capital stock for which they have subscribed, the amount set out after their respective names:

Name	Amount Paid
ROBERT COLOMBO	100.00
EDWARD F. McDONNELL	100.00
EDWARD FRANCIS McDONNEL, JR.	100.00
FLORENTINO M. HERRERA III	100.00
MA. LOURDES C. ESTEBANLAR	100.00
EFM, INC.	7,424,400.00
COLOMBO MERCHANTS PHILS, INC.	675,000.00
JOSE ESTEBAN III	100.00
JP SANTAMARINA	100.00
ETC HOLDINGS, INC.	5,399,600.00
Total	P13,500,000.00

TENTH: That no issuance or transfer of shares of stock corporation which would reduce the stock ownership of Filipino citizens to less than the percentage of the outstanding capital stock required by law to owned by Filipino citizens, shall be allowed or permitted to be recorded in the books of the corporation. This restrictions shall be printed or indicated in all certificates of stock to be issued by the corporation.

ELEVENTH: That MA. LOURDES ESTEBANLAR has been elected by the subscribers as Treasurer of the corporation to act as such until her successors is duly elected and shall have qualified in accordance with the by-laws; and that as such Treasurer, she has been authorized to receive for the corporation, and to issue in its name receipts for all, subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto set out hands, this 3rd day of June, 1996 at the City of Makati, Philippines.

(Signed)
EDWARD F. McDONNELL

(Signed)
ROBERT COLOMBO

(Signed)
EDWARD FRANCIS McDONNELL, JR.

(Signed)
JOSE ESTEBAN III

(Signed)
FLORENTINO M. HERRERA III

Signed in the presences of:

(Signed) (Signed)

ACKNOWLEDGEMENT

Republic of the Philippines)
City of Makati) S.S.

BEFORE ME, a Notary Public in and for Makati City, Philippines, this 03 Jun 1996 personally appeared:

Name	Res. Cert. No.	Date & Place Issued
EDWARD G. McDONNELL	PP No. 015277047	Oct. 21, 1994 – Washington, D.C. U.S.A.

EDWARD FRANCIS McDONNELL, JR.	120294103	Feb. 13, 1994 – Honolulu, Hawaii
FLORENTINO M. HERRERA III	14258614	March 3, 1996 – Makati
ROBERT COLOMBO	14246055	Feb. 29, 1996 – Makati
JOSE ESTEBAN III	14780797	Jan. 10, 1996 – Angeles City

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above-written.

(SIGNED)
ANGELITO D. BERNARDINO
NOTARY PUBLIC
UNTIL DECEMBER 31, 1997
PTR NO. 0276227-1-10-36-MAKATI CITY
IBP NO. 407263-1-9-96-RIZAL

Doc. No. 141,
Page No. 30;
Book No. IV;
Series of 1996.

FORM NO. 2–A (Stock)

13/8/3
06 JUN 10 P3:08

"ANNEX D-1"

B Y – L A W S

OF

PREMIER WINE AND SPIRITS, INC.
Name of Corporation

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay to the corporation the subscription value or price of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificates – Each stockholder shall be entitled to one or more certificates for such fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificates, which must be issued in consecutive order, shall bear the signature of the President, manually countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares – Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, ceded, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation, cancellation of the certificate surrendered to the Secretary, and issuance of a new certificate to the transferee.

No shares of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any certificate for the capital stock of the corporation is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Regular Meetings – The regular meetings of stockholders, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting, shall be held at the principal office on 2nd Tuesday of May (Date of meeting) of each year, if a legal holiday, then on the day following.

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock. b) President.

Section 3. Place of Meeting _ Stockholders' meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting _ Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum _ Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting _ Meeting of the Stockholders shall be presided over by the Chairman of by the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stocholders. The Secretary, shall act as Secretary of every meetings, but if not present,the chairman of the meeting shall appoint a secretary of the meeting. The chairman of the meeting may adjourn the meeting from time to time, without notice other than announced at the meeting.

Section 7. Manner of Voting - At all mettings of stockholdesr, a stockholders may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary.

All proxies must be in the hands of the the secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary. prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books of Fixing of Record Date - For the purpose of determining the stockholdres entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, or of making a determination of stockholdres for any other proper purpose, the Board of Directors may provide that the stock and transfer books be closed for a started period, but not to exceed, in any case, twenty (20) days. If the stock and transfer books be closed for the purpose of determining stockholdres entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceeding such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date shall in no case be more than twenty (20) days prior to the date, on which the particular action requiring such determination of stockholders is to be taken, except in instance where applicable rules and regulations provided otherwise.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of the Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall have the following express powers:

a) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b) To purchase, receive, take or otherwise acquire in any lawful manner, for and in the name of the corporation, any and all properties, rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the corporation may reasonably or necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient.

c) To invest the funds of the corporation in another corporation or business or for any other purposes other than those for which the corporation was organized, whenever in the judgement of the board of Directors the interests of the corporation would thereby be promoted, subject to such stockholders' approval as may be required by law;

d) To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deeds of trust, instruments, bonds, debentures, or securities, subject to such stockholder approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties and rights of the corporation;

e) To guarantee, for and in behalf of the corporation obligations of other corporations or entities in which it has lawful interest;

f) To make provisions of the discharge of the obligations of the corporation as they mature, including payment for any property, or in stocks, bonds, debentures, or other securities of the corporation lawfully issued for the purpose;

g) To sell, lease, exchange, assign, transter or otherwise dispose of any property, real or personal, belonging to the corporation whenever in the Board's judgment, the corporation's interest would thereby be promoted;

h) To establish pension, retirement, bonus, profit-sharing, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation and to determine the persons to participate in any such plans and the amount of their respective participations;

i) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officers are either plaintiffs or defendants in connection with the business of the corporation, and likewise, to grant installments for the payments or settlement of whatsoever debts are payment to the corporation;

j) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the corporation to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit;

k) To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under any existing law, rules or regulation.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

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Section 3. Vacancies – Any vacancy occuring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

Any directorship to be filled by reason of an increase in the number of directors shall be filled only by an election at a regular or at a special meeting of stockholders duly called for the purpose, or in the same meeting authorizing the increase of directors if so stated in the notice of the meeting.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in this by-laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held once every quarter of the year on such dates and at such times and places as the Chairman of the Board, or in his absence, the President, or upon the request of a majority of the directors and shall be held at such places as may be designated in the notice.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telex, telegram, or by written or oral message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings _ Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the President or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Section 8. Compensation – By resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stock holders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

ARTICLE IV

OFFICERS

Section 1. Election/Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the Chairman, the President, one or more Vice-President, the Treasurer, and the Secretary, at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper.

Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. Chairman of the Board – The Chairman of the Board of Directors shall preside at the meetings of the directors and the stockholders. He shall also exercise such powers and perform such duties as the Board of Directors may assign to him.

Section 3 President – The President, who shall be a director, shall be the Chief Executive Officer of the corporation and shall also have administration and direction of the day-to-day business affairs of the corporation. He shall exercise the following functions:

a) To preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman of the Board of Directors;

b) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c) To have general supervision and management of the business affairs and property of the corporation;

d) To ensure that the administrative and operational policies of the corporation are carried out under his supervision and control;

e) Subject to guidelines prescribed by law, to appoint remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f) To oversee the preparation of the budgets and the statements of accounts of the corporation;

g) To prepare such statements and reports of the corporation as may be required of him by law;

h) To represent the corporation at all functions and proceedings;

i) To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors;

j) To make reports to the Board of Directors and stockholders;

k) To sign certificates of stock;

l) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s), subject always to his supervision and control.

Section 4. The Vice-President(s) – If one or more Vice-Presidents are appointed, he/they shall have such powers and shall perform such duties as may from time to time be assigned to him/them by the Board of Directors or by the President.

Section 5. The Secretary – The Secretary must be a resident and a citizen of the Philippines. He shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the corporation's formal actions and transactions. He shall have the following specific powers and duties:

a) To record or see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b) To keep or cause to be kept record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.

f) To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.

g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 6. The Treasurer – The Treasurer of the corporation shall be its chief fiscal officer and the custodian of its funds, securities and property. The Treasurer shall have the following duties:

a) To keep full and accurate accounts of receipts and disbursements in the books of the corporation.

b) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, the Chairman, or the President may, from time to time require;

e) To prepare such financial reports, statements, cerotifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 7. Term of Office – The term of office of all officers shall be for a period of one (1) year and until their successors are duly elected and qualified. Such officers may however be sooner removed for cause.

Section 8. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 9. Compensation – The by-laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate or as the business of the corporation may, from time to time, require.

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditors – At the regular stockholders' meeting, the external auditor or auditors of the corporation for the ensuing year shall be appointed. The external auditor or auditors shall examine, verify and report on the earnings and expenses of the corporation and shall certify the remuneration of the external auditor or auditors as determined by the Board of Directors.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law and applicable rules and regulations.

ARTICLE VII

AMENDMENTS

Section 1. This by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of the stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

ARTICLE VIII

SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLE IX

ADOPTION CLAUSE

The foregoing by-laws was adopted by all the stockholders of the corporation on June 3, 1996 at the principal office of the corporation.

IN WITNESS WHEREOF, we, the undersigned stockholders present at said meeting and voting thereat in favor of the adoption of said by-laws, have hereunto subscribed our names this 3rd day of June, 1996 at the City of Makati

(Note: 1. If filed with Articles of Incorporation, should be signed by all incorporators:
2. If filed after incorporation, should be signed by majority of the subscribers and should submit director's certificate for the adaption of the by-laws.)

EDWARD F. McDONNELL

ROBERT COLOMBO

EDWARD FRANCIS McDONNELL, JR.

JOSE ESTEBAN III

FLORENTINO M. HERRERA III

"ANNEX D-2"

GENERAL INFORMATION SHEET (GIS)
FOR THE YEAR 2020
STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

PLEASE PRINT LEGIBLY

CORPORATE NAME: PREMIER WINE AND SPIRITS, INC.		**DATE REGISTERED:** June 19, 1996
BUSINESS/TRADE NAME: PREMIER WINE AND SPIRITS, INC.		**FISCAL YEAR END:** December 31st
SEC REGISTRATION NUMBER: 1996600988		
DATE OF ANNUAL MEETING PER BY-LAWS: 2nd Tuesday of May		**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 004-851-242
ACTUAL DATE OF ANNUAL MEETING: September 15, 2020		**WEBSITE/URL ADDRESS:** N/A
COMPLETE PRINCIPAL OFFICE ADDRESS: Gate 1, Tabacalera Compound, 900 Romualdez St., Paco, Manila		**E-MAIL ADDRESS:** N/A
COMPLETE BUSINESS ADDRESS: Gate 1, Tabacalera Compound, 900 Romualdez St., Paco, Manila		**FAX NUMBER:** (02) 8353-9680
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: R.G. Manabat & Company / Gregorio I. Sambrano, Jr.	**SEC ACCREDITATION NUMBER (if applicable):** 1584	**TELEPHONE NUMBER(S):** (02) 8524-2117 / 8524-2165
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: Buying, selling, distributing, marketing on wholesale basis, all kinds of goods, commodities, warehouse and merchandise	**INDUSTRY CLASSIFICATION:** N/A	**GEOGRAPHICAL CODE:** N/A

INTERCOMPANY AFFILIATIONS

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Cosco Capital, Inc.	147669	No. 900 Romualdez St., Paco, Manila
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
N/A	N/A	N/A

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET
STOCK CORPORATION
================================ PLEASE PRINT LEGIBLY ================================

Corporate Name: PREMIER WINE AND SPIRITS, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.
- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.
- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.
- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:
- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:
- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business: **Buying, selling, distributing, marketing on wholesale basis, all kinds of goods, commodities, warehouse and merchandise**

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY ===================================

CORPORATE NAME: PREMIER WINE AND SPIRITS, INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	1,500,000	100.00	150,000,000.00
	TOTAL	1,500,000	TOTAL P	150,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	8	COMMON	1,500,000	100.00		150,000,000.00	100.00%
		COMMON					
		TOTAL	1,500,000	TOTAL	TOTAL P	150,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A		N/A	N/A
Percentage of Foreign Equity :		TOTAL	0	TOTAL	TOTAL P	0.00	0.00%
					TOTAL SUBSCRIBED P	150,000,000.00	100.00%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	8	COMMON	1,500,000	100.00	150,000,000.00	100.00%
		TOTAL	1,500,000	TOTAL P	150,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A	N/A	N/A
		TOTAL	0	TOTAL P	0.00	0.00%
				TOTAL PAID-UP P	150,000,000.00	100.00%

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME:	PREMIER WINE AND SPIRITS, INC.							
DIRECTORS / OFFICERS								
NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. JOSE PAULINO SANTAMARINA [redacted]	Filipino	Y	C	F	Y	Chairman and President	N/A	[redacted]
2. ROBIN DERRICK CO CHUA [redacted]	Filipino	N	M	M	Y	Managing Director	N/A	[redacted]
3. SUSAN P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
4. FERDINAND VINCENT P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
5. PAMELA JUSTINE P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
6. CAMILLE CLARISSE P. CO [redacted]	Filipino	N	M	F	N	Director	N/A	[redacted]
7. KATRINA MARIE P. CO [redacted]	Filipino	N	M	F	N	Director	N/A	[redacted]
8. EVELYN B. BINANITAN [redacted]	Filipino	N	N	F	N	Treasurer	N/A	[redacted]
9. MARY S. DEMETILLO [redacted]	Filipino	N	N	F	N	Chief Finance Officer	N/A	[redacted]
10. MARICEL B. JOYAG [redacted]	Filipino	N	N	F	N	Corporate Secretary	N/A	[redacted]
11. CANDY H. DACANAY-DATUON [redacted]	Filipino	N	N	F	N	Assistant Corporate Secretary	N/A	[redacted]

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET
STOCK CORPORATION

============================== PLEASE PRINT LEGIBLY ==============================						
CORPORATE NAME:	PREMIER WINE AND SPIRITS, INC.					
TOTAL NUMBER OF STOCKHOLDERS:	8		NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES I			1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:		1,756,073,435.00				
STOCKHOLDER'S INFORMATION						
NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
1 COSCO CAPITAL, INC. FILIPINO [redacted]	COMMON	1,499,993	149,999,300.00	100.00%	149,999,300.00	[redacted]
	TOTAL	1,499,993	149,999,300.00			
2. JOSE PAULINO SANTAMARINA FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	1	100.00			
3. ROBIN DERRICK CO CHUA FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	1	100.00			
4. SUSAN P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	1	100.00			
5. FERDINAND VINCENT P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	1	100.00			
6. PAMELA JUSTINE P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	1	100.00			
7. CAMILLE CLARISSE P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	1	100.00			
8. KATRINA MARIE P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL		100.00			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL				100.00%	150,000,000.00	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: PREMIER WINE AND SPIRITS, INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N/A	N/A	N/A

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N/A	

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR : 774,403,259.00

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	235,759,865.00	December 31, 2019
5.2 STOCK	N/A	N/A
5.3 PROPERTY	N/A	N/A
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
N/A	N/A	N/A

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
-	48	52	100

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, MARICEL B. JOYAG Corporate Secretary of PREMIER WINE AND SPIRITS, INC. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this SEP 3 0 2020 day of September 2020 in the City of Manila.

MARICEL B. JOYAG
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in the City of Manila on SEP 3 0 2020 by affiant who personally appeared before me and exhibited to me her Tax Identification Card with no. [redacted] issued by the Bureau of Internal Revenue.

Doc. No. 292
Page No. 60
Book No. 24
Series of 2020.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9120218/01-02-2020/Mla.
MCLE Compliance No. VI-0022488/04-16-19
No. 900 Romualdez St., Paco, Manila

BENEFICIAL OWNERSHIP DECLARATION

SEC REGISTRATION NUMBER:
CORPORATE NAME:

Instructions:

1. Identify the Beneficial Owner/s of the corporation as described in the Categories of Beneficial Ownership in items A to I below. List down as many as you can identify. You may use an additional sheet if necessary.
2. Fill in the required information on the beneficial owner in the fields provided for.
3. In the "Category of Beneficial Ownership" column, indicate the letter(s) corresponding thereto. In the event that the person identified as beneficial owner falls under several categories, indicate all the letters corresponding to such categories.
4. If the category is under letter "I", indicate the position held (i.e., Director/Trustee, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, etc.).
5. Do not leave any item blank. Write "N/A" if the information required is not applicable or "NONE" if non-existent.

"Beneficial Owner" refers to any natural person(s) who ultimately own(s) or control(s) or exercise(s) ultimate effective control over the corporation. This definition covers the natural person(s) who actually own or control the corporation as distinguished from the legal owners. Such beneficial ownership may be determined on the basis of the following:

<u>Category</u>	<u>Description</u>
A	Natural person(s) owning, directly or indirectly or through a chain of ownership, at least twenty-five percent (25%) of the voting rights, voting shares or capital of the reporting corporation.
B	Natural person(s) who exercise control over the reporting corporation, alone or together with others, through any contract, understanding, relationship, intermediary or tiered entity.
C	Natural person(s) having the ability to elect a majority of the board of directors/trustees, or any similar body, of the corporation.
D	Natural person(s) having the ability to exert a dominant influence over the management or policies of the corporation.
E	Natural person(s) whose directions, instructions, or wishes in conducting the affairs of the corporation are carried out by majority of the members of the board of directors of such corporation who are accustomed or under an obligation to act in accordance with such person's directions, instructions or wishes.
F	Natural person(s) acting as stewards of the properties of corporations, where such properties are under the care or administration of said natural person(s).
G	Natural person(s) who actually own or control the reporting corporation through nominee shareholders or nominee directors acting for or on behalf of such natural persons.
H	Natural person(s) ultimately owning or controlling or exercising ultimate effective control over the corporation through other means not falling under any of the foregoing categories.
I	Natural person(s) exercising control through positions held within a corporation (i.e., responsible for strategic decisions that fundamentally affect the business practices or general direction of the corporation such as the members of the board of directors or trustees or similar body within the corporation; or exercising executive control over the daily or regular affairs of the corporation through a senior management position). This category is only applicable in exceptional cases where no natural person is identifiable who ultimately owns or exerts control over the corporation, the reporting corporation having exhausted all reasonable means of identification and provided there are no grounds for suspicion.

COMPLETE NAME (Surname, Given Name, Middle Name, Name Extension (i.e., Jr., Sr., III)	SPECIFIC RESIDENTIAL ADDRESS	NATIONALITY	DATE OF BIRTH	TAX IDENTIFICATION NO.	% OF OWNERSHIP[1] / % OF VOTING RIGHTS[2]	TYPE OF BENEFICIAL OWNER[3] Direct (D) or Indirect (I)	CATEGORY OF BENEFICIAL OWNERSHIP
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Note: This page is not for uploading on the SEC IView.

[1] For Stock Corporations.
[2] For Non-Stock Corporations.
[3] For Stock Corporations.

"ANNEX D-3"

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 0 0 9 8 8

COMPANY NAME

P R E M I E R   W I N E   A N D   S P I R I T S ,   I N C .
(A   W h o l l y - o w n e d   S u b s i d i a r y   o f
C o s c o   C a p i t a l ,   I n c .)

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

G a t e   1 ,   T a b a c a l e r a   C o m p o u n d
9 0 0   D .   R o m u a l d e z   S t r e e t
P a c o ,   M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	524 - 2117	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	09/10	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mary Demetillo	N/A	524 - 2117	N/A

CONTACT PERSON's ADDRESS

Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Premier Wine and Spirits, Inc. (the "Company")**, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form 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.

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

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

(a) **R.G. Manabat & Co.**, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

Signed this 19th day of November 2020

Premier Wine & Spirits, Inc.
Gate 2 900 N. Romualdez St. Paco Manila Tel. No. 524-2117/524-2165 Fax. No. 521-6628

PREMIER WINE AND SPIRITS, INC.

(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018. and its financial performance and its cash flows for the years then ended 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 Audits 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 the 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.

Firm Regulatory Registration & Accreditation
PRC-BCA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No 0004-FR-5)
IC Accreditation No 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No 0003-BSP Group A valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Auditors' Responsibilities for the Audits of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

December 18, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2019, on which we have rendered our report dated December 18, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
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PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

December 18, 2020
Makati City, Metro Manila

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	2019	December 31 2018 (As restated - see Note 24)	January 1, 2018 (As restated - see Note 24)
ASSETS				
Current Assets				
Cash	5	**P229,950,511**	P130,920,946	P73,939,731
Trade and other receivables - net	6, 21	**498,147,551**	796,755,289	761,984,325
Inventories	7, 15	**599,727,310**	564,920,108	694,796,560
Prepaid expenses and other current assets	8	**247,347,287**	374,741,173	67,150,175
Total Current Assets		**1,575,172,659**	1,867,337,516	1,597,870,791
Noncurrent Assets				
Property and equipment - net	9	**6,540,902**	7,772,298	3,478,931
Right-of-use assets - net	19	**4,851,092**	14,626,093	16,973,987
Deferred income tax assets - net	20	**3,705,373**	3,920,025	6,207,569
Investment in an associate	10	**118,193,553**	-	-
Refundable deposits	19, 21	**3,203,153**	2,807,854	2,322,120
Total Noncurrent Assets		**136,494,073**	29,126,270	28,982,607
		P1,711,666,732	P1,896,463,786	P1,626,853,398
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11, 12	**P148,974,105**	P217,298,198	P284,379,689
Due to related parties	12, 23	**192,851,618**	297,700,000	297,700,000
Loan payable	13, 23	**313,000,000**	357,000,000	50,000,000
Dividends payable	14	**100,000,000**	100,000,000	100,000,000
Lease liabilities - current portion	19, 23	**5,424,764**	10,833,018	8,520,876
Income tax payable		**212,594**	5,626,712	24,366,430
Total Current Liabilities		**760,463,081**	988,457,928	764,966,995
Noncurrent Liabilities				
Lease liabilities - net of current portion	19, 23	**1,268,352**	6,693,116	11,547,826
Retirement benefits liability	18	**9,203,625**	6,562,556	14,233,985
Total Noncurrent Liabilities		**10,471,977**	13,255,672	25,781,811
Total Liabilities		**770,935,058**	1,001,713,600	790,748,806
Equity				
Capital stock- P100 par value: Authorized, issued and outstanding - 1,500,000 shares	14	**150,000,000**	150,000,000	150,000,000
Additional paid-in capital		**1,500,000**	1,500,000	1,500,000
Retained earnings	14	**784,310,918**	737,271,779	684,939,453
Accumulated remeasurements on retirement benefits		**4,920,756**	5,978,407	(334,861)
Total Equity		**940,731,674**	894,750,186	836,104,592
		P1,711,666,732	P1,896,463,786	P1,626,853,398

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 24)
NET SALES	*12*	**P1,603,043,627**	P2,368,580,890
COST OF GOODS SOLD	*15*	**1,348,453,996**	2,011,404,563
GROSS PROFIT		**254,589,631**	357,176,327
OPERATING EXPENSES	*16*	**158,406,307**	269,225,046
INCOME FROM OPERATIONS		**96,183,324**	87,951,281
SHARE IN NET LOSS ON INVESTMENT IN AN ASSOCIATE	*10*	**(8,762,851)**	-
OTHER CHARGES - Net	*17*	**(20,573,757)**	(21,425,662)
INCOME BEFORE INCOME TAX		**66,846,716**	66,525,619
PROVISION FOR INCOME TAX	*20*	**19,807,577**	14,193,293
NET INCOME		**47,039,139**	52,332,326
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits	*18*	**(1,510,929)**	9,018,955
Deferred income tax benefit (expense)	*20*	**453,278**	(2,705,687)
		(1,057,651)	6,313,268
TOTAL COMPREHENSIVE INCOME		**P45,981,488**	P58,645,594

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Capital Stock	Additional Paid-in Capital	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 14)	Total
Balances at January 1, 2018, as previously reported		P150,000,000	P1,500,000	(P334,861)	P685,472,457	P836,637,596
Restatements	24	-	-	-	(533,004)	(533,004)
Balances at January 1, 2018, as restated		150,000,000	1,500,000	(334,861)	684,939,453	836,104,592
Net income for the year, as restated		-	-		52,332,326	52,332,326
Other comprehensive income for the year		-	-	6,313,268	-	6,313,268
Total comprehensive income for the year, as restated		-	-	6,313,268	52,332,326	58,645,594
Balances at December 31, 2018, as restated		150,000,000	1,500,000	5,978,407	737,271,779	894,750,186
Net income for the year		-	-	-	47,039,139	47,039,139
Other comprehensive loss for the year		-	-	(1,057,651)	-	(1,057,651)
Total comprehensive income (loss) for the year		-	-	(1,057,651)	47,039,139	45,981,488
Balances at December 31, 2019		**P150,000,000**	**P1,500,000**	**P4,920,756**	**P784,310,918**	**P940,731,674**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2019	2018 (As restated - Note 24)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P66,846,716**	P66,525,619
Adjustments for:			
Interest expense	*12, 13, 17, 19*	**24,951,433**	20,337,987
Depreciation and amortization	*9, 16, 19*	**12,820,052**	12,434,257
Share in net loss on investment in an associate	*10*	**8,762,851**	-
Unrealized foreign exchange loss (gain)	*17, 21*	**(1,315,329)**	983,228
Interest income	*5, 17*	**(1,398,227)**	(354,578)
Retirement benefits costs	*18*	**1,130,140**	1,347,526
Provision for probable losses	*11, 16*	**-**	8,153,093
Operating income before working capital changes		**111,797,636**	109,427,132
Decrease (increase) in:			
Trade and other receivables - net		**298,607,738**	(34,770,964)
Inventories		**(34,807,202)**	129,876,452
Prepaid expenses and other current assets		**127,393,886**	(307,590,998)
Refundable deposits		**(395,299)**	(485,734)
Increase in trade and other payables		**(63,693,165)**	(79,533,412)
Cash generated from (used in) operations		**438,903,594**	(183,077,524)
Interest paid		**(28,267,032)**	(17,022,388)
Income taxes paid		**(24,553,765)**	(33,351,153)
Interest received	*5, 17*	**1,398,227**	354,578
Net cash from (used in) operating activities		**387,481,024**	(233,096,487)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares of stock of an associate	*10*	**(126,956,404)**	-
Additions to property and equipment	*9*	**(1,813,655)**	(7,274,121)
Cash used in investing activities		**(128,770,059)**	(7,274,121)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loan payable	*13, 23*	**(170,000,000)**	(130,000,000)
Advances from related parties	*12, 23*	**(104,848,382)**	-
Lease liabilities	*19, 23*	**(10,833,018)**	(9,648,177)
Proceeds from availment of loan payable	*13, 23*	**126,000,000**	437,000,000
Net cash from (used in) financing activities		**(159,681,400)**	297,351,823
NET INCREASE IN CASH		**99,029,565**	56,981,215
CASH AT BEGINNING OF YEAR		**130,920,946**	73,939,731
CASH AT END OF YEAR	*5*	**P229,950,511**	P130,920,946

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("CosCo" or "Parent Company"), a company incorporated in the Philippines. CosCo's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on November 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New Standards and Amendments to Standards
The Company has adopted the following new standards and amendments to standards starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These are as follows:

- PFRS 16, *Leases*, supersedes PAS 17, Leases, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Company applied PFRS 16 using the retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2018. Accordingly, the comparative information presented, as at and for the year ended December 31, 2018, is restated.

  Impact on Financial Statements
  In transition to PFRS 16 on January 1, 2019 using the retrospective approach, the Company recognized right-of-use assets and lease liabilities on the commencement date of the lease agreement. Consequently, the cumulative effect of the transition was recognized on January 1, 2018. The impact on transition as at January 1, 2018 is presented in notes for prior period restatement (see Note 24).

  As at January 1, 2018, the Company recognized right-of-use assets and lease liabilities amounting to P16,973,987 and P20,068,702, respectively. As at December 31, 2019 and 2018, the carrying amounts of the right-of-use assets and lease liabilities are as follows:

	Note	**2019**	2018
Right-of-use assets	*19*	**P4,851,092**	P14,626,093
Lease liabilities	*19*	**6,693,116**	17,526,134

  When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of date of lease commencement date. The weighted average rate applied is 4.74%.

The Company has also adopted the following amendments to standards and interpretations which did not have any significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation (Amendments)*
- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)*
- Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities at FVTPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information; (b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Company's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (e) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment

Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2019 and 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding provision and payables to government agencies), due to related parties, dividends payable, loan payable and lease liabilities.

Impairment of Financial Assets.
The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 360 days past due on any material credit obligation to the Company.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2019 and 2018.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities
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.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 statement 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 markets 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 statement on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2019 and 2018, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price in the ordinary course of business less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Investment in an Associate

An Associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. An Associate is accounted for using the equity method. Investment in an associate is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of associate, until the date on which significant influence ceases. Unrealized gains arising from transactions with associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances to Suppliers

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the statement of financial position.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statement of financial position, respectively.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value. The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	3 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of investment in an associate, right-of-use assets and property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue, unless it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

  - the Company has the right to operate the asset; or

  - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as a Lessee

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:- (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is 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 a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the amortization charge for the right-of-use asset. The interest expense on lease liability is presented under "Other charges - net" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following amended standards on the respective effective dates, as applicable.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

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

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 19).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade Receivables
The Company uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for expected credit losses would increase the recorded operating expenses and decrease current assets.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Company considers the counterparties' financial condition and their capacity to return the amounts due. The Company assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

The carrying values of trade and other receivables amounted to P498,147,551 and P796,755,289 as at December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, the Company's allowance for impairment losses on trade receivables amounted P2,620,922 (see Note 6).

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2019 and 2018. The cost of inventories amounted to P599,727,310 and P564,920,108 as at December 31, 2019 and 2018, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2019 and 2018.

The carrying values of property and equipment amounted to P6,540,902 and P7,772,298 as at December 31, 2019 and 2018, respectively. Depreciation and amortization recognized in profit or loss amounted to P3,045,051 and P2,980,754 for the years ended December 31, 2019 and 2018, respectively (see Note 9).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to investment in an associate, right-of-use assets and property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In 2019 and 2018, no impairment loss was recognized on the Company's property and equipment, right-of-use assets and investment in an associate.

The carrying values of property and equipment amounted to P6,540,902 and P7,772,298 as at December 31, 2019 and 2018, respectively (see Note 9).

The carrying values of investment in an associate amounted to P118,193,553 and nil as at December 31, 2019 and 2018, respectively (see Note 10).

The carrying values of right-of-use assets amounted to P4,851,092 and P14,626,093 as at December 31, 2019 and 2018, respectively (see Note 19).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The Company has retirement benefits liability amounting to P9,203,625 and P6,562,556 as at December 31, 2019 and 2018, respectively (see Note 18).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized net deferred income tax assets amounting to P3,705,373 and P3,920,025 as at December 31, 2019 and 2018, respectively (see Note 20).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has recognized a provision for probable losses amounting to P13,901,018 as at December 31, 2019 and 2018 (see Note 11). Provision for probable losses amounting to nil and P8,153,093 was set up by the Company in 2019 and 2018, respectively (see Notes 11 and 16).

5. Cash

This account consists of:

	Note	2019	2018
Cash on hand		**P800,096**	P265,065
Cash in banks	*21*	**229,150,415**	130,655,881
		P229,950,511	P130,920,946

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss from bank deposits amounted to P1,398,227 and P354,578 in 2019 and 2018, respectively (see Note 17).

6. Trade and Other Receivables - net

This account consists of:

	Note	2019	2018
Trade:			
Third parties		**P291,249,156**	P602,432,352
Related parties	*12*	**172,737,750**	195,187,171
Less allowance for expected credit losses on trade receivables		**(2,620,922)**	(2,620,922)
		461,365,984	794,998,601
Nontrade		**34,655,267**	1,383,336
Others		**2,126,300**	373,352
	21	**P498,147,551**	P796,755,289

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally have a 60 to 90 days credit terms.

7. Inventories

This account consists of:

	Note	2019	2018
Spirits - at cost		**P457,894,694**	P408,967,051
Wines - at cost		**92,171,926**	88,056,215
Specialty beverages - at cost		**49,660,690**	67,896,842
	15	**P599,727,310**	P564,920,108

In 2019 and 2018, the inventories amounting to P1,348,453,996 and P2,011,404,563, respectively, were recognized as an expense during the year and included in "Cost of goods sold" (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers	**P241,546,226**	P360,778,648
Input VAT on imports	**4,520,193**	13,062,393
Prepaid expenses	**1,280,868**	900,132
	P247,347,287	P374,741,173

Advances to suppliers pertain to initial down payments made by the Company for purchases of inventories and will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
December 31, 2017	P17,467,991	P3,917,061	P8,845,801	P2,092,952	P8,771,095	P41,094,900
Additions	721,429	29,821	5,355,440	680,050	487,381	7,274,121
December 31, 2018	18,189,420	3,946,882	14,201,241	2,773,002	9,258,476	48,369,021
Additions	570,000	-	649,531	131,062	463,062	1,813,655
Disposal	(813,000)	-	-	-	-	(813,000)
December 31, 2019	**17,946,420**	**3,946,882**	**14,850,772**	**2,904,064**	**9,721,538**	**49,369,676**
Accumulated Depreciation and Amortization						
December 31, 2017	17,451,220	3,901,686	7,055,792	1,345,107	7,862,164	37,615,969
Depreciation and amortization for the year	74,494	13,037	1,485,550	573,551	834,122	2,980,754
December 31, 2018	17,525,714	3,914,723	8,541,342	1,918,658	8,696,286	40,596,723
Depreciation and amortization for the year	290,372	21,321	1,681,587	520,412	531,359	3,045,051
Disposals	(813,000)	-	-	-	-	(813,000)
December 31, 2019	**17,003,086**	**3,936,044**	**10,222,929**	**2,439,070**	**9,227,645**	**42,828,774**
Carrying Amounts						
December 31, 2018	P663,706	P32,159	P5,659,899	P854,344	P562,190	P7,772,298
December 31, 2019	**P943,334**	**P10,838**	**P4,627,843**	**P464,994**	**P493,893**	**P6,540,902**

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 were charged as part of "Operating expenses" in profit or loss.

10. Investment in an Associate

The Company engaged in a Shareholders' Agreement and a Share Purchase Agreement with Pemod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of the shares of stocks of Pernod Ricards Philippines, Inc. (Pernod) for EURO 2.10 million (P126.96 million) in February 2019.

Pernod wholesales and distributes distilled spirits. The Company offers neutral spirits and ethyl alcohol used in blended wines and distilled liquors. Pernod serves customers throughout the world. Its principal address is at 4-C Palm Coast Avenue One E-com Center Building, Pasay City, 1300. As at December 31, 2019 the Company owns 30% of Pernod shares.

The movements and balances of the Company's investment in an associate are as follows:

	2019
Acquisition costs	P126,956,404
Share in net loss during the period	(8,762,851)
Net carrying amount	P118,193,553

The following table summarizes the financial information of Pernod and shows the reconciliation of the Company's share in net assets of such investee to the carrying amounts of its investment as of December 31, 2019:

	2019
Percentage ownership interest	30%
Current assets	P823,322,979
Noncurrent assets	193,217,651
Current liabilities	627,083,858
Noncurrent liabilities	40,381,518
Net assets	349,075,254
Company's share of net assets	P104,722,576
Goodwill	13,470,977
Carrying amount of investment in an associate	P118,193,553
Revenue	P1,339,369,395
Net loss/total comprehensive loss	(29,209,504)
Company's share in net loss (30%)	(P8,762,851)

11. Trade and Other Payables

This account consists of:

	Note	2019	2018 (As restated - Note 24)
Trade payables to third parties		P103,214,594	P152,268,905
Nontrade:			
Related parties	*12*	948,310	12,509,003
Third parties		7,423,349	17,110,571
Accrued expenses		22,197,936	19,212,625
Provision		13,901,018	13,901,018
Payables to government agencies		1,288,898	2,296,076
	21	P148,974,105	P217,298,198

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit terms. These also include interest on advances from Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

The Company sets-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

The movements and balances of provisions as at and for the years ended December 31 are as follows:

	Note	2019	2018
Balances at beginning of year		P13,901,018	P5,747,925
Provision during the year	*16*	-	8,153,093
Balances at end of year		P13,901,018	P13,901,018

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

				Outstanding Balance			
Category	Year	*Note*	Transactions During the Year	Trade Receivables	Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Advances	2019	*a*	P -	P -	P -	Payable on demand	Unsecured
	2018		-	-	105,000,000		
• Interest expense	2019	*a, 11, 17*	1,062,292	-	787,500	Payable on demand	Unsecured
	2018		3,315,599	-	4,103,099		
• Management fee	2019	*b*	-	-	106,700,000	Due and demandable	Unsecured
	2018		-	-	106,700,000	non-interest-bearing	
Entities under Common Control							
• Advances	2019	*c*	151,618	-	86,151,618	Payable on demand;	Unsecured
	2018		-	-	86,000,000	non-interest-bearing	
• Sales of goods	2019	*d, 6*	519,081,156	172,737,750	-	30 to 60-day credit term; non-interest-bearing	Unsecured; no impairment
	2018		533,787,615	195,187,171	-		
• Lease liability	2019	*e, 19*	2,284,448	-	3,693,860	Payable on a	Unsecured
	2018		2,234,447	-	5,978,308	monthly basis	
• Reimbursement of expenses	2019	*f, 11*	160,810	-	160,810	Payable on demand;	Unsecured
	2018		8,405,904	-	8,405,904	non-interest-bearing	
TOTAL	2019			P172,737,750	P197,493,788		
TOTAL	2018			P195,187,171	P316,187,311		

a. Cash advances extended from its Parent Company in the form of promissory note. These advances earn annual interest rate of 4.5% and 3.25% for 2019 and 2018, respectively with maturities of two (2) years. Full payment was made in 2019.

b. This pertains to amount due to the Parent Company for corporate services rendered in 2017 and 2016.

c. These are cash advances from an entity under common control for additional working capital requirements.

d. In the normal course of business, the Company distributes wines and liquors to entities under common control (see Note 6).

e. The Company entered into lease agreements with an entity under common control for its office space and warehouse. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 19).

f. This represents advances from officers and related parties in the form of reimbursement of expenses and working capital advances.

g. The compensation of the key management personnel of the Company, by benefit type, follows:

	2019	2018
Short-term employee benefits	**P4,215,415**	P3,716,838
Retirement benefits cost	**111,204**	110,009
	P4,326,619	P3,826,847

As at December 31, 2019 and 2018, amounts owed to related parties are presented as follows:

	Note	2019	2018
Trade and other payables	*11*	**P948,310**	P12,509,003
Lease liabilities	*19*	**3,693,860**	5,978,308
Due to related parties		**192,851,618**	297,700,000
		P197,493,788	P316,187,311

13. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 5.875% and 3.00% in 2019 and 2018. This loan is intended to finance the inventory build-up and additional working capital requirements of the Company.

This loan is not subject to compliance with any loan covenant.

Interest expenses recognized in profit or loss relating to loan payable amounted to P23,302,000 and P16,224,251 for the years ended December 31, 2019 and 2018, respectively (see Notes 17 and 23).

14. Equity

Retained Earnings

On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100 million, payable to stockholders of record as at the same date. The management is planning to settle in 2021 the dividends payable as at December 31, 2019.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the BODs; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2019, the Company has retained earnings in excess of its paid-up capital. The Company is planning to apply for an increase in the authorized capital stock of the Company with the SEC in 2020 or 2021 to address the excess retained earnings.

15. Cost of Goods Sold

This account consists of:

	Note	**2019**	2018
Inventory at beginning of year		**P564,920,108**	P694,796,560
Net purchases during the year		**1,383,261,198**	1,881,528,111
Cost of goods available for sale		**1,948,181,306**	2,576,324,671
Inventory at end of year	*7*	**(599,727,310)**	(564,920,108)
		P1,348,453,996	P2,011,404,563

16. Operating Expenses

This account consists of:

	Note	**2019**	2018 (As restated - Note 24)
Advertising		**P61,591,647**	P140,094,281
Salaries, wages and other employee benefits	*18*	**43,970,386**	42,742,510
Warehousing and delivery		**26,075,964**	47,935,715
Depreciation and amortization	*9, 19*	**12,820,052**	12,434,257
Taxes and licenses		**5,442,298**	3,985,973
Utilities		**2,239,733**	3,521,377
Insurance		**1,787,795**	2,123,012
Transportation and travel		**1,120,676**	1,715,796
Janitorial services		**742,622**	1,337,530
Representation		**728,252**	1,403,849
Office supplies		**668,445**	939,138
Repair and maintenance		**226,192**	739,313
Professional fees		**202,520**	530,246
Provision for probable loss	*11*	**-**	8,153,093
Miscellaneous		**789,725**	1,568,956
		P158,406,307	P269,225,046

17. Other Charges - net

This account consists of:

	Note	2019	2018 (As restated - Note 24)
Interest expense	*12, 13, 19, 23*	**(P24,951,433)**	(P20,337,987)
Foreign exchange gain (loss) - net	*21*	**3,683,336**	(1,044,792)
Interest income	*5*	**1,398,227**	354,578
Bank charges		**(864,601)**	(397,461)
Others - net		**160,714**	-
		(P20,573,757)	(P21,425,662)

18. Retirement Benefits Liability

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one year.

The succeeding table summarizes the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2019.

The table below shows the present value of the defined benefits retirement obligation/ retirement benefits liability and its components as at December 31:

	2019	2018
Balance at beginning of year	**P6,562,556**	P14,233,985
Recognized in Profit or Loss		
Current service cost	**637,948**	581,737
Interest expense	**492,192**	765,789
	1,130,140	1,347,526
Included in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Financial assumptions	**1,539,531**	(3,614,998)
Experience adjustments	**(28,602)**	830,744
Demographic assumptions	**-**	(6,234,701)
	1,510,929	(9,018,955)
Balance at end of year	**P9,203,625**	P6,562,556

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss (see Note 16).

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) as at December 31 used to determine retirement benefits liability are as follows:

	2019	2018
Discount rate	**5.18%**	7.50%
Salary increase rate	**8.00%**	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the benefit payments is approximately 8.4 years and 7.7 years as at December 31, 2019 and 2018, respectively.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

	2019		2018	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P720,182)**	**P823,851**	(P476,084)	P535,575
Future salary growth	**793,010**	**(708,698)**	527,757	(478,187)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis of the benefit payments as at December 31 follow:

Defined Benefits Obligation	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
2019	P9,203,625	P10,698,659	P -	P4,383,215	P6,315,444
2018	P8,562,556	P10,040,406	P -	P708,262	P9,332,144

19. Lease Agreements

The significant lease agreements entered into by the Company are as follows:

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties. This lease agreement was subsequently renewed for three (3) years from July 16, 2018 to July 16, 2021 (see Note 12).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building located at 3270 Gasanco Compound, Merville Annex Road, Pasay City for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting second year and 10% starting fourth year.

The lease agreements provide for, among others, security deposits amounting to P3,203,153 and P2,807,854 as at December 31, 2019 and 2018, respectively, which are shown as "Refundable deposits" in the statements of financial position.

On transition to PFRS 16, the Company recognized right-of-use assets in relation to the lease agreements (a) and (b). As at January 1, 2018, the right-of-use assets and lease liabilities recognized amounted to P16,973,987 and P20,068,702, respectively.

The movement of the right-of-use assets and lease liabilities for the years ended December 31, 2019 and 2018 are as follows:

i. Right-of-Use Assets

	Note	**2019**	2018 (As restated - see Note 24)
Balance at beginning of year		**P14,626,093**	P16,973,987
Additions		**-**	7,105,609
Amortization charge for the year	*16*	**(9,775,001)**	(9,453,503)
Balance at end of year		**P4,851,092**	P14,626,093

ii. Lease Liabilities

	Note	2019	2018 (As restated - see Note 24)
Balance at beginning of year		**P17,526,134**	P20,068,702
Additions		**-**	7,105,609
Interest charge for the year	*17*	**587,141**	798,137
Payments made:			
Principal portion of lease liabilities	*23*	**(10,833,018)**	(9,648,177)
Interest expense	*23*	**(587,141)**	(798,137)
Balance at end of year		**P6,693,116**	P17,526,134

Maturity analyses of the undiscounted lease liabilities as at December 31, 2019 and 2018 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P5,596,124**	**P171,360**	**P5,424,764**
Later than one year but not later than five years	**1,290,665**	**22,313**	**1,268,352**
Balance at December 31, 2019	**P6,886,789**	**P193,673**	**P6,693,116**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P11,449,597	P616,579	P10,833,018
Later than one year but not later than five years	6,886,789	193,673	6,693,116
Balance at December 31, 2018	P18,336,386	P810,252	P17,526,134

The Company's lease liabilities classified in the statements of financial position are as follows:

	2019	2018 (As restated - see Note 24)	2017 (As restated - see Note 24)
Current	**P5,424,764**	P10,833,018	P8,520,876
Noncurrent	**1,268,352**	6,693,116	11,547,826
	P6,693,116	P17,526,134	P20,068,702

iii. Amounts Recognized in Profit or Loss

	Note	2019	2018 (As restated - see Note 24)
Amortization expense	*16*	**P9,775,001**	P9,453,503
Interest on lease liabilities	*17*	**587,141**	798,137
		P10,362,142	P10,251,640

iv. Amounts Recognized in the Statements of Cash Flows

	2019	2018 (As restated - see Note 24)
Total cash outflows for leases	**P11,420,159**	P10,446,314

20. Income Taxes

The components of provision for income tax are shown below:

	2019	2018
Current	**P19,139,647**	P14,611,436
Deferred	**667,930**	(418,143)
	P19,807,577	P14,193,293

Current provision for income tax represents regular corporate income tax in 2019 and 2018.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2019	2018
Income before income tax	**P66,846,716**	P66,525,619
Provision for income tax computed at statutory income tax rate of 30%	**P20,054,015**	P19,957,686
Additions to (reductions in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	**(419,468)**	(106,373)
Other adjustments	**173,030**	(5,658,020)
Provision for income tax	**P19,807,577**	P14,193,293

The components of the Company's net deferred income tax assets are as follows:

	2019	2018
Retirement benefits liability	**P2,761,087**	P1,968,767
Effect of PFRS 16	**552,608**	870,013
Allowance for expected credit losses on trade receivables	**786,277**	786,277
Unrealized foreign exchange loss (gain)	**(394,599)**	294,968
	P3,705,373	P3,920,025

The movements of net deferred income tax assets are accounted for as follows:

	2019	2018
Amount charged to profit or loss	**(P667,930)**	P418,143
Amount charged to OCI relating to remeasurement on retirement benefits	**453,278**	(2,705,687)
Net decrease in deferred income tax assets	**(P214,652)**	(P2,287,544)

21. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2019**	2018
Cash in banks	*5*	**P229,150,415**	P130,655,881
Trade and other receivables - net	*6*	**498,147,551**	796,755,289
Refundable deposits	*19*	**3,203,153**	2,807,854
		P730,501,119	P930,219,024

As at December 31, 2019 and 2018, the aging per class of financial assets is as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P229,150,415	P -	P -	P -	P -	P229,150,415
Trade and other receivables	294,771,165	118,622,452	35,351,475	49,402,459	2,620,922	500,768,473
Refundable deposits	3,203,153	-	-	-	-	3,203,153
	P527,124,733	P118,622,452	P35,351,475	P49,402,459	P2,620,922	P733,122,041

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P130,655,881	P -	P -	P -	P -	P130,655,881
Trade and other receivables	504,681,127	121,565,128	47,812,232	122,696,802	2,620,922	799,376,211
Refundable deposits	2,807,854	-	-	-	-	2,807,854
	P638,144,862	P121,565,128	P47,812,232	P122,696,802	P2,620,922	P932,839,946

Based on the historical default rates, the Company believes that other than the specifically impaired trade and other receivables, no additional allowance for expected credit losses is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no expected credit loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2019 and 2018, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2019 and 2018 are as follows:

	December 31, 2019 High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P229,150,415	P -	P -	P229,150,415
Trade and other receivables	-	294,771,165	-	294,771,165
Refundable deposits	-	3,203,153	-	3,203,153
	P229,150,415	P297,974,318	P -	P527,124,733

	December 31, 2018			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P130,655,881	P -	P -	P130,655,881
Trade and other receivables	-	504,681,127	-	504,681,127
Refundable deposits	-	2,807,854	-	2,807,854
	P130,655,881	P507,488,981	P -	P638,144,862

The Company assessed the credit quality of the financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. High grade trade and other receivables pertain to those receivables from customers who consistently pay before the maturity date. Standard grade trade and other receivables include those that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that Company made a persistent effort to collect them are included under substandard grade receivables.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

ECL Assessment

The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2019 and 2018:

	December 31, 2019		
	Gross Carrying Amount	**Expected Credit Loss Allowance**	**Credit-impaired**
Current (not past due)	**P294,771,165**	**P -**	**No**
1-30 days past due	**118,622,452**	**-**	**No**
31-60 days past due	**35,351,475**	**-**	**No**
61-90 days past due	**13,818,532**	**-**	**No**
91-180 days past due	**11,747,312**	**-**	**No**
181-360 days past due	**22,991,644**	**-**	**No**
More than 360 days past due	**3,465,893**	**2,620,922**	**Yes**
	P500,768,473	**P2,620,922**	

	December 31, 2018		
	Gross Carrying Amount	Expected Credit Loss Allowance	Credit-impaired
Current (not past due)	P504,681,127	P -	No
1-30 days past due	121,565,128	-	No
31-60 days past due	47,812,232	-	No
61-90 days past due	34,833,626	-	No
91-180 days past due	29,149,660	-	No
181-360 days past due	38,807,876	-	No
More than 360 days past due	22,526,562	2,620,922	Yes
	P799,376,211	P2,620,922	

The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumptions is immaterial.

Liquidity Risk
The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P229,150,415	P229,150,415	P229,150,415	P -
Trade and other receivables - net	498,147,551	498,147,551	498,147,551	-
Refundable deposits	3,203,153	3,203,153	-	3,203,153
	P730,501,119	P730,501,119	P727,297,966	P3,203,153

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P133,784,189	P133,784,189	P133,784,189	P -
Loan payable	313,000,000	314,852,377	314,852,377	-
Due to related parties	192,851,618	193,913,910	193,913,910	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Lease liabilities	6,693,116	6,886,789	5,596,124	1,290,665
	P746,328,923	P749,437,265	P748,146,600	P1,290,665

**Excluding payables to government agencies and provision.*

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P130,655,881	P130,655,881	P130,655,881	P -
Trade and other receivables - net	796,755,289	796,755,289	796,755,289	-
Refundable deposits	2,807,854	2,807,854	-	2,807,854
	P930,219,024	P930,219,024	P927,411,170	P2,807,854

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P201,101,104	P201,101,104	P201,101,104	P -
Loan payable	357,000,000	359,782,767	359,782,767	-
Due to related parties	297,700,000	301,015,599	301,015,599	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Lease liabilities	17,526,134	18,336,386	11,449,597	6,886,789
	P973,327,238	P980,235,856	P973,349,067	P6,886,789

**Excluding payables to government agencies and provision.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to foreign currency risk.

Foreign Currency Risk

The Company's foreign currency denominated assets and liabilities as at December 31, 2019 and 2018 are as follows:

	As at December 31, 2019				
Currency	**Financial Assets**	**Financial Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	-	1,674,832	(1,674,832)	50.74	(84,980,976)
EUR	-	439,285	(439,285)	56.35	(24,753,710)
AUD	-	434,133	(434,133)	35.26	(15,307,530)
GBP	791	-	791	65.99	52,198
					(124,990,018)

	As at December 31, 2018				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	437,722	(437,722)	52.72	(23,076,704)
GBP	-	8,318	(8,318)	66.73	(555,060)
					(23,631,764)

Net foreign exchange gain recognized in profit or loss amounted to P3,683,336 for the year ended December 31, 2019 and net foreign exchange loss recognized in profit or loss amounted to P1,044,792 for the year ended December 31, 2018 (see Note 17).

Sensitivity Analysis
The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2019	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income after Income Tax**
USD	**3.76%**	**P2,236,699 decrease**
EUR	**6.57%**	**1,138,423 decrease**
AUD	**4.88%**	**522,905 decrease**
GRB	**1.11%**	**406 decrease**

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	6%	P902,640 decrease
GRB	0.58%	2,237 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management
The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

22. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable
The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits
The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties
The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

Lease Liabilities
The fair value of lease liabilities is based on the prevailing market rates for similar instruments.

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as at December 31, 2019 and 2018 are presented below:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	**P229,950,511**	**P229,950,511**	P130,920,946	P130,920,946
Trade and other receivables - net	**498,147,551**	**498,147,551**	796,755,289	796,755,289
Refundable deposits	**3,203,153**	**3,195,001**	2,807,854	2,800,706
	P731,301,215	**P731,293,063**	P930,484,089	P930,476,941

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Other Financial Liabilities				
Trade and other payables	**P133,784,189**	**P133,784,189**	P201,101,104	P201,101,104
Due to related parties	**192,851,618**	**193,913,910**	297,700,000	301,015,599
Loan payable	**313,000,000**	**314,852,377**	357,000,000	359,782,767
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Lease liabilities	**6,693,116**	**6,767,071**	17,526,134	17,266,698
	P746,328,923	**P749,317,547**	P973,327,238	P979,166,168

23. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2019 and 2018 are as follow:

December 31, 2019	Loan Payable	Accrued Interest	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P357,000,000	P4,103,099	P17,526,134	P297,700,000	P676,329,233
Cashflows from Financing Activities					
Payments of:					
Loan payable	(170,000,000)	-	-	-	(170,000,000)
Advances from related parties	-	-	-	(104,848,382)	(104,848,382)
Lease liabilities	-	-	(10,833,018)	-	(10,833,018)
Interest	(23,302,000)	(4,377,891)	(587,141)	-	(28,267,032)
Proceeds from availment of loan payable	126,000,000	-	-	-	126,000,000
Interest expense	23,302,000	1,062,292	587,141	-	24,951,433
	P313,000,000	P787,500	P6,693,116	P192,851,618	P513,332,234

December 31, 2018	Loan Payable	Accrued Interest	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P50,000,000	P787,500	P20,068,702	P297,700,000	P368,556,202
Cashflows from Financing Activities					
Payments of:					
Loan payable	(130,000,000)	-	-	-	(130,000,000)
Advances from related parties	-	-	-	-	-
Lease liabilities	-	-	(9,648,177)	-	(9,648,177)
Interest	(16,224,251)	-	(798,137)	-	(17,022,388)
Proceeds from availment of loan payable	437,000,000	-	-	-	437,000,000
Interest expense	16,224,251	3,315,599	798,137	-	20,337,987
Additions to lease liabilities	-	-	7,105,609	-	7,105,609
	P357,000,000	P4,103,099	P17,526,134	P297,700,000	P676,329,233

24. Prior Period Restatements

The Company restated its statements of financial position as at December 31, 2018 and January 1, 2018 and its statement of comprehensive income for the year ended December 31, 2018 in accordance with PAS 8 to recognize the required asset and obligation under PFRS 16 (see Note 3). These restatements have material impact on the statement of financial position and the statement of comprehensive income as at the beginning of the earliest period presented. The following tables summarize the impacts on the Company's financial statements.

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Right-of-use assets - net	P -	P14,626,093	P14,626,093
Deferred income tax assets	3,050,013	870,012	3,920,025
Others	1,877,917,668	-	1,877,917,668
Total Assets	P1,880,967,681	P15,496,105	P1,896,463,786
Lease liabilities - current portion	P -	P10,833,018	P10,833,018
Lease liabilities - net of current portion	-	6,693,116	6,693,116
Trade and other payables	218,924,769	(1,626,571)	217,298,198
Others	766,889,268	-	766,889,268
Total Liabilities	P985,814,037	P15,899,563	P1,001,713,600
Retained earnings	P737,675,237	(P403,458)	P737,271,779
Others	157,478,407	-	157,478,407
Total Equity	P895,153,644	(P403,458)	P894,750,186
Statement of Comprehensive Income			
Net sales	(P2,368,580,890)	P -	(P2,368,580,890)
Cost of goods sold	2,011,404,563	-	2,011,404,563
Operating expenses	270,211,131	(986,085)	269,225,046
Other charges - net	20,627,525	798,137	21,425,662
Provision for income tax	14,134,891	58,402	14,193,293
Net Income	(P52,202,780)	(P129,546)	(P52,332,326)
Total Comprehensive Income	(P58,516,048)	(P129,546)	(P58,645,594)

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Cash Flows			
Operating Activities			
Income before income tax	P66,337,671	P187,948	P66,525,619
Adjustments for:			
Interest expense	19,539,850	798,137	20,337,987
Provision for probable loss	8,153,093	-	8,153,093
Depreciation and amortization	2,980,754	9,453,503	12,434,257
Retirement benefits costs	1,347,526	-	1,347,526
Unrealized foreign exchange loss	983,228	-	983,228
Interest income	(354,578)	-	(354,578)
Operating income before working capital changes	98,987,544	10,439,588	109,427,132
Decrease (increase) in:			
Trade and other receivables - net	(34,770,964)	-	(34,770,964)
Inventories	129,876,452	-	129,876,452
Prepaid expenses and other current assets	(307,590,998)	-	(307,590,998)
Refundable deposits	(485,734)	-	(485,734)
Increase (decrease) in:			
Trade and other payables	(79,540,138)	6,726	(79,533,412)
Cash used in operations	(193,523,838)	10,446,314	(183,077,524)
Income taxes paid	(33,351,153)	-	(33,351,153)
Interest paid	(16,224,251)	(798,137)	(17,022,388)
Interest received	354,578	-	354,578
Net cash used in operating activities	(P242,744,664)	P9,648,177	(P233,096,487)
Investing Activity			
Additions to property and equipment	(P7,274,121)	P -	(P7,274,121)
Financing Activities			
Proceeds from availment of loan payable	P437,000,000	P -	P437,000,000
Payments on loan payable	(130,000,000)	-	(130,000,000)
Payments of lease liabilities	-	(9,648,177)	(9,648,177)
Net cash from financing activities	P307,000,000	(P9,648,177)	P297,351,823

January 1, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Right-of-use assets - net	P -	P16,973,987	P16,973,987
Deferred income tax assets	5,279,156	928,413	6,207,569
Others	1,603,671,842	-	1,603,671,842
Total Assets	P1,608,950,998	P17,902,400	P1,626,853,398
Lease liabilities - current portion	P -	P8,520,876	P8,520,876
Lease liabilities - net of current portion	-	11,547,826	11,547,826
Trade and other payables	286,012,987	(1,633,298)	284,379,689
Others	486,300,415	-	486,300,415
Total Liabilities	P772,313,402	P18,435,404	P790,748,806
Retained earnings	P685,472,457	(P533,004)	P684,939,453
Others	151,165,139	-	151,165,139
Total Equity	P836,637,596	(P533,004)	P836,104,592

25. Subsequent Events

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households; all public transportations were suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions.

Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

26. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2019:

a. VAT

1. Output VAT	**P187,935,581**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P1,566,129,838**
Zero rated sales	**36,176,785**
Exempt sales	**737,004**
	P1,603,043,627

2. Input VAT	
Balance at beginning of year	P13,062,393
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	159,669,116
b. Goods other than for resale or manufacture	-
c. Services lodged under other accounts	13,468,637
VAT payments and other adjustments	6,255,628
VAT credits used	(187,935,581)
Balance at end of year	P4,520,193

b. **Customs Duties and Tariff Fees**

Landed cost of imports	P1,143,989,000
Customs duties and tariff fees paid or accrued	71,489,553
	P1,215,478,553

c. **Excise Taxes**

Imported excisable items wines and liquor	P201,223,810

d. **Documentary Stamp Tax**

On borrowings	P3,273,168
On purchase of stocks	710,157
	P3,983,325

e. **Withholding Taxes**

Tax on compensation and benefits	P5,023,551
Expanded withholding taxes	4,427,945
	P9,451,496

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	P1,154,391
Others	304,582
	P1,458,973

g. **Tax Cases and Assessments**

On June 19, 2019, the Company received a Preliminary Assessment Notice (PAN) covering Income Tax, Value Added Tax, Withholding Tax on Compensation and Documentary Stamp Tax for the taxable year 2018. The initial deficiency assessment based on preliminary investigation amounted to P4.1 million. The Company paid the deficiency tax in 2019.

Information on tariff fees paid or accrued, are not applicable since the Company did not enter into transactions which will result to payment or accrual of such taxes.

"ANNEX D-4"

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Premier Wine and Spirits, Inc. ("the Company")** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Premier Wine and Spirits, Inc.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(a) **Premier Wine and Spirits, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

RECEIVED
ROGELIO G. ANCHETA

Signed this 19th day of November 2020

KPMG

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

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., for the year ended December 31, 2018, on which we have rendered our report dated November 27, 2020.

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

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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 the 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.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Auditors' Responsibilities for the Audit of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2018**	2017
ASSETS			
Current Assets			
Cash	*5*	**P130,920,946**	P73,939,731
Trade and other receivables - net	*6, 11*	**796,755,289**	761,984,325
Inventories	*7, 14*	**564,920,108**	694,796,560
Prepaid expenses and other current assets	*8*	**374,741,173**	67,150,175
Total Current Assets		**1,867,337,516**	1,597,870,791
Noncurrent Assets			
Property and equipment - net	*9*	**7,772,298**	3,478,931
Deferred income tax assets	*19*	**3,050,013**	5,279,156
Refundable deposits	*18*	**2,807,854**	2,322,120
Total Noncurrent Assets		**13,630,165**	11,080,207
		P1,880,967,681	P1,608,950,998
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*10, 11*	**P218,924,769**	P286,012,987
Due to related parties	*11*	**297,700,000**	297,700,000
Dividends payable	*13*	**100,000,000**	100,000,000
Loan payable	*12, 22*	**357,000,000**	50,000,000
Income tax payable		**5,626,712**	24,366,430
Total Current Liabilities		**979,251,481**	758,079,417
Noncurrent Liability			
Retirement benefits liability	*17*	**6,562,556**	14,233,985
Total Liabilities		**985,814,037**	772,313,402
Equity			
Capital stock - P100 par value Authorized, issued and outstanding - 1,500,000 shares	*13*	**150,000,000**	150,000,000
Additional paid-in capital		**1,500,000**	1,500,000
Retained earnings	*13*	**737,675,237**	685,472,457
Accumulated remeasurements on retirement benefits		**5,978,407**	(334,861)
Total Equity		**895,153,644**	836,637,596
		P1,880,967,681	P1,608,950,998

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DEC 29
ROGELIO G. ANCHETA
Chief Compliance Section

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2018**	2017
NET SALES	*11*	**P2,368,580,890**	P2,025,391,666
COST OF GOODS SOLD	*14*	**2,011,404,563**	1,644,155,615
GROSS PROFIT		**357,176,327**	381,236,051
OPERATING EXPENSES	*15*	**270,211,131**	229,755,167
INCOME FROM OPERATIONS		**86,965,196**	151,480,884
OTHER CHARGES - Net	*16*	**(20,627,525)**	(5,062,689)
INCOME BEFORE INCOME TAX		**66,337,671**	146,418,195
PROVISION FOR INCOME TAX	*19*	**14,134,891**	42,027,731
NET INCOME		**52,202,780**	104,390,464
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	*17*	**9,018,955**	-
Deferred income tax expense	*19*	**(2,705,687)**	-
		6,313,268	-
TOTAL COMPREHENSIVE INCOME		**P58,516,048**	P104,390,464

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock	Additional Paid-in Capital	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 13)	Total
Balances at December 31, 2016	P150,000,000	P1,500,000	(P334,861)	P581,081,993	P732,247,132
Net income for the year	-	-	-	104,390,464	104,390,464
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	104,390,464	104,390,464
Balances at December 31, 2017	150,000,000	1,500,000	(334,861)	685,472,457	836,637,596
Net income for the year	-	-	-	52,202,780	52,202,780
Other comprehensive income	-	-	6,313,268	-	6,313,268
Total comprehensive income	-	-	6,313,268	52,202,780	58,516,048
Balances at December 31, 2018	**P150,000,000**	**P1,500,000**	**P5,978,407**	**P737,675,237**	**P895,153,644**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P66,337,671**	P146,418,195
Adjustments for:			
Interest expense	*11, 12, 16, 22*	**19,539,850**	3,719,770
Provision for probable losses	*10, 15*	**8,153,093**	5,747,925
Depreciation and amortization	*9, 15*	**2,980,754**	2,051,051
Retirement benefits costs	*17*	**1,347,526**	2,273,883
Unrealized foreign exchange losses		**983,228**	742,274
Interest income	*5, 16*	**(354,578)**	(80,816)
Impairment loss on creditable withholding taxes	*15*	**-**	4,426,092
Operating income before working capital changes		**98,987,544**	165,298,374
Decrease (increase) in:			
Trade and other receivables - net		**(34,770,964)**	(11,671,143)
Inventories		**129,876,452**	(177,228,488)
Prepaid expenses and other current assets		**(307,590,998)**	21,318,072
Refundable deposits		**(485,734)**	(115,000)
Increase (decrease) in:			
Trade and other payables		**(79,540,138)**	86,413,854
Due to related parties		**-**	58,200,000
Cash generated from (used in) operations		**(193,523,838)**	142,215,669
Income taxes paid		**(33,351,153)**	(58,117,452)
Interest paid	*22*	**(16,224,251)**	(3,719,770)
Interest received	*5, 16*	**354,578**	80,816
Net cash from (used in) operating activities		**(242,744,664)**	80,459,263
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	**(7,274,121)**	(1,040,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loan payable	*22*	**437,000,000**	-
Payments on loan payable	*22*	**(130,000,000)**	(20,000,000)
Net cash from (used in) financing activities		**307,000,000**	(20,000,000)
NET INCREASE IN CASH		**56,981,215**	59,418,971
CASH AT BEGINNING OF YEAR		**73,939,731**	14,520,760
CASH AT END OF YEAR	*5*	**P130,920,946**	P73,939,731

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("CosCo" or "Parent Company"), a company incorporated in the Philippines. CosCo's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on November 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New Standards and Interpretation

The Company has adopted the following new standards and interpretation starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These standards are as follows:

- PFRS 9, *Financial Instruments (2014)* replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurements requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss (ECL) model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets and Financial Liabilities
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets.

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial Assets	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Cash in banks	Loans and receivables	Financial assets at amortized cost	P73,614,333	P73,614,333
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	761,984,325	761,984,325
Refundable deposits	Loans and receivables	Financial assets at amortized cost	2,322,120	2,322,120
Total Financial Assets			**P837,920,778**	**P837,920,778**

  Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There were no financial assets or financial liabilities which the Company has previously designated as at FVTPL under PAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of PFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of PFRS 9.

Impairment of Financial Assets
PFRS 9 replaces the "incurred loss" model in PAS 39 with an ECL model in relation to the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39. For assets in the scope of PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has assessed that the impact of providing ECL is immaterial. Thus, the Company has determined that the application of PFRS 9's impairment requirements as at January 1, 2018 did not result in an additional allowance for impairment.

General Hedging Accounting
The adoption of PFRS 9 with respect to hedging accounting did not have an impact on the Company's accounting policies since the Company has no hedging transactions.

The Company used an exemption not to restate comparative information. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosure requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9 and the consequential amendments to PFRS 7.

- PFRS 15, *Revenue from Contracts with Customers,* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18, *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

  Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

For the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, rebates, listing and slotting fees/display allowances for which no distinct goods or services is received.

Timing of Revenue Recognition
The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' warehouse, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue. Variable considerations are measured based on the most likely amount based on the agreement with customers.

The new standard did not have a material impact on the financial statements, including the Company's accounting policies with respect to its revenue streams.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Company makes foreign currency purchases. The Company's accounting policy is aligned with the interpretation.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities at FVTPL, includes transaction costs.

Classification and Measurement of Financial Instruments - Policy Applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information;

(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Company's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (e) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables, and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding provision and payables to government agencies), due to related parties, dividends payable and loan payable.

Classification and Measurement of Financial instruments - Policy Applicable before January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, HTM investments and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities, respectively.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Company's loans and receivables include cash in banks, trade and other receivables, and refundable deposits.

Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017, the Company's other financial liabilities include trade and other payables (excluding provision and payables to government agencies), due to related parties, dividends payable and loan payable.

Impairment of Financial Assets
Policy Applicable from January 1, 2018

PFRS 9 replaces the "incurred loss" model in PAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 360 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy Applicable before January 1, 2018

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or 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.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement

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 fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 markets 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 reassessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2018 and 2017, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances to Suppliers

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the statement of financial position.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statement of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	3 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares

Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition

Prior to January 1, 2018, under PAS 18, *Revenue,* revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods

Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue.

Interest Income

Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition

Cost of Goods Sold

Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurements are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following relevant and applicable new standard, amendments to standards and interpretation in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new standard, amendments to standards and interpretation on the respective effective dates, as applicable.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  Early adoption is permitted. The Company has performed its assessment on the potential impact of PFRS 16 on its financial statements. The details of the financial impact in the financial statements upon adoption on January 1, 2019 are as follows:

	Impact of Adopting PFRS 16
Assets	
Right-of-use asset - net	**P14,626,093**
Liabilities and Equity	
Lease liability	**17,526,134**
Retained earnings	**(401,440)**
Operating Expenses	
Depreciation expense	**9,453,503**
Rent expense	**(10,439,588)**
Other Income (Expense)	
Interest expense	**798,137**

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* set out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardships, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

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

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Operating Lease - Company as a Lessee

The Company entered into various lease agreements for its office space and warehouse as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Recognition of Revenue

The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Receivables and Refundable Deposits
Policy applicable from 2018
The Company uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for expected credit losses would increase the recorded operating expenses and decrease current assets.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Company considers the counterparties' financial condition and their capacity to return the amounts due. The Company assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

Policy applicable before 2018
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded general and administrative expenses and decrease current assets.

The carrying values of trade and other receivables and refundable deposits amounted to P799,563,143 and P764,306,445 as at December 31, 2018 and 2017, respectively (see Notes 6 and 18). As at December 31, 2018 and 2017, the Company's allowance for ECLs on trade receivables amounted to P2,620,922 (see Note 6). No allowance for ECL was recognized for refundable deposits as at December 31, 2018 and 2017.

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2018 and 2017. The cost of inventories amounted to P564,920,108 and P694,796,560 as at December 31, 2018 and 2017, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2018 and 2017.

The carrying values of property and equipment amounted to P7,772,298 and P3,478,931 as at December 31, 2018 and 2017, respectively. Depreciation and amortization recognized in profit or loss amounted to P2,980,754 and P2,051,051 for the years ended December 31, 2018 and 2017, respectively (see Notes 9 and 15).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertains to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying values of property and equipment amounted to P7,772,298 and P3,478,931 as at December 31, 2018 and 2017, respectively. No impairment loss was recognized for the Company's property and equipment in 2018 and 2017 (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P6,562,556 and P14,233,985 as at December 31, 2018 and 2017, respectively. Retirement benefits costs recognized in profit or loss amounted to P1,347,526 and P2,273,883 in 2018 and 2017, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P3,050,013 and P5,279,156 as at December 31, 2018 and 2017, respectively (see Note 19).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has recognized a provision for probable losses amounting to P13,901,018 and P5,747,925 as at December 31, 2018 and 2017, respectively. Provision for probable losses amounting to P8,153,093 and P5,747,925 was set up by the Company in 2018 and 2017, respectively (see Notes 10 and 15).

5. Cash

This account consists of:

	Note	2018	2017
Cash on hand		**P265,065**	P325,398
Cash in banks	20	**130,655,881**	73,614,333
		P130,920,946	P73,939,731

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss from bank deposits amounted to P354,578 and P80,816 in 2018 and 2017, respectively (see Note 16).

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade			
Third parties		**P602,432,352**	P507,965,424
Related parties	11	**195,187,171**	219,122,389
Less allowance for expected credit losses on trade receivables		**(2,620,922)**	(2,620,922)
		794,998,601	724,466,891
Nontrade		**1,383,336**	37,189,362
Others		**373,352**	328,072
	20	**P796,755,289**	P761,984,325

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and generally have a 60 to 90 days credit terms.

The movement in allowance for expected credit losses on trade receivables during the year was as follows:

	2018	2017
Balance at beginning of year	**P2,620,922**	P3,340,548
Write-off	-	(719,626)
Balance at end of year	**P2,620,922**	P2,620,922

7. Inventories

This account consists of:

	Note	**2018**	2017
Spirits - at cost		**P408,967,051**	P530,912,055
Wines - at cost		**88,056,215**	51,121,349
Specialty beverages - at cost		**67,896,842**	112,763,156
	14	**P564,920,108**	P694,796,560

In 2018 and 2017, inventories amounting to P2,011,404,563 and P1,644,155,615, respectively, were recognized as an expense during the year and included in "Cost of goods sold" (see Note 14).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	**P360,778,648**	P58,202,844
Input VAT	**13,062,393**	7,756,548
Prepaid expenses	**900,132**	1,190,783
	P374,741,173	P67,150,175

Advances to suppliers pertain to initial down payment made by the Company to suppliers and will be applied against future billings.

In 2017, the Company recognized an impairment loss on its unutilized creditable withholding taxes (see Note 15).

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
December 31, 2016	P17,467,991	P3,882,920	P8,845,801	P1,883,144	P7,974,752	P40,054,608
Additions	-	34,141	-	209,808	796,343	1,040,292
December 31, 2017	17,467,991	3,917,061	8,845,801	2,092,952	8,771,095	41,094,900
Additions	721,429	29,821	5,355,440	680,050	487,381	7,274,121
December 31, 2018	**18,189,420**	**3,946,882**	**14,201,241**	**2,773,002**	**9,258,476**	**48,369,021**
Accumulated Depreciation and Amortization						
December 31, 2016	17,436,845	3,836,795	6,462,815	901,884	6,926,579	35,564,918
Depreciation and amortization for the year	14,375	64,891	592,977	443,223	935,585	2,051,051
December 31, 2017	17,451,220	3,901,686	7,055,792	1,345,107	7,862,164	37,615,969
Depreciation and amortization for the year	74,494	13,037	1,485,550	573,551	834,122	2,980,754
December 31, 2018	**17,525,714**	**3,914,723**	**8,541,342**	**1,918,658**	**8,696,286**	**40,596,723**
Carrying Amounts						
December 31, 2017	P16,771	P15,375	P1,790,009	P747,845	P908,931	P3,478,931
December 31, 2018	**P663,706**	**P32,159**	**P5,659,899**	**P854,344**	**P562,190**	**P7,772,298**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 were charged as part of "Operating expenses" in profit or loss (see Note 15).

10. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables to third parties	*20*	**P152,268,905**	P212,714,270
Nontrade:			
Related parties	*11, 20*	**13,562,353**	2,717,707
Third parties	*20*	**17,683,792**	39,891,739
Accrued expenses	*20*	**19,212,625**	14,666,018
Provision		**13,901,018**	5,747,925
Payables to government agencies		**2,296,076**	10,275,328
		P218,924,769	P286,012,987

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit term.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit term. These also include interest on advances from the Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

In 2018 and 2017, the Company set-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

The Company has recognized provision for probable losses as part of "Operating expenses" in profit or loss amounting to P8,153,093 and P5,747,925 as at December 31, 2018 and 2017, respectively (see Notes 15).

11. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category	Year	*Note*	Transactions During the Year	Outstanding Balance: Trade Receivables	Outstanding Balance: Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Advances	2018	*a*	P -	P -	P105,000,000	Payable on demand	Unsecured
	2017		-	-	105,000,000		
• Interest expense	2018	*a, 10*	3,315,599	-	4,103,099	Payable on demand	Unsecured
	2017		1,890,000	-	787,500		
• Management fee	2018	*b, 15*	-	-	106,700,000	Due and demandable	Unsecured
	2017		60,000,000		106,700,000	non-interest-bearing	
Entities under Common Control							
• Advances	2018	*c*	-	-	86,000,000	Payable on demand;	Unsecured
	2017		-	-	86,000,000	non-interest-bearing	
• Sales of goods	2018	*d, 6*	533,787,616	195,187,171	-	30 to 60-day	Unsecured;
	2017		448,927,615	219,122,389	-	credit term; non-interest-bearing	no impairment
• Rent expense	2018	*e, 10, 18*	2,224,290	-	1,053,350	Payable on demand;	Unsecured
	2017		2,412,425	-	1,633,296	non-interest bearing	
• Reimbursement of expenses	2018	*f, 10*	8,405,904	-	8,405,904	Payable on demand;	Unsecured
	2017		296,911	-	296,911	non-interest bearing	
TOTAL	2018			P195,187,171	P311,262,353		
TOTAL	2017			P219,122,389	P300,417,707		

a. Cash advances extended by its Parent Company in the form of promissory note. These advances earn annual interest rate of 3.0% and 1.8% for 2018 and 2017, respectively with maturities of two (2) years.

b. The Parent Company provides corporate services to the Company.

c. These are cash advances from an entity under common control for additional working capital requirements.

d. In the normal course of business, the Company distributes wines and liquors to entities under common control.

e. The Company entered into a lease agreement with an entity under common control for its office space (see Note 18).

f. This represents advances from officers and related parties in the form of reimbursement of expenses and working capital advances.

g. The compensation of the key management personnel of the Company, by benefit type, follows:

	2018	2017
Short-term employee benefits	**P3,716,838**	P2,799,844
Retirement benefits cost	**110,009**	499,841
	P3,826,847	P3,299,685

As at December 31, 2018 and 2017, amounts owed to related parties are presented as follows:

	Note	2018	2017
Trade and other payables	*10*	**P13,562,353**	P2,717,707
Due to related parties		**297,700,000**	297,700,000
		P311,262,353	P300,417,707

Amounts owed by and owed to related parties are to be settled in cash.

12. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 3.00% and 2.875% in 2017 and 2018, respectively. This loan is intended to finance the inventory build up and additional working capital requirements of the Company.

This loan is not subject to compliance with any loan covenant.

Interest expense recognized in profit or loss relating to the loan payable amounted to P16,224,251 and P1,829,770 for the year ended December 31, 2018 and 2017, respectively (see Note 16 and 22).

13. Equity

Retained Earnings
On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100 million, payable to stockholders of record as at the same date.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the Board of Directors; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2018, the Company has retained earnings in excess of its paid-up capital. The Company is planning to apply for an increase in the authorized capital stock of the Company with the SEC in 2020 or 2021 to address the excess retained earnings.

14. Cost of Goods Sold

This account consists of:

	Note	**2018**	2017
Inventory at beginning of year		**P694,796,560**	P517,568,072
Net purchases during the year		**1,881,528,111**	1,821,384,103
Cost of goods available for sale		**2,576,324,671**	2,338,952,175
Inventory at end of year	7	**(564,920,108)**	(694,796,560)
		P2,011,404,563	P1,644,155,615

15. Operating Expenses

This account consists of:

	Note	2018	2017
Advertising		**P140,094,281**	P42,509,159
Warehousing and delivery		**47,935,715**	44,860,685
Salaries, wages and other employee benefits	*17*	**42,742,510**	38,445,753
Rent	*18*	**10,439,588**	9,783,136
Provision for probable losses	*10*	**8,153,093**	5,747,925
Taxes and licenses		**3,985,973**	5,120,236
Utilities		**3,621,377**	3,533,786
Depreciation and amortization	*9*	**2,980,754**	2,051,051
Insurance		**2,123,012**	1,761,520
Transportation and travel		**1,715,796**	1,911,756
Representation		**1,403,849**	4,637,538
Janitorial services		**1,337,530**	1,067,469
Office supplies		**939,138**	1,090,762
Repair and maintenance		**739,313**	587,441
Professional fees		**530,246**	2,101,384
Management fee	*11*	**-**	60,000,000
Impairment loss on creditable withholding taxes	*8*	**-**	4,426,092
Miscellaneous		**1,568,956**	119,474
		P270,211,131	P229,755,167

16. Other Income (Charges) - net

This account consists of:

	Note	2018	2017
Interest expense	*11, 12*	**(P19,539,850)**	(P3,719,770)
Foreign exchange losses - net	*20*	**(1,044,792)**	(791,464)
Bank charges		**(397,461)**	(632,271)
Interest income	*5*	**354,578**	80,816
		(P20,627,525)	(P5,062,689)

17. Retirement Benefits

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, Retirement Pay Law, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one year.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2018.

The table below shows the present value of defined benefits retirement obligation/ retirement benefits liability and its components as at December 31, 2018:

	2018	2017
Balance at beginning of year	**P14,233,985**	P11,960,102
Recognized in Profit or Loss		
Current service cost	**581,737**	1,630,430
Interest expense	**765,789**	643,453
	1,347,526	2,273,883
Included in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Financial assumptions	**(3,614,998)**	-
Demographic assumptions	**(6,234,701)**	-
Experience adjustments	**830,744**	-
	(9,018,955)	-
Balance at end of year	**P6,562,556**	P14,233,985

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) as at December 31 used to determine retirement benefits are as follows:

	2018	2017
Discount rate	**7.50%**	5.38%
Salary increase rate	**8.00%**	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the benefit payments is approximately 7.7 years as at December 31, 2018.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

	2018		2017	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P476,084)**	**P535,575**	(P908,128)	P623,449
Future salary growth	**527,757**	**(478,187)**	1,281,059	(996,379)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements

The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching (ALM)

The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis of the expected future benefit payments is as follows:

	2018				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Defined benefits obligation	**P6,562,556**	**P10,040,406**	**P -**	**P708,262**	**P9,332,144**

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefits obligation	P14,233,985	P14,745,976	P -	P745,385	P14,000,591

18. Operating Lease Agreements

Company as Lessee

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties. This lease agreement was subsequently renewed for three (3) years from July 16, 2018 to July 16, 2021 (see Note 11).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building located at 3270 Gasanco Compound, Merville Annex Road, Pasay City for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting second year and 10% starting fourth year.

The lease agreements provide for, among others, security deposits amounting to P2,807,854 and P2,322,120 as at December 31, 2018 and 2017, respectively, which are shown as "Refundable deposits" in the statements of financial position.

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P10,439,588 and P9,783,136 in 2018 and 2017, respectively (see Note 15).

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Within one year	**P11,420,158**	P9,155,648
After one year but not more than five years	**6,886,789**	11,853,622
	P18,306,947	P21,009,270

19. Income Taxes

The components of provision for income tax are shown below:

	2018	2017
Current	**P14,611,435**	P41,834,381
Deferred	**(476,544)**	193,350
	P14,134,891	P42,027,731

Current provision for income tax represents regular corporate income tax in 2018 and 2017.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2018	2017
Income before income tax	**P66,348,503**	P146,418,195
Provision for income tax computed at the statutory tax rate of 30%	**19,901,301**	P43,925,458
Reductions in income taxes resulting from the tax effects of:		
Interest income subjected to final tax	**(106,373)**	(24,245)
Other adjustments	**(5,660,037)**	(1,873,482)
Provision for income tax	**P14,134,891**	P42,027,731

The components of the Company's deferred income tax assets are as follows:

	2018	2017
Retirement benefits liability	**P1,968,768**	P4,270,196
Allowance for expected credit losses on trade receivables	**786,277**	786,277
Unrealized foreign exchange losses	**294,968**	222,683
	P3,050,013	P5,279,156

The movements of net deferred income tax assets are accounted for as follows:

	2018	2017
Amount charged to profit or loss	**P476,544**	(P193,350)
Amount charged to OCI relating to remeasurement of defined benefits plan	**(2,705,687)**	-
Net decrease in deferred income tax assets	**(P2,229,143)**	(P193,350)

20. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	2018	2017
Cash in banks	5	**P130,655,881**	P73,614,333
Trade and other receivables - net	6	**796,755,289**	761,984,325
Refundable deposits	18	**2,807,854**	2,322,120
		P930,219,024	P837,920,778

As at December 31, 2018 and 2017, the aging per class of financial assets is as follows:

December 31, 2018

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in banks	P130,655,881	P -	P -	P -	P -	P130,655,881
Trade and other receivables	504,681,127	121,565,128	47,812,232	122,696,802	2,620,922	799,376,211
Refundable deposits	2,807,854	-	-	-	-	2,807,854
	P638,144,862	P121,565,128	P47,812,232	P122,696,802	P2,620,922	P932,839,946

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in banks	P73,614,333	P -	P -	P -	P -	P73,614,333
Trade and other receivables	384,908,023	101,444,794	31,283,038	244,348,470	2,620,922	764,605,247
Refundable deposits	2,322,120	-	-	-	-	2,322,120
	P460,844,476	P101,444,794	P31,283,038	P244,348,470	P2,620,922	P840,541,700

Based on the historical default rates, the Company believes other than the specifically impaired trade and other receivables, no additional allowance for expected credit losses is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2018 and 2017, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P130,655,881	P -	P -	P130,655,881
Trade and other receivables	-	504,681,127	-	504,681,127
Refundable deposits	-	2,807,854	-	2,807,854
Total	P130,655,881	P507,488,981	P -	P638,144,862

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P73,614,333	P -	P -	P73,614,333
Trade and other receivables	-	384,908,023	-	384,908,023
Refundable deposits	-	2,322,120	-	2,322,120
Total	P73,614,333	P387,230,143	P -	P460,844,476

The Company assessed the credit quality of the following financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. High grade trade and other receivables pertain to those receivables from customers who consistently pay before the maturity date. Standard grade trade and other receivable includes those that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that Company made a persistent effort to collect them are included under substandard grade receivables.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

ECL Assessment as at December 31, 2018
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, the trade and other receivables have been assessed on the collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2018:

	December 31, 2018		
	Gross Carrying Amount	Expected Credit Loss Allowance	Credit-impaired
Current (not past due)	P504,681,127	P -	No
1-30 days past due	121,565,128	-	No
31-60 days past due	47,812,232	-	No
61-90 days past due	34,833,626	-	No
91-180 days past due	29,149,660	-	No
181-360 days past due	38,807,876	-	No
More than 360 days past due	22,526,562	2,620,922	Yes
	P799,376,211	P2,620,922	

The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The additional allowance for expected credit losses of trade and other receivables of the Company as a result of the expected credit loss assessment amounted to nil as at December 31, 2018. The application of the expected credit loss rates to the trade and other receivables of the Company did not have a material impact on the financial statements.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumptions is immaterial.

Liquidity Risk

The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P130,655,881	P130,655,881	P130,655,881	P -
Trade and other receivables - net	796,755,289	796,755,289	796,755,289	-
Refundable deposits	2,807,854	2,807,854	-	2,807,854
Total	P930,219,024	P930,219,024	P927,411,170	P2,807,854

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P202,727,675	P202,727,675	P202,727,675	P -
Due to related parties	297,700,000	301,015,599	301,015,599	-
Loan payable	357,000,000	359,782,767	359,782,767	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Total	**P957,427,675**	**P963,526,041**	**P963,526,041**	**P -**

**Excluding provision and payables to government agencies.*

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P73,614,333	P73,614,333	P73,614,333	P -
Trade and other receivables - net	761,984,325	761,984,325	761,984,325	-
Refundable deposits	2,322,120	2,322,120	-	2,322,120
Total	P837,920,778	P837,920,778	P835,598,658	P2,322,120

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P269,989,734	P269,989,734	P269,989,734	P -
Due to related parties	297,700,000	299,590,000	299,590,000	-
Loan payable	50,000,000	50,704,966	50,704,966	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Total	P717,689,734	P720,284,700	P720,284,700	P -

**Excluding provision and payables to government agencies.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Foreign Currency Risk

The Company's foreign currency denominated assets and liabilities as at December 31, 2018 and 2017 are as follows:

	As at December 31, 2018				
Currency	**Financial Assets**	**Financial Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	-	437,722	(437,722)	52.72	(23,076,704)
GBP	-	8,318	(8,318)	66.73	(555,060)
					(23,631,764)

Currency	As at December 31, 2017 Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	319,405	319,405	49.93	(15,947,892)
EUR	-	238,932	238,932	59.61	(14,242,737)
					(30,190,629)

Net foreign exchange losses recognized in profit or loss amounted to P1,044,792 and P791,464 for the years ended December 31, 2018 and 2017, respectively (see Note 16).

Sensitivity Analysis
The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2018 **Percentage Increase (Decrease) in Foreign Exchange Rates**	**Effect in Income after Income Tax**
USD	**5.59%**	**P902,640 decrease**
GBP	**- 0.58%**	**2,237 increase**

	December 31, 2017 Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	0.23%	P26,221 decrease
EUR	15%	1,494,245 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management
The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

21. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties

The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as at December 31, 2018 and 2017 are presented below:

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**P130,920,946**	**P130,920,946**	P73,939,731	P73,939,731
Trade and other receivables - net	**796,755,289**	**796,755,289**	761,984,325	761,984,325
Refundable deposits	**2,807,854**	**2,800,706**	2,322,120	2,316,206
	P930,484,089	**P930,476,941**	P838,246,176	P838,240,262

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Trade and other payables	**P202,727,675**	**P202,727,675**	P269,989,734	P269,989,734
Due to related parties	**297,700,000**	**301,015,599**	297,700,000	299,590,000
Loan payable	**357,000,000**	**359,782,767**	50,000,000	50,704,966
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
	P957,427,675	**P963,526,041**	P717,689,734	P720,284,700

22. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities are as follow:

	December 31, 2018		
	Loan Payable	**Accrued Interest**	**Total**
Balances at beginning of year	**P50,000,000**	**P787,500**	**P50,787,500**
Cash Flows from Financing Activities			
Proceeds from availment of loan payable	**437,000,000**	-	**437,000,000**
Payments of loan payable	**(130,000,000)**	-	**(130,000,000)**
Interest expense	**16,224,251**	**3,315,599**	**19,539,850**
Interest paid	**(16,224,251)**	-	**(16,224,251)**
	P357,000,000	**P4,103,099**	**P361,103,099**

	December 31, 2017		
	Loan Payable	Accrued Interest	Total
Balances at beginning of year	P70,000,000	P787,500	P70,787,500
Cashflows from financing activities			
Payments of loan payable	(20,000,000)	-	(20,000,000)
Interest expense	-	3,719,770	3,719,770
Interest paid	-	(3,719,770)	(3,719,770)
	P50,000,000	P787,500	P50,787,500

23. Subsequent Events

Effects of Corona Virus Disease 2019 (COVID-19)
On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households, all public transportation are suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

Purchase of Pernod Shares
In February 2019, the Company engaged in a Shareholders' Agreement and a Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of 30% shares of Pernod Ricards Philippines, Inc. (Pernod).

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2018:

a. VAT

1. Output VAT	**P278,163,377**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P2,318,028,144**
Zero rated sales	**50,552,746**
Total sales	**P2,368,580,890**
2. Input VAT	
Beginning of year	**P7,756,548**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**248,831,639**
b. Goods other than for resale or manufacture	**-**
c. Services lodged under other accounts	**14,237,140**
VAT payments and other adjustments	**20,400,443**
VAT credits used	**(278,163,377)**
Balance at end of year	**P13,062,393**

b. Customs Duties and Tariff Fees

Landed cost of imports	**P1,186,034,758**
Customs duties and tariff fees paid or accrued	**88,004,034**
	P1,274,038,792

c. Excise Taxes

Imported excisable items wines and liquor	**P222,541,195**

d. Documentary Stamp Tax

On borrowings	**P2,394,175**

e. Withholding Taxes

Tax on compensation and benefits	**P4,449,592**
Expanded withholding taxes	**5,260,685**
	P9,710,277

f. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	**P1,170,301**
Others	**421,497**
	P1,591,798

g. Tax Cases and Assessments

On June 14, 2018, the Company received a Preliminary Assessment Notice (PAN) covering Income Tax, Value Added Tax, Withholding Tax on Compensation and Documentary Stamp Tax for the taxable year 2017. The initial deficiency assessment based on preliminary investigation amounted to P7 million. The Company paid the deficiency tax in 2018.

Information on tariff fees paid or accrued, are not applicable since the Company did not enter into transactions which will result to payment of accrual of such taxes.

"ANNEX D-5"

PREMIER WINE & SPIRITS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of **Premier Wine and Spirits, Inc. ("the Company")** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Premier Wine and Spirits, Inc.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Premier Wine and Spirits, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

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ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

Signed this 19th day of November 2020

KPMG

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6787 Ayala Avenue, Makati City
Philippines 1226
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

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

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., for the year ended December 31, 2017, on which we have rendered our report dated November 27, 2020.

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

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended 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 Audits 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 the 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.

Firm Regulatory Registration & Accreditation.
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Auditors' Responsibilities for the Audits of the 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
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Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

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PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash	*5*	**P73,939,731**	P14,520,760
Trade and other receivables - net	*6, 11*	**761,984,325**	750,313,182
Inventories	*7, 14*	**694,796,560**	517,568,072
Prepaid expenses and other current assets	*8*	**67,150,175**	92,894,339
Total Current Assets		**1,597,870,791**	1,375,296,353
Noncurrent Assets			
Property and equipment - net	*9*	**3,478,931**	4,489,690
Deferred income tax assets	*19*	**5,279,156**	5,472,506
Refundable deposits	*18*	**2,322,120**	2,207,120
Total Noncurrent Assets		**11,080,207**	12,169,316
		P1,608,950,998	P1,387,465,669
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*10, 11*	**P286,012,987**	P193,108,934
Due to related parties	*11*	**297,700,000**	239,500,000
Dividends payable	*13*	**100,000,000**	100,000,000
Loan payable	*12*	**50,000,000**	70,000,000
Income tax payable		**24,366,430**	40,649,501
Total Current Liabilities		**758,079,417**	643,258,435
Noncurrent Liability			
Retirement benefits liability	*17*	**14,233,985**	11,960,102
Total Liabilities		**772,313,402**	655,218,537
Equity			
Capital stock - P100 par value:			
Authorized, issued and outstanding - 1,500,000 shares		**150,000,000**	150,000,000
Additional paid-in capital		**1,500,000**	1,500,000
Retained earnings	*13*	**685,472,457**	581,081,993
Accumulated remeasurements on retirement benefits		**(334,861)**	(334,861)
Total Equity		**836,637,596**	732,247,132
		P1,608,950,998	P1,387,465,669

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2017**	2016
NET SALES	*11*	**P2,025,391,666**	P1,800,926,922
COST OF GOODS SOLD	*14*	**1,644,155,615**	1,455,222,626
GROSS PROFIT		**381,236,051**	345,704,296
OPERATING EXPENSES	*15*	**229,755,167**	158,579,734
INCOME FROM OPERATIONS		**151,480,884**	187,124,562
OTHER INCOME (CHARGES) - Net	*16*	**(5,062,689)**	3,368,825
INCOME BEFORE INCOME TAX		**146,418,195**	190,493,387
PROVISION FOR INCOME TAX	*19*	**42,027,731**	57,135,036
NET INCOME		**104,390,464**	133,358,351
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	*17*	**-**	580,577
Deferred income tax expense	*19*	**-**	(174,173)
		-	406,404
TOTAL COMPREHENSIVE INCOME		**P104,390,464**	P133,764,755

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Capital Stock	Additional Paid-in Capital	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 13)	Total
Balances at December 31, 2015	P150,000,000	P1,500,000	(P741,265)	P447,723,642	P598,482,377
Net income for the year	-	-	-	133,358,351	133,358,351
Other comprehensive income	-	-	406,404	-	406,404
Total comprehensive income	-	-	406,404	133,358,351	133,764,755
Balances at December 31, 2016	150,000,000	1,500,000	(334,861)	581,081,993	732,247,132
Net income for the year	-	-	-	104,390,464	104,390,464
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	104,390,464	104,390,464
Balances at December 31, 2017	**P150,000,000**	**P1,500,000**	**(P334,861)**	**P685,472,457**	**P836,637,596**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P146,418,195**	P190,493,387
Adjustments for:			
Provision for probable losses	*10, 15*	**5,747,925**	-
Impairment losses on creditable withholding taxes	*15*	**4,426,092**	-
Interest expense	*11, 12, 16, 22*	**3,719,770**	3,489,167
Retirement benefits costs	*17*	**2,273,883**	517,860
Depreciation and amortization	*9*	**2,051,051**	1,641,539
Unrealized foreign exchange losses - net		**742,274**	2,941,033
Interest income	*5, 16*	**(80,816)**	(73,654)
Operating income before working capital changes		**165,298,374**	199,009,332
Decrease (increase) in:			
Trade and other receivables		**(11,671,143)**	(220,870,558)
Inventories		**(177,228,488)**	57,526,196
Prepaid expenses and other current assets		**21,318,072**	(55,487,108)
Refundable deposits		**(115,000)**	(70,323)
Increase in:			
Trade and other payables		**86,413,854**	54,395,585
Due to related parties		**58,200,000**	48,342,500
Cash generated from operations		**142,215,669**	82,845,624
Income taxes paid		**(58,117,452)**	(65,213,750)
Interest paid	*22*	**(3,719,770)**	(3,331,667)
Interest received	*5, 16*	**80,816**	73,654
Net cash from operating activities		**80,459,263**	14,373,861
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	**(1,040,292)**	(2,270,175)
CASH FLOWS FROM A FINANCING ACTIVITY			
Payments of loan payable	*22*	**(20,000,000)**	(30,000,000)
NET INCREASE (DECREASE) IN CASH		**59,418,971**	(17,896,314)
CASH AT BEGINNING OF YEAR		**14,520,760**	32,417,074
CASH AT END OF YEAR	*5*	**P73,939,731**	P14,520,760

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("CosCo" or "Parent Company"), a company incorporated in the Philippines. CosCo's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Board of Directors (BOD) on November 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

- PAS 7, *Statement of Cash Flows - Disclosure Initiative (Amendments)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 22).

- PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments). The amendments clarify that: (a) the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset; (b) the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences; (c) the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and (d) an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The following interpretations and amendments to standards are not expected to have an impact on the Company's financial statements:

- Annual Improvements to PFRSs 2014 - 2016 Cycle - Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities*).

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except those designated at fair value through profit or loss (FVTPL), includes transaction cost.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities, respectively.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017 and 2016, the Company's loans and receivables include cash in banks, trade and other receivables and refundable deposits.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Company's other financial liabilities include trade and other payables (excluding provision, payables to government agencies and output VAT - net), due to related parties, dividends payable and loan payable.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Company retains the rights to receive cash flows from the 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 rights to receive cash flows from the 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 rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Where the continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or 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.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement
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 fair value measurement is based on the presumption that the transaction to sell the asset of transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

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 markets 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 reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2017 and 2016, no financial asset was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statement of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	3 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in the profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax (VAT), returns, discounts, and rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, under normal credit terms.

Commission Income
Commission income is recognized as income at the same time as the costs are incurred which generally coincides upon performance of service.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular, full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, 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 income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the 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 position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following relevant and applicable new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014)*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The adoption of PFRS 9 will have no significant impact on the classification and measurement of the Company's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Company's financial statements since the Company has no transactions eligible for hedge accounting. The Company also assessed that the adoption of this new standard will have no significant impact on the amount of impairment of the Company's financial assets.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The Company assessed that the adoption of PFRS 15 will have no significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Company assessed that the new standard will not have a significant impact in terms of the amounts reported in the financial statements. However, upon adoption, the Company will update its disclosure in accordance with the guidance on translation for foreign currency transactions involving advance consideration.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  Early adoption is permitted. The Company has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions and the Company's latest assessment of whether it will exercise any lease renewal options.

  So far, the most significant impact identified is that the Company will recognize new assets and liabilities for the operating lease of its office space and warehouse.

  In addition, the nature of expenses related to this lease will now change as PFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use of assets and interest expense on lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities. Following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardships, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompany the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Operating Lease -Company as a Lessee
The Company entered into various lease agreements for its office space and warehouse as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded general and administrative expenses and decrease current assets.

The carrying values of trade and other receivables amounted to P761,984,325 and P750,313,182 as at December 31, 2017 and 2016, respectively. As at December 31, 2017 and 2016, the Company's allowance for impairment losses on trade receivables amounted P2,620,922 and P3,340,548, respectively (see Note 6).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2017 and 2016. The cost of inventories amounted to P694,796,560 and P517,568,072 as at December 31, 2017 and 2016, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2017 and 2016.

The carrying amounts of property and equipment amounted to P3,478,931 and P4,489,690 as at December 31, 2017 and 2016, respectively. Depreciation and amortization recognized in profit or loss amounted to P2,051,051 and P1,641,539 in 2017 and 2016, respectively (see Notes 9 and 15).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertains to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial asset which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying amounts of property and equipment amounted to P3,478,931 and P4,489,690 as at December 31, 2017 and 2016, respectively. No impairment loss was recognized for the Company's property and equipment in 2017 and 2016 (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P14,233,985 and P11,960,102 as at December 31, 2017 and 2016, respectively. (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P5,279,156 and P5,472,506 as at December 31, 2017 and 2016, respectively (see Note 19).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has recognized a provision for probable losses amounting to P5,747,925 and nil as at December 31, 2017 and 2016, respectively (see Notes 10 and 15).

5. Cash

This account consists of:

	Note	2017	2016
Cash on hand		**P325,398**	P449,598
Cash in banks	*20*	**73,614,333**	14,071,162
		P73,939,731	P14,520,760

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss from bank deposits amounted to P80,816 and P73,654 in 2017 and 2016, respectively (see Note 16).

6. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade:			
Third parties		**P507,965,424**	P471,478,157
Related parties	*11*	**219,122,389**	137,743,807
Less allowance for impairment losses on trade receivables		**(2,620,922)**	(3,340,548)
		724,466,891	605,881,416
Nontrade		**37,189,362**	140,849,339
Others		**328,072**	3,582,427
	20	**P761,984,325**	P750,313,182

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit term.

Nontrade receivables pertain to unreimbursed portion of expenses paid in advance by the Company on behalf of its suppliers for brand promotions. These are non-interest-bearing and generally have a 60 to 90 days credit term.

The movement in allowance for impairment losses on trade receivables during the year was as follows:

	2017	2016
Balance at beginning of year	**P3,340,548**	P3,340,548
Write-off	**(719,626)**	-
Balance at end of year	**P2,620,922**	P3,340,548

7. Inventories

This account consists of:

	Note	2017	2016
Spirits - at cost		**P530,912,055**	P381,391,424
Wines - at cost		**51,121,349**	73,264,237
Specialty beverages - at cost		**112,763,156**	62,912,411
	14	**P694,796,560**	P517,568,072

In 2017 and 2016, the inventories amounting to P1,644,155,615 and P1,455,222,626, respectively, were recognized as an expense during the year and included in "Cost of goods sold".

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**P58,202,844**	P92,454,056
Prepaid expenses	**1,190,783**	440,283
Input VAT on imports	**7,756,548**	-
	P67,150,175	P92,894,339

Advances to suppliers pertain to initial down payment for purchases of inventories and will be applied against future progress billings.

In 2017, the Company recognized an impairment loss on its unutilized creditable withholding taxes (see Note 15).

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
December 31, 2015	P17,424,866	P3,882,920	P7,881,631	P1,826,001	P6,769,015	P37,784,433
Additions	43,125	-	964,170	57,143	1,205,737	2,270,175
December 31, 2016	17,467,991	3,882,920	8,845,801	1,883,144	7,974,752	40,054,608
Additions	-	34,141	-	209,808	796,343	1,040,292
December 31, 2017	**17,467,991**	**3,917,061**	**8,845,801**	**2,092,952**	**8,771,095**	**41,094,900**
Accumulated Depreciation						
December 31, 2015	17,424,866	3,683,981	5,980,953	507,717	6,325,862	33,923,379
Depreciation and amortization for the year	11,979	152,814	481,862	394,167	600,717	1,641,539
December 31, 2016	17,436,845	3,836,795	6,462,815	901,884	6,926,579	35,564,918
Depreciation and amortization for the year	14,375	64,891	592,977	443,223	935,585	2,051,051
December 31, 2017	**17,451,220**	**3,901,686**	**7,055,792**	**1,345,107**	**7,862,164**	**37,615,969**
Carrying Amounts						
December 31, 2016	P31,146	P46,125	P2,382,986	P981,260	P1,048,173	P4,489,690
December 31, 2017	**P16,771**	**P15,375**	**P1,790,009**	**P747,845**	**P908,931**	**P3,478,931**

Depreciation and amortization expense in 2017 and 2016 were charged as part of "Operating expenses" in profit or loss.

10. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade payables to third parties	*20*	**P212,714,270**	P119,653,681
Nontrade:			
Related parties	*11, 20*	**2,717,707**	13,489,119
Third parties	*20*	**39,891,739**	47,762,585
Accrued expenses	*20*	**14,666,018**	2,426,029
Payables to government agencies		**10,275,328**	8,349,874
Provision	*15*	**5,747,925**	-
Output VAT - net		**-**	1,427,646
		P286,012,987	P193,108,934

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit term.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit term. These also include interest on advances from the Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

In 2017, the Company set-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

11. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

				Outstanding Balance			
Category	Year	*Note*	Transactions During the Year	Trade Receivables	Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Advances	**2017**	***a***	**P -**	**P -**	**P105,000,000**	Payable on demand on the second year from the date at receipt;	Unsecured
	2016		-	-	105,000,000	annual interest rate	
• Interest expense	**2017**	***a, 10***	**1,890,000**	**-**	**787,500**	of fixed 1.8% on the	
	2016		1,890,000	-	787,500	outstanding balance	
• Management fee	**2017**	***b, 15***	**60,000,000**	**-**	**106,700,000**	Due and demandable	Unsecured
	2016		50,000,000	-	48,500,000	non-interest-bearing	
Entities under Common Control							
• Advances	**2017**	***c***	**-**	**-**	**86,000,000**	Payable on demand;	Unsecured
	2016		-	-	86,000,000	non-interest-bearing	
• Sales of goods	**2017**	***d, 6***	**448,927,815**	**219,122,389**	**-**	30 to 60-day	Unsecured;
	2016		429,940,063	137,743,807	-	credit term; non-interest-bearing	no impairment
• Rent expense	**2017**	***e, 10, 18***	**2,412,425**	**-**	**1,633,296**	Demandable;	Unsecured
	2016		2,081,293	-	1,053,350	non-interest bearing	
• Reimbursement of expenses	**2017**	***f, 10***	**296,911**	**-**	**296,911**	Payable on demand;	Unsecured
	2016		722,433	-	11,648,269	non-interest bearing	
TOTAL	**2017**			**P219,122,389**	**P300,417,707**		
TOTAL	2016			P137,743,807	P252,989,119		

a. Cash advances extended from its Parent Company in a form of promissory note. These advances earn annual interest rate of 1.8% with maturities of two (2) years.

b. The Parent Company provides corporate services to the Company.

c. These are cash advances from an entity under common control for additional working capital requirements.

d. In the normal course of business, the Company distributes wines and liquors to entities under common control.

e. The Company leases its office space from an entity under common control (see Note 18).

f. This represents advances from officers and related parties in the form of reimbursement of expenses and working capital advances.

g. The compensation of the key management personnel of the Company, by benefit type, follows:

	2017	2016
Short-term employee benefits	**P2,799,844**	P6,680,581
Retirement benefits cost	**499,841**	499,841
	P3,299,685	P7,180,422

As at December 31, 2017 and 2016, amounts owed to related parties are presented as follows:

	Note	**2017**	2016
Trade and other payables	*10*	**P2,717,707**	P13,489,119
Due to related parties		**297,700,000**	239,500,000
		P300,417,707	P252,989,119

12. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 2.875% and 2.375% in 2017 and 2016, respectively. This loan is intended to finance the inventory build up and additional working capital requirements of the Company.

This loan is not subject to compliance with any loan covenant.

Interest expenses recognized in profit or loss relating to loan payable amounted to P1,829,770 and P1,599,167 in 2017 and 2016, respectively (see Note 16).

13. Equity

Retained Earnings
On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100 million, payable to stockholders of record as of the same date.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the Board of Directors; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2017, the Company has retained earnings in excess of its paid-up capital. The Company's management plans to apply for an increase in the authorized capital stock of the Company with the SEC in 2020 or 2021 to address the excess retained earnings.

14. Cost of Goods Sold

This account consists of:

	Note	2017	2016
Inventory at beginning of year		**P517,568,072**	P575,094,268
Net purchases during the year		**1,821,384,103**	1,397,696,430
Cost of goods available for sale		**2,338,952,175**	1,972,790,698
Inventory at end of year	7	**(694,796,560)**	(517,568,072)
		P1,644,155,615	P1,455,222,626

15. Operating Expenses

This account consists of:

	Note	2017	2016
Management fee	*11*	**P60,000,000**	P50,000,000
Warehousing and delivery		**44,860,685**	26,232,125
Advertising and samples		**42,509,159**	16,990,789
Salaries, wages and other employee benefits	*17*	**38,445,753**	29,925,766
Rent	*18*	**9,783,136**	10,149,729
Provision for probable losses	*10*	**5,747,925**	-
Taxes and licenses		**5,120,236**	5,030,805
Representation		**4,637,538**	4,754,743
Impairment losses on creditable withholding taxes	*8*	**4,426,092**	-
Utilities		**3,533,786**	3,915,334
Professional fees		**2,101,384**	1,984,520
Depreciation and amortization	*9*	**2,051,051**	1,641,539
Transportation and travel		**1,911,756**	1,885,972
Insurance		**1,761,520**	2,141,168
Office supplies		**1,090,762**	1,420,556
Janitorial services		**1,067,469**	931,979
Repair and maintenance		**587,441**	796,963
Miscellaneous		**119,474**	777,746
		P229,755,167	P158,579,734

16. Other Income (Charges) - net

This account consists of:

	Note	2017	2016
Interest expense	*11, 12*	**(P3,719,770)**	(P3,489,167)
Foreign exchange losses - net	*20*	**(791,464)**	(2,941,033)
Bank charges		**(632,271)**	(403,077)
Interest income	*5*	**80,816**	73,654
Reimbursements of salaries and wages		**-**	8,281,584
Commission income		**-**	1,615,944
Others - net		**-**	230,920
		(P5,062,689)	P3,368,825

Reimbursements of salaries and wages pertain to recovery of expense charged by the Company for promoting the products of its major suppliers.

Commission income is derived from intermediating between other local distributors of wines and liquors and foreign suppliers.

17. Retirement Benefits Liability

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular, full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one year.

The succeeding table summarizes the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016.

The table below shows the present value of defined benefits retirement obligation/ retirement benefits liability and its components as at December 31, 2017:

	2017	2016
Balance at beginning of year	**P11,960,102**	P12,022,819
Recognized in Profit or Loss		
Current service cost	**1,630,430**	1,630,430
Interest expense	**643,453**	508,639
Past service cost	-	(1,621,209)
	2,273,883	517,860
Included in Other Comprehensive Income		
Actuarial gain arising from:		
Financial assumptions	-	(847,445)
Experience adjustments	-	266,868
	-	(580,577)
Balance at end of year	**P14,233,985**	P11,960,102

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits in 2016 are as follows:

Discount rate	5.38%
Salary increase rate	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the benefit payments is approximately 13.9 years as at December 31, 2016.

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

	2017		2016	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P908,128)**	**P623,449**	(P1,494,068)	P1,824,401
Future salary growth	**1,281,059**	**(996,379)**	1,631,740	(1,375,534)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements

The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching

The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis of the benefit payments as at December 31, 2016 follow:

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefits obligation	P11,960,102	P14,745,976	P -	P745,385	P14,000,591

18. Operating Lease Agreements

Company as Lessee

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties (see Note 11).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building located at 3270 Gasanco Compound, Merville Annex Road, Pasay City for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting second year and 10% starting fourth year.

The lease agreements provides for, among others, security deposits amounting to P2,322,120 and P2,207,120 as at December 31, 2017 and 2016, respectively, which are shown as "Refundable deposits" in the statements of financial position.

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P9,783,136 and P10,149,729 in 2017 and 2016, respectively (see Note 15).

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**P9,155,648**	P9,626,411
After one year but not more than five years	**11,853,622**	20,373,175
	P21,009,270	P29,999,586

19. Income Taxes

The components of provision for income tax are shown below:

	2017	2016
Current	**P41,834,381**	P58,074,309
Deferred	**193,350**	(939,273)
	P42,027,731	P57,135,036

Current income tax represents regular corporate income tax in 2017 and 2016.

The reconciliation of the provision for income tax computed at statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2017	2016
Income before income tax	**P146,418,195**	P190,493,388
Provision for income tax computed at statutory tax rate of 30%	**P43,925,458**	P57,148,016
Additions to (reductions in) income taxes resulting from the tax effects of:		
Other adjustments	**(1,873,482)**	9,116
Interest income subjected to final tax	**(24,245)**	(22,096)
Provision for income tax	**P42,027,731**	P57,135,036

The components of the Company's deferred income tax assets are as follows:

	2017	2016
Retirement benefits liability	**P4,270,196**	P3,588,031
Allowance for impairment losses on trade receivables	**786,277**	1,002,165
Unrealized foreign exchange losses	**222,683**	882,310
	P5,279,156	P5,472,506

The movements of net deferred income tax asset are accounted for as follows:

	2017	2016
Amount charged to profit or loss	**(P193,350)**	P939,273
Amount charged to OCI relating to remeasurement on defined benefits plan	-	(174,173)
Increase (decrease) in deferred income tax assets	**(P193,350)**	P765,100

20. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, security deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Market Risk
- Liquidity Risk

Credit Risk

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash in banks, trade and other receivables, and refundable deposits expose the Company to credit risk if the counterparty is unwilling or unable to fulfill its obligations, and the Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Company has credit management policies in place to ensure that rental contracts are entered into with lessees who have sufficient financial capacity and good credit history. The Company and certain related parties' respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	2017	2016
Cash in banks	5	**P73,614,333**	P14,071,162
Trade and other receivables - net	6	**761,984,325**	750,313,182
Refundable deposits	18	**2,322,120**	2,207,120
		P837,920,778	P766,591,464

As at December 31, 2017 and 2016, the aging per class of financial assets is as follows:

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P73,614,333	P -	P -	P -	P -	P73,614,333
Trade and other receivables	384,908,023	101,444,794	31,283,038	244,348,470	2,620,922	764,605,247
Refundable deposits	2,322,120	-	-	-	-	2,322,120
	P460,844,476	P101,444,794	P31,283,038	P244,348,470	P2,620,922	P840,541,700

December 31, 2016

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P14,071,162	P -	P -	P -	P -	P14,071,162
Trade and other receivables	465,763,235	89,252,841	58,379,619	136,917,487	3,340,548	753,653,730
Refundable deposits	2,207,120	-	-	-	-	2,207,120
	P482,041,517	P89,252,841	P58,379,619	P136,917,487	P3,340,548	P769,932,012

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2017 and 2016, the Company does not expect any counterparty, other than trade customers, to fail to meet their obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks	**P73,614,333**	**P -**	**P -**	**P73,614,333**
Trade and other receivables	-	**384,908,023**	-	**384,908,023**
Refundable deposits	-	**2,322,120**	-	**2,322,120**
	P73,614,333	**P387,230,143**	**P -**	**P460,844,476**

	December 31, 2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P14,071,162	P -	P -	P14,071,162
Trade and other receivables	-	465,763,235	-	465,763,235
Refundable deposits	-	2,207,120	-	2,207,120
	P14,071,162	P467,970,355	P -	P482,041,517

The Company assessed the credit quality of the financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. High grade trade and other receivables pertain to those receivables from customers who consistently pay before the maturity date. Standard grade trade and other receivable includes those that are collected on their due dates event without an effort from the Company to follow them up while receivables which are collected on their due dates provided that Company made a persistent effort to collect them are included under substandard grade receivables.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

Liquidity Risk

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2017			
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**1 to 5 Years**
Financial Assets				
Cash in banks	**P73,614,333**	**P73,614,333**	**P73,614,333**	**P -**
Trade and other receivables - net	**761,984,325**	**761,984,325**	**761,984,325**	**-**
Refundable deposits	**2,322,120**	**2,322,120**	**-**	**2,322,120**
	P837,920,778	**P837,920,778**	**P835,598,658**	**P2,322,120**

	As at December 31, 2017			
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**1 to 5 Years**
Financial Liabilities				
Trade and other payables*	**P269,989,734**	**P269,989,734**	**P269,989,734**	**P -**
Due to related parties	**297,700,000**	**299,590,000**	**299,590,000**	**-**
Loan payable	**50,000,000**	**50,704,966**	**50,704,966**	**-**
Dividend payable	**100,000,000**	**100,000,000**	**100,000,000**	**-**
	P717,689,734	**P720,284,700**	**P720,284,700**	**P -**

***Excluding provision and payables to government agencies.**

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P14,071,162	P14,071,162	P14,071,162	P -
Trade and other receivables - net	750,313,182	750,313,182	750,313,182	-
Refundable deposits	2,207,120	2,207,120	-	2,207,120
	P766,591,464	P766,591,464	P764,384,344	P2,207,120

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Trade and other payables*	P183,331,414	P183,331,414	P183,331,414	P -
Due to related parties	239,500,000	240,287,500	240,287,500	-
Loan payable	70,000,000	70,815,308	70,815,308	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
	P592,831,414	P594,434,222	P594,434,222	P -

**Excluding payables to government agencies and output VAT - net.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to foreign currency risk.

Foreign Currency Risk
The Company's foreign currency denominated assets and liabilities as at December 31, 2017 and 2016 are as follows:

	As at December 31, 2017				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	319,405	319,405	49.93	15,947,892
EUR	-	238,932	238,932	59.61	14,242,737
					30,190,629

	As at December 31, 2016				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	194,923	194,923	49.81	9,709,699
EUR	-	257,743	257,743	51.84	13,361,500
AUD	-	242,155	242,155	35.78	8,663,265
					31,734,464

Net foreign exchange losses recognized in profit or loss amounted to P791,464 and P2,941,033 for the years ended December 31, 2017 and 2016, respectively (see Note 16).

Sensitivity Analysis
The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	0.23%	P26,221 decrease
EUR	15%	1,494,245 decrease

	December 31, 2016	
	Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	6%	P382,355 decrease
EUR	3%	233,068 decrease
AUD	5%	304,840 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

21. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties

The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

The carrying amounts and estimated fair values of the Company's financial assets and liabilities as at December 31, 2017 and 2016 are presented below:

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Loans and Receivables				
Cash	**P73,939,731**	**P73,939,731**	P14,520,760	P14,520,760
Trade and other receivables - net	**761,984,325**	**761,984,325**	750,313,182	750,313,182
Refundable deposits	**2,322,120**	**2,316,206**	2,207,120	2,201,498
	P838,246,176	**P838,240,262**	P767,041,062	P767,035,440

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Other Financial Liabilities				
Trade and other payables	**P269,989,734**	**P269,989,734**	P183,331,414	P183,331,414
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Loan payable	**50,000,000**	**50,704,966**	70,000,000	70,815,308
Due to related parties	**297,700,000**	**299,590,000**	239,500,000	240,287,500
	P717,689,734	**P720,284,700**	P592,831,414	P594,434,222

22. Reconciliation between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2017 are as follow:

	Loan Payable	Accrued Interest	Total
Balances at beginning of year	P70,000,000	P787,500	P70,787,500
Cashflows from Financing Activities			
Payments of loan payable	(20,000,000)	-	(20,000,000)
Interest expense	-	3,719,770	3,719,770
Interest paid	-	(3,719,770)	(3,719,770)
	P50,000,000	P787,500	P50,787,500

23. Subsequent Events

Effects of Corona Virus Disease 2019 (COVID-19)
On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households, all public transportation are suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained. The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

Purchase of Pernod Shares
In February 2019, the Company engaged in a Shareholders' Agreement and a Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of 30% shares of Pernod Ricards Philippines, Inc. (Pernod).

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2017:

a. VAT

1. Output VAT	**P227,409,995**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P1,895,083,293**
Zero rated sales	**130,308,373**
Total sales	**P2,025,391,666**
2. Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**205,950,759**
b. Goods other than for resale or manufacture	**-**
c. Services lodged under other accounts	**19,713,061**
VAT payments and other adjustments	**9,502,723**
VAT credits used	**(227,409,995)**
Balance at the end of the year	**P7,756,548**

b. Customs Duties and Tariff Fees

Landed cost of imports	**P819,361,802**
Customs duties and tariff fees paid or accrued	**59,146,382**
	P878,508,184

c. Excise Taxes

Imported excisable items wines and liquor	**P146,554,698**

d. Documentary Stamp Tax

On borrowings	**P440,345**

e. Withholding Taxes

Tax on compensation and benefits	**P5,630,026**
Expanded withholding taxes	**10,715,987**
	P16,346,013

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	**P4,679,891**

g. **Tax Cases and Assessments**

As at December 31, 2017, the Company has no pending tax cases nor has received tax assessment notices from the BIR.

Information on tariff fees paid or accrued, are not applicable since the Company did not enter into transactions which will result to payment of accrual of such taxes.

"ANNEX E"

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. CS201001042
COMPANY TIN 007-584-121

CERTIFICATE OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the Articles of Incorporation and By-Laws of

INVESCAP INCORPORATED

were duly approved by the Commission on this date upon the issuance of this Certificate of Incorporation in accordance with the Corporation Code of the Philippines (Batas Pambansa Blg.68), and copies of said Articles and By-Laws are hereto attached.

This Certificate grants juridical personality to the corporation but does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company, pre-need plan issuer, general agent in pre-need plans and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

As a registered corporation, it shall submit annually to this Commission the reports indicated at the back of this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of this Commission to be affixed at Mandaluyong City, Metro Manila, Philippines, this 28th day of January, Twenty Ten.

BENITO A. CATARAN
Director
Company Registration and Monitoring Department

COVER SHEET

SEC Registration Number

INVESCAP INCORPORATED

(Company's Full Name)

1343 MERCED STREET, PACO, MANILA

(Business Address: No. Street City/Town/Province)

MARICEL BUENO

(Contact Person)

(02) 4000-555

(Company Telephone Number)

12 31

Month *Day*

AI / BL

(Form Type)

10TH DAY OF JUNE

(Annual Meeting)

N.A.

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

5

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.

(STOCK)

ARTICLES OF INCORPORATION

OF

INVESCAP INCORPORATED

KNOWN ALL MEN BY THESE PRESENTS:

That we, all of legal age, citizens and residents of the Republic of the Philippines, this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

THAT WE HEREBY CERTIFY:

FIRST: That the name of the said corporation shall be:

INVESCAP INCORPORATED

SECOND: A. That the purpose for which said corporation is formed is:

To manage, develop, acquire, sell or operate business related to real estate or any similar property holdings, except dealer and broker of securities.

B. That the corporation shall have all the express powers of a corporation as provided for under section 36 of the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the corporation is to be established is at:

No./Street 1343 Merced Street (If applicable)

City/Town Paco Manila Province

FOURTH: That the term of for which the corporation is to exist is fifty (50) years from and after the date of issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residences of the incorporators are as follows;

Name	Nationality	Residence (Complete Address)
Jocelyn Rodulfa	Filipino	[redacted]
Maridel Behagan	Filipino	[redacted]
Elaine Mariz Mendoza	Filipino	[redacted]
Maricel Bueno	Filipino	[redacted]
Shermagne Joy Danca	Filipino	[redacted]

SIXTH: That the number of directors of said corporation shall be Five (5) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Name	Nationality	Residence (Complete Address)
Jocelyn Rodulfa	Filipino	[redacted]
Maridel Behagan	Filipino	[redacted]
Elaine Mariz Mendoza	Filipino	[redacted]
Maricel Bueno	Filipino	[redacted]
Shermagne Joy Danca	Filipino	[redacted]

SEVENTH: That the authorized capital stock of the corporation is TEN MILLION PESOS ONLY (P 10,000,000.00) pesos in lawful money of the Philippines, divided into ONE HUNDRED THOUSAND (100,000) shares with the par value of ONE HUNDRED PESOS (P 100.00) pesos per share.

EIGHTH: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Joceyn Rodulfa	Filipino	5,000	500,000.00	125,000.00
Maridel Behagan	Filipino	5,000	500,000.00	125,000.00
Elaine Mariz Mendoza	Filipino	5,000	500,000.00	125,000.00
Maricel Bueno	Filipino	5,000	500,000.00	125,000.00
Shermagne Joy Danca	Filipino	5,000	500,000.00	125,000.00
Total		**25,000**	**2,500,000.00**	**625,000.00**

NINTH: No Transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of corporation and this restriction shall be indicated in the stocks certificates issued by the corporation.

TENTH: That ____MARIDEL BEHAGAN____________________ has been elected by the subscribers as treasurer of the corporation to act as such until his/her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the incorporators undertake to change the name of the corporation immediately upon receipt of notice or directive from the Securities and Exchange Commission that another corporation, partnership or person has acquired a prior right to the use of the name or that the name or that the name has been declared as misleading, deceptive, confusingly similar to a registered name, or contrary to public morals, good customs or public policy.

IN WITNESS WHEREOF, we have set our hands this ______________ day of JAN 20 2010 at City of Manila.

JOCELYN RODULFA		MARIDEL BEHAGAN
TIN [redacted]	TIN	TIN [redacted]
ELAINE MARIZ MENDOZA		MARICEL BUENO
TIN [redacted]	TIN	TIN [redacted]
SHERMAGNE JOY DANCA		
TIN - [redacted]	TIN	
TIN	TIN	TIN
TIN	TIN	TIN

WITNESSES:

______________________ ______________________

ACKNOWLEDGEMENT

Republic of the Philippines)
City of Manila)S. S.

BEFORE ME, a Notary Public in and for city of Manila Philippines, JAN 2 0 2010 this _____ day of August of 2009 personally appeared:

Name	Community Tax Certificate	Date & place Issued
Jocelyn Rodulfa	02692607	Jan. 19,2010 / Manila
Maridel Behagan	02692646	Jan. 19,2010 / Manila
Elaine Mariz Mendoza	02692606	Jan. 19,2010/ Manila
Maricel Bueno	02692605	Jan. 19,2010 / Manila
Shermagne Joy Danca	04285820	Jan 18,2010 / Manila

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above written.

Ronald C. Ching

ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC – CITY OF MANILA
ADMIN. NO. 2009-195-UNTIL DEC. 31, 2010
ROLL NO. 54899
NO. 945 BENAVIDEZ ST. BNDO. MANILA
NO. 7941[illegible]
R NO. MLA. 8237440/01-04-2010/MANILA

Doc. No. 336
Page No. 68
Book No; IV
Series of 2010

"ANNEX E-1"

(STOCK)

BY-LAWS

OF

INVESCAP INCORPORATED

(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholders shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be singed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Share - Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporations.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Sesction 1. Annual / Regular Meetings – The annual / regular meeting of stockholders shall be held at the principal office on __June 10th___ of each year, if legal holiday then on the day following.

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at anytime be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When meeting of stockholders is adjourned to another or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting if stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholder, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for ten (10) working days immediately preceding such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c) To invest the funds of the corporation in other corporations or for purposes other that those for which the corporation was organized, subject to such stockholders approval as may be required by law;

d) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation of its officer are either plaintiffs or defendants in connection with the business of the corporation;

g) To delegate, form time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation which such powers and upon such terms as may be deemed fit;

h) To implement these by-laws and to act on any matter not covered by these by-laws provided such matter does not require the approval or consent of the stockholders under Corporation Code.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filed by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of the stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held once a month on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary of each director personally, or by telephone, telegram, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary shall act as secretary of every meeting, if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

Section 8. Compensation – By-resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority if the outstanding capital stock at a regular or special meeting of the stockholders.

ARCTILE IV

OFFICER

Section 1. Election / Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the President, the Vice-President, the Treasurer, and the Secretary at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President shall be the Chief Executive Office of the corporation and shall exercise the following functions.

a) To preside at the meetings of the stockholders;

b) To initiate and develop corporate objective and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c) To supervise and manage the business affairs of the corporation upon the direction of the Board of Directors;

d) To implement the administrative and operational policies of the corporation under this supervision and control;

e) To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f) To oversee the preparation of the budgets and the statements of accounts of the corporation;

g) To represent the corporation at all functions and proceedings;

h) To execute on behalf of the corporation all contracts, agreement and other instruments affecting the interests of the corporation which require the approval of the Board of Directors.

i) To make reports to the Board of Directors and stockholders;

j) To sign certificates of stock;

k) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice-President – He shall, if qualified, act as President in the absence of the latter. He shall have such other powers and duties as may from time to time be assigned to him by the Board of Directors or by the President.

Section 4. The Secretary – The Secretary must be a resident and citizen of the Philippines. He shall have the following specific powers and duties;

a) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b) To keep record books showing the details required by the law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c) To keep the corporate seal and affix it all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.

f) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election.

g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 5. The Treasurer – The Treasurer of the corporation shall have the following duties;

a) To keep full and accurate accounts of receipts and disbursement in the books of the corporation;

b) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the money's funds, securities, bonds, and similar valuable effects belonging to the corporations which may come under his control;

d) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 6. Term of Office – The term of office of all officers shall have one (1) year and until their successors are duly elected and qualified.

Section 7. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 8. Compensation – The officers shall receive such remuneration as the Board of Directors may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise and receiving compensation thereof.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch officers, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor – At the regular stockholders meeting the external of the corporation for the ensuring year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin of the first day of January and end on the last day December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII

SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLES VIII

AMENDMENTS

Section 1. These by-laws may be amended or replaced by the affirmative vote of at least a majority if the Board Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders meeting called for that purpose. However, the power of amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

IN WITNESS WHEREOF, we the undersigned stockholders have adopted the foregoing by-laws and hereunto affixed our signatures this ______ day of JAN 2 0 2010 at City of Manila.

(Note: 1. If filed with Articles of Incorporation, these by-laws should be signed by all incorporations;

2. If filed after incorporators, should be signed by majority of the subscribers and should submit director's certificate for the adoption of the by-laws)

JOCELYN RODULFA
TIN-[redacted]

MARIDEL BEHAGAN
TIN-[redacted]

ELAINE MARIZ MENDOZA
TIN-[redacted]

MARICEL BUENO
TIN-[redacted]

SHERMAGNE JOY DANCA
TIN-[redacted]

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"ANNEX E-2"

Securities and Exchange Commission
Electronic Records Management Division
DEC 28 2020
ICTD

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2020

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME: INVESCAP INCORPORATED		**DATE REGISTERED:** 28-Jan-2010
BUSINESS/TRADE NAME: INVESCAP INCORPORATED		**FISCAL YEAR END:** December 31st
SEC REGISTRATION NUMBER: CS201001042		
DATE OF ANNUAL MEETING PER BY-LAWS: 10th day of June		**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 007-584-121
ACTUAL DATE OF ANNUAL MEETING: 7-Dec-2020		**WEBSITE/URL ADDRESS:** N/A
COMPLETE PRINCIPAL OFFICE ADDRESS: No. 1343 Merced Street, Paco, Manila		**E-MAIL ADDRESS:** N/A
COMPLETE BUSINESS ADDRESS: No. 1343 Merced Street, Paco, Manila		**FAX NUMBER:** (02) 8524-4451
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: GLENN J. MAGCALING R.S. BERNALDO & ASSOCIATES	**SEC ACCREDITATION NUMBER (if applicable):** 1691-A 0153-FR-3	**TELEPHONE NUMBER(S):** (02) 522-8801 to 04
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: To manage, develop, acquire, sell or operate business related to real estate or any similar property holdings except dealer and broker of securities.	**INDUSTRY CLASSIFICATION:** N/A	**GEOGRAPHICAL CODE:** N/A

=============================== INTERCOMPANY AFFILIATIONS ===============================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
N/A	N/A	N/A
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
Da Vinci Capital Holdings, Inc.	24015	No. 900 Romualdez St., Paco, Manila

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET

STOCK CORPORATION

================================= PLEASE PRINT LEGIBLY =================================

Corporate Name: INVESCAP INCORPORATED

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.
- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates

2.
- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.
- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4 ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5 ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:
- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:
- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☑ None of the above

Describe nature of business:	To manage, develop, acquire, sell or operate business related to real estate or any similar property holdings except dealer and broker of securities.

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

GENERAL INFORMATION SHEET
STOCK CORPORATION

=================================== **PLEASE PRINT LEGIBLY** ===================================

CORPORATE NAME:	INVESCAP INCORPORATED

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	100,000	100.00	10,000,000.00
	TOTAL	100,000	TOTAL P	10,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	6	COMMON	25,000		100.00	2,500,000.00	100.00%
		TOTAL	25,000	TOTAL	TOTAL P	2,500,000.00	

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
Percentage of Foreign Equity :		TOTAL		TOTAL	TOTAL P		
					TOTAL SUBSCRIBED P	2,500,000.00	

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	6	COMMON	6,250	100.00	625,000.00	100.00%
		TOTAL	6,250	TOTAL P		

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
0.00 %		TOTAL		TOTAL P		
				TOTAL PAID-UP P	625,000.00	

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME:	INVESCAP INCORPORATED

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. LUCIO L. CO [redacted]	Filipino	N	C	M	Y	Chairman & President	N/A	[redacted]
2. JOCELYN RODULFA [redacted]	Filipino	Y	M	F	Y	Director	N/A	[redacted]
3. MARIDEL S. BEHAGAN [redacted]	Filipino	Y	M	F	Y	Director	N/A	[redacted]
4. MARITEZ Q. TACUS [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
5. MARICEl B. JOYAG [redacted]	Filipino	Y	M	F	Y	Director	N/A	[redacted]
6. MA. EDITHA D. ALCANTARA [redacted]	Filipino	N	N	F	N	Vice-President & Treasurer	N/A	[redacted]
7. CANDY H. DACANAY-DATUON [redacted]	Filipino	N	N	F	N	Corporate Secretary	N/A	[redacted]
8.								
9.								
10.								
11.								
12.								
13.								
14.								
15.								

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================						
CORPORATE NAME:		INVESCAP INCORPORATED				
TOTAL NUMBER OF STOCKHOLDERS:		5	NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES EACH:		1	
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:		N/A				
STOCKHOLDER'S INFORMATION						
NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
1 LUCIO L. CO Filipino [redacted]	COMMON	24,995	2,499,500.00			
	TOTAL	**24,995**	**2,499,500.00**	99.98%	624,500.00	[redacted]
2. MA. EDITHA D. ALCANTARA Filipino [redacted]	COMMON	1	100.00			
	TOTAL	**1**	**100.00**	0.00%	100.00	[redacted]
3. JOSELYN RODULFA Filipino [redacted]	COMMON	1	100.00			
	TOTAL	**1**	**100.00**	0.00%	100.00	[redacted]
4. MARIDEL S. BEHAGAN Filipino [redacted]	COMMON	1	100.00			
	TOTAL	**1**	**100.00**	0.00%	100.00	[redacted]
5. MARITEZ Q. TACUS Filipino [redacted]	COMMON	1	100.00			
	TOTAL	**1**	**100.00**	0.00%	100.00	[redacted]
6. MARICEL B. JOYAG Filipino [redacted]	COMMON	1	100.00			
	TOTAL	**1**	**100.00**	0.00%	100.00	[redacted]
7.						
TOTAL AMOUNT OF SUBSCRIBED CAPITAL			2,500,000.00	100.00%		
TOTAL AMOUNT OF PAID-UP CAPITAL					625,000.00	

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

GENERAL INFORMATION SHEET
STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME:	INVESCAP INCORPORATED	
1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N/A	N/A	N/A

3. TREASURY SHARES: N/A	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N/A	N/A

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR: (642,435)

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	N/A	N/A
5.2 STOCK	N/A	N/A
5.3 PROPERTY	N/A	N/A
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
N/A	N/A	N/A

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
N/A	N/A	N/A	N/A

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, CANDY H. DACANAY-DATUON, Corporate Secretary of INVESCAP INCORPORATED declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this _____ day of DEC 2 3 2020, 20 ___ in City of Manila.

CANDY H. DACANAY-DATUON
(Signature over printed name)

SUBSCRIBED AND SWORN TO before me in City of Manila on ___ day DEC 2 3 2020 by affiant who personally appeared before me and exhibited to me his competent evidence of identity consisting of Tax Identification No. [redacted] issued by Bureau of Internal Revenue.

DOC. NO.: 80
PAGE NO.: 17
BOOK NO.: 24
SERIES OF.: 2020

CHERRIE LYNNE MAY R. PUBEZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 202
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9120218/01-02-2020/Mla.
MCLE Compliance No. VI-0022488/04-16-1
No. 900 Romualdez St., Paco, Manila

"ANNEX E-3"

COVER SHEET
for
AUDITED SEPARATE FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 0 0 1 0 4 2

Company Name

INVESCAP INCORPORATED

Principal Office (No./Street/Barangay/City/Town)Province)

NO. 900 ROMUALDEZ STREET
PACO, MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
Invescap.incorporated@yahoo.com	(02) 8524 - 4451	N A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
Six (6)	10th day of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. EDITHA D. ALCANTARA	N/A	(02) 8524 - 4451	N/A

Contact Person's Address

No. 105 11th Ave., East Caloocan City

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **INVESCAP INCORPORATED** (the "Company"), which comprise the separate statements of financial position as at December 31, 2019 and 2018 and the separate statements of comprehensive income, separate statements of changes in equity and the separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2019 and 2018 and its separate financial performance and its separate cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate 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 the separate financial statements in 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.

RDO 34 PACO-PANDACAN STA. ANA SAN ANDRES
RECEIVED
JUN 29 2020
ROGELIO G. ANCHETA
Chief, Compliance Section

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156 H.V. dela Costa Street, Ayala North,
Makati City, Philippines 1226

T: +632 812-1718 to 24
F: +632 813-6539
E: rsbassoc@rsbernaldo.com
W: www.rsbernaldo.com

BOA/PRC No. 0300
SEC Group A Accredited
BSP Group B Accredited
CDA CEA Accredited
IC Accredited

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

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

In preparing the separate 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 separate financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 audits 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 separate 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 separate financial statements, including the disclosures, and whether the separate 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 19 and 20, respectively, to the separate financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the Management of **INVESCAP INCORPORATED**. The information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2021 audit period
BIR Accreditation No. 08-007679-001-2020
Valid from February 24, 2020 until February 24, 2023
IC Accreditation No. F-2019-004-R
Valid until October 1, 2022
CEZA Accredited
Valid until September 10, 2020

ROMEO A. DE JESUS, JR.
Managing Partner
CPA Certificate No. 86071
SEC Group B Accredited
Accreditation No. 1690-A
Valid until July 11, 2021
BIR Accreditation No. 08-004744-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 109-227-897
IC Accreditation No. SP-2019-004-R
Valid until October 1, 2022
PTR No. 8125459
Issued on January 8, 2020 at Makati City

June 10, 2020

RR6, RDO 34 PACO-PANDACAN STA. ANA SAN ANDRES
RECEIVED
JUN 2 9 2020
ROGELIO G. ANCHETA
Chief, Compliance Section

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

We have audited the separate financial statements of **INVESCAP INCORPORATED** (the "Company") for the years ended December 31, 2019 and 2018 on which we have rendered the attached report dated June 10, 2020.

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

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
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PTR No. 8125459
Issued on January 8, 2020 at Makati City

June 10, 2020

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Makati City, Philippines 1226

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F: +632 813-6539
E: rsbassoc@rsbernaldo.com
W: www.rsbernaldo.com

INVESCAP INCORPORATED

900 Romualdez Street, Paco Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Management of **INVESCAP INCORPORATED** is responsible for the preparation and fair presentation of the separate financial statements for the years ended December 31, 2019 and 2018, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the separate financial statements and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the separate financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

LUCIO L. CO	**MA. EDITHA D. ALCANTARA**
Chairman of the Board/ President	Treasurer

RDO 34 PACO-PANDACAN STA. ANA SAN ANDRES
RECEIVED
JUN 2 9 2020
ROGELIO G. ANCHETA
Chief, Compliance Section

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

(In Philippine Peso)

	NOTES	2019	2018
ASSETS			
Current Assets			
Cash	6	**5,000**	5,000
Input VAT	7	**62,173**	58,585
		67,173	63,585
Non-current Asset			
Investment in a subsidiary	8	**292,502,600**	292,502,600
TOTAL ASSETS		**292,569,773**	292,566,185
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accrued professional fee	9	**86,388**	52,900
Due to a related party	10	**292,531,220**	292,530,720
TOTAL LIABILITIES		**292,617,608**	292,583,620
STOCKHOLDERS' EQUITY			
Capital Stock	11	**625,000**	625,000
Deficit		**(672,835)**	(642,435)
TOTAL STOCKHOLDERS' EQUITY		**(47,835)**	(17,435)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**292,569,773**	292,566,185

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018

(In Philippine Peso)

	2019	2018
PRE-OPERATING EXPENSES		
Professional fee	**29,900**	25,000
Taxes and licenses	**500**	500
Others	**-**	3,750
LOSS	**30,400**	29,250

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	Capital Stock	Deficit	Total
Balance, January 1, 2018	11	625,000	(613,185)	**11,815**
Loss			(29,250)	**(29,250)**
Balance, December 31, 2018	11	**625,000**	**(642,435)**	(17,435)
Loss			(30,400)	**(30,400)**
Balance, December 31, 2019	11	**625,000**	**(672,835)**	**(47,835)**

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	NOTE	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(30,400)**	(29,250)
Increase in input VAT		**(3,588)**	(3,450)
Increase in accrued professional fee		**33,488**	32,200
Net cash used in operating activities		**(500)**	(500)
CASH FLOW FROM FINANCING ACTIVITY			
Advances obtained from a related party	10	**500**	500
NET DECREASE IN CASH		**-**	-
CASH AT BEGINNING OF YEAR		**5,000**	5,000
CASH AT END OF YEAR		**5,000**	5,000

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
NOTES TO SEPARATE FINANCIAL STATEMENTS
December 31, 2019 and 2018

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Invescap Incorporated (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) per SEC Registration No. CS201001042 on January 28, 2010. The Company was registered with the Bureau of Internal Revenue (BIR) per Tax Identification No. 007-584-121-000. The Company is primarily engaged to manage, develop, acquire, sell or operate business related to real estate or any similar property holdings, except dealer and broker of securities.

The Company is wholly-owned by Filipino individuals.

As of December 31, 2019 and 2018, the Company incurred deficits amounting to ₱672,835 and ₱642,435, respectively. Accordingly, the Company has capital deficiency amounting to ₱47,835 and ₱17,435, respectively. These conditions indicate the existence of uncertainties, which may affect the Company's ability to continue as a going concern. However, due to the continued support of the stockholders, the Company will eventually start its commercial operations and recover its losses; thus, the separate financial statements have been prepared on the assumption that the Company will continue as a going concern.

As of December 31, 2019, the Company has not yet started its operations.

The Company's registered office address is located at No. 900, Romualdez Street, Paco, Manila.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Separate Financial Statements

The following new and revised PFRSs have been adopted in these separate financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- PFRS 16, *Leases*

  PFRS 16 replaces PAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease,* SIC 15 *Operating Leases – Incentives* and SIC 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendment clarifies that the exclusion of PFRS 9 applies only to interests a company accounts using the equity method. A company applies PFRS 9 to other interests in associates and joint venture, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

  The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  This amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

The sign of prepayment amount is not relevant (i.e. this is depending on the interest rate prevailing at the time of termination), a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

The amendments are effective for annual periods beginning or after January 1, 2019 and shall be applied retrospectively.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement shall be determined using the assumptions used for the remeasurement. It clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

  The amendments are effective for annual periods beginning on or after January 1, 2019.

- Annual Improvements to PFRSs 2015-2017 Cycle

  Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

  Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from 52A that deals only with situations where there are different tax rates for distributed and undistributed profits.

  Amendments to PAS 23 - Borrowing costs eligible for capitalization – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

  The amendments are effective beginning on or after January 1, 2019.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  It clarifies the accounting for uncertainties in income taxes. An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

  An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

The amendments are effective for annual reporting periods beginning on or after January 1, 2019.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9, *Financial Instruments* and PFRS 15, *Revenue from Contracts with Customers* on or before the date of initial application of PFRS 17.

  An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendments are effective beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

2.02.02 Deferred

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF SEPARATE FINANCIAL STATEMENTS

3.01 Statement of Compliance

The separate financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company presents its separate financial statements using its functional currency.

3.03 Basis of Preparation

The reporting period of the separate financial statements of the Company and its subsidiary is December 31. These separate financial statements are based from the Company's own transactions, exclusive of transactions of the Company's subsidiary. The Company does not prepare consolidated financial statements since acquisition date of its subsidiary.

3.04 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its separate financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

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.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions.

In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Input VAT

Input VAT is recognized when the Company purchases vatable goods and services. This is initially recorded as an asset and measured at 12% of the cost of goods purchased or services availed. The policy of the Company is to offset the input VAT against its output VAT at the end of the year.

4.03 Investment in a Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity known as parent. Control is the exposure or rights, to variable returns from the involvement with an investee and the ability to affect those return through its power over an investee.

Investment in a subsidiary is accounted under the cost method. Under the cost method, the Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

If the Company losses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Company.

4.04 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as an income.

4.05 Financial Liabilities and Equity Instruments

4.05.01 Financial Liabilities

4.05.01.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its separate statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.05.01.02 Classification

The Company classifies all financial liabilities as subsequently measured at amortized cost, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost include accrued professional fee and due to a related party.

4.05.01.03 Derecognition

The Company removes a financial liability (or part of a financial liability) from its separate statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.05.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.06 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.07 Employee Benefits

4.07.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. The Company has no employees in both years. Short-term benefits that maybe given by the Company to its future employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

4.08 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the separate statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.09 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to the Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of an entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.10 Taxation

Income tax expense represents the sum of the current and deferred taxes.

4.10.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.10.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income 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 that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.10.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or an income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.11 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the separate financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the separate financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to separate financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policy

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in separate financial statements.

5.01.01 Assessment of Going Concern

When preparing separate financial statements, Management shall make an assessment of the Company's ability to continue as a going concern. The Company shall prepare separate financial statements on a going concern basis unless Management either intends to liquidate the entity or to cease service, or has no realistic alternative but to do so. When Management is aware in making its assessment of material uncertainties related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, the Company shall disclose those uncertainties. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but is not limited to, twelve (12) months from the end of the reporting period. The degree of consideration depends on the facts in each case. Management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

The Company incurred deficits amounting to ₱672,835 and ₱642,435 as of December 31, 2019 and 2018, respectively. Accordingly, the Company has capital deficiency amounting to ₱47,835 and ₱17,435, respectively. These conditions indicate the existence of uncertainties, which may affect the Company's ability to continue as a going concern. However, due to the continued support of the stockholders, the Company will eventually start its commercial operations and recover its losses; thus, the separate financial statements have been prepared on the assumption that the Company will continue as a going concern.

5.01.02 Assessment of Control

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Company controls an entity when it has the three (3) elements of control as disclosed in Note 4. In making its judgments, the Company considers all facts and circumstances when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Company having eighty-five percent (85%) ownership and voting interest over Da Vinci Capital Holdings, Inc. assessed that it has control over its subsidiary since it has power over the subsidiary, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns. In both years, the carrying amount of investment in a subsidiary amounted to ₱292,502,600, as disclosed in Note 8.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Impairment of Non-financial Assets

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of input VAT and investment in a subsidiary, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management believed that there is no indication of impairment in its input VAT and investment in a subsidiary. As of December 31, 2019 and 2018, the aggregate carrying amounts of the aforementioned assets amounted to ₱292,564,773 and ₱292,561,185, respectively, as disclosed in Notes 7 and 8.

5.02.02 Non-recognition of Deferred Tax Asset

The Company reviews the carrying amount at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of its deferred tax asset to be utilized prior to expiration.

As of December 31, 2019 and 2018, Management believed that the Company would not be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus, the Company did not recognize deferred tax asset amounting to ₱24,255 and ₱21,495, respectively, as disclosed in Note 13.

6. CASH

For the purpose of the separate statements of cash flows, cash pertains only to cash on hand amounting to ₱5,000 in both years.

7. INPUT VAT

The Company's input VAT from professional fee amounted to ₱62,173 and ₱58,585 as of December 31, 2019 and 2018, respectively.

8. INVESTMENT IN A SUBSIDIARY

Details of the Company's investment in a subsidiary accounted under cost method are as follows:

Name of Subsidiary	Principal Activity	Place of Incorporation and Operations	Proportion of Ownership and Voting Interest 2019	2018
Da Vinci Capital Holdings, Inc.	Holding Company	Philippines	**85%**	85%

In January 2013, the Company's Board of Directors approved the acquisition of 85% ownership interest in Da Vinci Capital Holdings, Inc. for a consideration of ₱292,502,600.

In both years, the investment in a subsidiary amounted to ₱292,502,600.

The Company determined that there is no indication that impairment has occurred on its investment in a subsidiary in 2019 and 2018.

9. ACCRUED PROFESSIONAL FEE

As of December 31, 2019 and 2018, accrued professional fee which pertains to audit fee amounted to ₱86,388 and ₱52,900, respectively.

10. RELATED PARTY TRANSACTIONS

The nature of the relationship of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Da Vinci Capital Holdings, Inc.	Subsidiary
Stockholders	Key management personnel

Balances and transactions between the Company and its related parties are disclosed below:

10.01 Due to a Related Party

Balances of due to a related party shown in the separate statements of financial position is summarized below:

10.01.01 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2019		December 31, 2018	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	₱ 500	₱ 292,531,220	₱ 500	₱ 292,530,720

Advances pertain to amount owed to stockholders received for the acquisition of investment in a subsidiary of the Company. The amount is unsecured, non-interest bearing, payable on demand and will be settled in cash. No guarantees have been given for these advances.

10.02 Remuneration of Key Management Personnel

There were no remuneration for the directors and other members of key management personnel in both years.

11. CAPITAL STOCK

The movements of the Company's capital stock are shown below:

	2019		2018	
	Shares	**Amount**	Shares	Amount
Authorized:				
₱100 par value per share	**100,000**	**₱ 10,000,000**	100,000	₱10,000,000
Issued and outstanding:				
₱100 par value per share				
Subscribed	**25,000**	**2,500,000**	25,000	2,500,000
Less: Subscription receivable	**18,750**	**1,875,000**	18,750	1,875,000
Balance, December 31	**6,250**	**₱ 625,000**	6,250	₱ 625,000

Ordinary shares carry one (1) vote per share and a right to dividends.

12. INCOME TAXES

12.01 Income Tax Recognized in Profit or Loss

A numerical reconciliation between tax benefit and the product of accounting loss multiplied by the tax rate in 2019 and 2018 is as follows:

		2019		2018
Accounting loss	₱	**30,400**	₱	(29,250)
Tax benefit at 30%		**9,120**		(8,775)
Tax effect of:				
Non-recognition of DTA from NOLCO		**(9,120)**		8,775
	₱	**-**	₱	-

Details of NOLCO are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2016	₱	21,200	₱	-	₱	-	₱	21,200	₱	-	2019
2017		21,200		-		-		-		21,200	2020
2018		29,250		-		-		-		29,250	2021
2019		30,400		-		-		-		30,400	2022
	₱	**102,050**	₱	**-**	₱	**-**	₱	**21,200**	₱	**80,850**	

In 2019 and 2018, the Company did not recognize NOLCO amounting to ₱30,400 and ₱29,250, respectively.

13. DEFERRED TAX ASSET

As of December 31, 2019 and 2018, Management believed that the Company would not be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus, the Company did not recognize deferred tax asset amounting to ₱24,255 and ₱21,495, respectively.

14. FAIR VALUE MEASUREMENTS

14.01 Fair Value of Financial Asset and Liabilities

The carrying amounts and estimated fair values of the Company's financial asset and financial liabilities as of December 31, 2019 and 2018 are presented below:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Asset:				
Cash	₱ 5,000	₱ 5,000	₱ 5,000	₱ 5,000
Financial Liabilities:				
Accrued professional fee	86,388	86,388	52,900	52,900
Due to a related party	292,531,220	292,531,220	292,530,720	292,530,720
	₱ 292,617,608	₱ 292,617,608	₱ 292,583,620	₱ 292,583,620

The carrying amounts of cash, accrued professional fee and due to a related party approximate their fair values due to either the demand feature or relatively short-term nature.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Management coordinates access to domestic markets, monitors and manages the financial risk relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. This risk pertains to liquidity risk.

The Company seeks to minimize the effects of this risk through appropriate and dedicated investment planning aimed to reduce risk exposure. These parameters include monitoring cash flows and investigation of counterparty's credit quality. Compliance with policies and exposure limits is reviewed by the Treasury on a continuous basis.

The Treasury reports quarterly and monitors risks and policies implemented to mitigate risk exposures.

15.01 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		**Within 1 Year/ On Demand**
December 31, 2019			
Accrued professional fee	-	₱	**86,388**
Due to a related party	-		**292,531,220**
		₱	**292,617,608**
December 31, 2018			
Accrued professional fee	-	₱	52,900
Due to a related party	-		292,530,720
		₱	292,583,620

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2018.

The capital structure of the Company consists of capital stock and deficit

Pursuant to Section 42 of the Revised Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus plus profits in excess of one hundred percent (100%) of their paid-in capital stock, except: 1) when justified by definite corporate expansion projects or programs approved by the board of directors; or 2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or 3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

The Company is in compliance with the above requirement, since the Company is still in its pre-operating stage.

Management reviews the capital structure of the Company on an annual basis. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

The capital structure at end of the reporting period was as follows:

		2019		2018
Capital stock	₱	**625,000**	₱	625,000
Deficit		**(672,835)**		(642,435)
	₱	**(47,835)**	₱	(17,435)

17. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities from financing activities is as follows:

	2019	2018
January 1	**₱ 292,530,720**	₱ 292,530,220
Advances received from a related party	**500**	500
December 31	**₱ 292,531,220**	₱ 292,530,720

18. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved and authorized for issuance by the Board of Directors on June 10, 2020.

19. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Bureau of Internal Revenue (BIR) released revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Separate Financial Statements. Below are the disclosures required by the said Regulation:

19.01 Taxes and Licenses Paid or Accrued

19.01.01 Input VAT

The Company's unclaimed input VAT during the year amounted to ₱62,173.

19.01.02 Taxes and Licenses

The Company's taxes and licenses pertain to the registration fee amounting to ₱500 during the year.

20. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19-2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below is a disclosure required by the said regulation:

20.01 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Professional fee	₱ 29,900
Taxes and licenses	500
	₱ 30,400

"ANNEX E-4"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	0	0	1	0	4	2

Company Name

INVESCAP INCORPORATED

Principal Office (No./Street/Barangay/City/Town)Province)

NO. 900 ROMUALDEZ STREET PACO,
MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
Invescap.incorporated@yahoo.com	(02) 524 - 4451	N A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
Six (6)	10th day of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. EDITHA D. ALCANTARA	N/A	(02) 524 - 4451	N/A

Contact Person's Address

No. 105 11th Ave., East Caloocan City

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

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

RSBA R.S. BERNALDO & ASSOCIATES PKF

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **INVESCAP INCORPORATED** (the "Company"), which comprise the separate statements of financial position as at December 31, 2018 and 2017, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2018 and 2017, and its separate financial performance and its separate cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate 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 the separate financial statements in 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.

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

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

In preparing the separate 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 Audits of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 audits 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 separate 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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 20 and 21, respectively, to the separate financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the Management of **INVESCAP INCORPORATED.** The information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
CEZA Accredited
Valid until September 10, 2020

GLENN J. MAGCALING
Partner
CPA Certificate No. 98624
SEC Group B Accredited
Accreditation No. 1691-A
Valid until July 11, 2021
BIR Accreditation No. 08-007130-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 198-646-943
PTR No. 7341834
Issued on January 8, 2019 at Makati City

September 2, 2019

INVESCAP INCORPORATED

900 Romualdez Street, Paco Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **INVESCAP INCORPORATED** is responsible for the preparation and fair presentation of the financial statements, for the years ended December 31, 2018 and 2017, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the financial statements, and submits the same to the stockholders

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

LUCIO L. CO
Chairman of the Board and President

MA. EDITHA D. ALCANTARA
Treasurer

Signed this 2nd day of September 2019.

OCT 17 2019
RDO CODE - 034
BRANCH CODE 010-...

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

(In Philippine Peso)

	NOTES	2018	2017
A S S E T S			
Current Assets			
Cash	6	**5,000**	5,000
Input VAT	7	**58,585**	55,135
		63,585	60,135
Non-current Asset			
Investment in a subsidiary	8	**292,502,600**	292,502,600
TOTAL ASSETS		**292,566,185**	292,562,735
LIABILITIES AND STOCKHOLDERS' EQUITY			
L I A B I L I T I E S			
Current Liabilities			
Accrued professional fee	9	**52,900**	20,700
Due to a related party	10	**292,530,720**	292,530,220
TOTAL LIABILITIES		**292,583,620**	292,550,920
S T O C K H O L D E R S ' E Q U I T Y			
Capital Stock	11	**625,000**	625,000
Deficit		**(642,435)**	(613,185)
TOTAL STOCKHOLDERS' EQUITY		**(17,435)**	11,815
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**292,566,185**	292,562,735

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2018 and 2017

(In Philippine Peso)

	NOTE	2018	2017
PRE-OPERATING EXPENSES			
Professional fee		**25,000**	18,000
Taxes and licenses		**500**	500
Others		**3,750**	2,700
LOSS BEFORE TAX		**29,250**	21,200
INCOME TAX EXPENSE	12	-	25,349
LOSS		**29,250**	46,549

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018 and 2017

(In Philippine Peso)

	Note	Capital Stock	Deficit	Total
Balance, January 1, 2017	11	625,000	(566,636)	**58,364**
Loss			(46,549)	**(46,549)**
Balance, December 31, 2017	11	**625,000**	**(613,185)**	**11,815**
Loss			(29,250)	**(29,250)**
Balance, December 31, 2018	11	**625,000**	**(642,435)**	**(17,435)**

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	NOTE	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(29,250)**	(21,200)
Increase in input VAT		**(3,450)**	(2,484)
Increase (Decrease) in accrued professional fee		**32,200**	(52,100)
Net cash used in operating activities		**(500)**	(75,784)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances obtained from a related party	10	**500**	75,284
Repayments made to a related party	10	**-**	(619,500)
Net cash from (used in) financing activities		**500**	(544,216)
NET DECREASE IN CASH		**-**	(620,000)
CASH AT BEGINNING OF YEAR		**5,000**	625,000
CASH AT END OF YEAR		**5,000**	5,000

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
NOTES TO SEPARATE FINANCIAL STATEMENTS
December 31, 2018 and 2017

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Invescap Incorporated (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) per SEC Registration No. CS201001042 on January 28, 2010. The Company was registered with the Bureau of Internal Revenue (BIR) per Tax Identification No. 007-584-121-000. The Company is primarily engaged to manage, develop, acquire, sell or operate business related to real estate or any similar property holdings, except dealer and broker of securities.

The Company is owned by Filipino individuals.

As of December 31, 2018, the Company has not yet started its operations.

The Company's registered office address is located at No. 900, Romualdez Street, Paco, Manila.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Separate Financial Statements

The following new and revised PFRSs have been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- PFRS 9, *Financial Instruments (2014)*

  PFRS 9, amended on July 24, 2014, made limited amendments to the requirements for classification and measurement of financial assets and requirements for impairment.

The amendments introduce a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. Also it introduced impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. These requirements eliminate the threshold that was in PAS 39 for the recognition of credit losses. Under the impairment approach in PFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

PFRS 9 supersedes PFRS 9 (2009), PFRS 9 (2010) and PFRS 9 (2013) and is effective for annual periods beginning on or after January 1, 2018. This is applied retrospectively in accordance with the transition requirements of this standard.

The details of the effect of adoption of PFRS 9 are disclosed in Note 18.

- PFRS 15, *Revenue from Contracts with Customers*

PFRS 15 issued on May 28, 2016, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve such, an entity should first identify the contract with a customer; secondly, identify the separate performance obligations in the contract; third is to determine the transaction price; then allocate the transaction price to the separate performance obligations in the contract; and lastly, recognize revenue when (or as) the entity satisfies a performance obligation. The proposed standard also includes requirements for accounting for some costs that are related to a contract with customer.

PFRS 15 requires disclosures of the quantitative and qualitative information about contract with customers (e.g. revenue recognized, reconciliation of contract balances, types of goods and services, significant payment terms, timing of satisfying the obligation), performance obligations, assets recognized from the costs to obtain or fulfill a contract with the customers, significant judgments made in applying the requirements, policy decisions made related to time value of money and costs to obtain or fulfill the contract and the information about the methods, inputs and assumptions used to determine the transaction price and allocation of amounts to performance obligations.

PFRS 15 is effective for annual periods beginning on or after January 1, 2018 and is applied retrospectively in accordance with the transition requirements of this standard.

- Amendments to PAS 40, *Transfers of Investment Property*

The amendment states that a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

The amendments are effective for annual periods beginning on or after January 1, 2018. Retrospective application is permitted if that is possible without the use of hindsight.

- Amendments to PFRS 15, *Clarifications to PFRS 15*

  The amendments clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal or an agent, and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

  The amendments are effective for annual periods beginning on or after January 1, 2018.

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

  The amendments address concerns about issues arising from implementing PFRS 9, *Financial Instruments*, before the new insurance contracts Standard comes into effect. Two options for entities that issue insurance contracts within the scope of PFRS 4 were provided, an option to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets and an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4.

  An entity would apply the overlay approach retrospectively to qualifying financial assets when it first applies PFRS 9.

  An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018. The deferral can only be used for the three years following January 1, 2018.

- Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*

  The amendments clarify the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and modification to the terms and conditions of share-based payment transactions that will result to change in classification from cash-settled to equity-settled.

  The amendments are effective for annual periods beginning on or after January 1, 2018. Retrospective application is permitted if elected for all of the aforementioned amendments and other criteria are met.

- Annual Improvements to PFRSs 2014 - 2016 Cycle

  <u>Amendment to PFRS 1 - Deletion of short-term exemptions for first-time adopters</u> – Deleted some of the short-term exemptions from PFRSs in Appendix E of PFRS 1 after those short-term exemptions have served their intended purpose.

Amendment to PAS 28 - Measuring an associate or joint venture at fair value – Clarified that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with PAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds.

The amendments are effective for annual periods beginning on or after January 1, 2018.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  This clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency.

  The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction s established for each payment or receipt.

  The amendments are effective for annual periods beginning on or after January 1, 2018 and applied retrospectively or prospectively in accordance with the transition requirements of this IFRIC.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 16, *Leases*

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019, however, earlier application is permitted.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendment clarifies that the exclusion of PFRS 9 applies only to interests a company accounts using the equity method. A company applies PFRS 9 to other interests in associates and joint venture, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

The amendments are effective for annual periods beginning on or after January 1, 2019 and shall be applied retrospectively. Earlier application is permitted.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  This amends the existing requirements in PFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

  The sign of prepayment amount is not relevant (i.e. this is depending on the interest rate prevailing at the time of termination), a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

  The amendments are effective for annual periods beginning or after January 1, 2019 and shall be applied retrospectively. Earlier application is permitted.

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

2.02.02 Standard Adopted by FRSC but pending for Approval of the BOA

- PFRS 17, *Insurance Contracts*

  PFRS 17 sets out the requirements that an entity should apply in reporting information about insurance contracts it issues and reinsurance contracts it holds. It requires an entity that issues insurance contracts to report them on the balance sheet as the total of the fulfilment cash flows and the contractual service margin. It requires an entity to provide information that distinguishes two ways insurers earn profits from insurance contracts: the insurance service result and the financial result. It requires an entity to report as insurance revenue the amount charged for insurance coverage when it is earned, rather than when the entity receives premium. It requires that insurance revenue to exclude the deposits that represent the investment of the policyholder, rather than an amount charged for services. Similarly, it requires the entity to present deposit repayments as settlements of liabilities rather than as insurance expense.

PFRS 17 is effective for annual periods beginning on or after January 1, 2021. Early application is permitted for entities that apply PFRS 9 Financial Instruments and PFRS 15 Revenue from Contracts with Customers on or before the date of initial application of PFRS 17.

An entity shall apply PFRS 17 retrospectively unless impracticable, except that an entity is not required to present the quantitative information required by paragraph 28(f) of PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and an entity shall not apply the option in paragraph B115 for periods before the date of initial application of PFRS 17. If, and only if, it is impracticable, an entity shall apply either the modified retrospective approach or the fair value approach.

- Amendments to PFRS 3, *Definition of a Business*

  The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. It narrows the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing reference to an ability to reduce costs. It adds guidance and illustrative examples to help entities assess whether a substantive process has been acquired. It removes the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. It adds an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  The amendments are effective beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 1 and PAS 8, *Definition of Material*

  The definition of material has been amended as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

  The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

- Amendments to PAS 19, *Plan Amendment, Curtailment or Settlement*

  The amendments require that if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the period after the remeasurement shall be determined using the assumptions used for the remeasurement. It clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding asset ceiling.

  The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

- Annual Improvements to PFRSs 2015-2017 Cycle

  Amendments to PFRS 3 and PFRS 11 - Previously held interest in a joint operation – The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interest in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interest in that business.

  Amendments to PAS 12 - Income tax consequences of payments on financial instruments classified as equity – The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from 52A that deals only with situations where there are different tax rates for distributed and undistributed profits.

  Amendments to PAS 23 - Borrowing costs eligible for capitalization – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

  The amendments are effective beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  It clarifies the accounting for uncertainties in income taxes. An entity is required to use judgment to determine whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty.

  An entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

  An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF SEPARATE FINANCIAL STATEMENTS

3.01 Statement of Compliance

The separate financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company presents its separate financial statements using its functional currency.

3.03 Basis of Preparation

The reporting period of the separate financial statements of the Company and its subsidiary is December 31. These financial statements are prepared as a separate financial statements only.

3.04 Current and Non-current Presentation

The Company classifies an asset as current when:

- It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- It holds the asset primarily for the purpose of trading;
- It expects to realize the asset within twelve (12) months after the reporting period; or
- The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

The Company classifies all other assets as non-current.

The Company classifies a liability as current when:

- It expects to settle the liability in its normal operating cycle;
- It holds the liability primarily for the purpose of trading;
- The liability is due to be settled within twelve (12) months after the reporting period; or
- It does not have an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its separate financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Fair Value Measurement

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.

When measuring fair value the Company takes into consideration the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement assumes that the transaction to sell the asset or liability is exchanged in an orderly transaction between market participants to sell the asset or transfer the liability at the measurement date under current market conditions. In addition, it assumes that the transaction takes place either: (a) in the principal market; or (b) in the absence of a principal market, in the most advantageous market.

The Company considers the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient date are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

4.02 Financial Assets

4.02.01 Initial Recognition and Measurement

The Company recognizes a financial asset in its separate statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

Except for trade receivables that do not have a significant financing component, at initial recognition, the Company measures a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset.

At initial recognition, the Company measures trade receivables that do not have a significant financing component at their transaction price.

4.02.02 Classification

➢ Financial Asset at Amortized Cost

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

- the financial asset is held within 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.

The Company's financial assets at amortized cost include cash only.

a) Cash

Cash pertains to cash deposit held at call with bank that is subject to insignificant risk of change in value. This shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

The Company has no financial assets measured either at fair value through profit or loss or other comprehensive income in both years.

4.02.03 Reclassification

When, and only when, the Company changes its business model for managing financial assets it shall reclassify all affected financial assets in accordance with Note 4.02.02. If the Company reclassifies financial assets, it shall apply the reclassification prospectively from the reclassification date. The Company shall not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

4.02.04 Effective Interest Method

Interest revenue is calculated by using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for: purchased or originated credit-impaired financial assets and financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired.

4.02.05 Impairment

The Company measures expected losses of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable assumption that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The Company adopted the general approach in accounting for impairment.

- General Approach

  At each reporting date, the Company measures the loss allowance for a financial asset at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition. However, if the credit risk has not increased significantly, the Company measures the loss allowance equal to 12-month expected credit losses.

  The Company compares the risk of default occurring as at the reporting date with the risk of default occurring as at the date of initial recognition and consider the macro-economic factors such as GDP, interest, and inflation rates to determine whether there is a significant increase in credit risk or not since initial recognition.

  The Company determines that there has been a significant increase in credit risk when there is a significant decline in the factors.

  If the Company has measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date, that the credit quality improves (i.e. there is no longer a significant increase in credit risk since initial recognition), then the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

  The Company recognizes in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date.

  The Company performs the assessment of significant increases in credit risk on an individual basis.

  The Company determines that a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

  - Significant financial difficulty of the counterparty;
  - A breach of contract, such as a default or past due event;
  - The lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; and
  - It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization.

  The Company applies general approach to cash in bank.

4.02.06 Derecognition

The Company derecognizes a financial asset when, and only when the contractual rights to the cash flows of the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition. The difference between the carrying amount and the consideration received is recognized in profit or loss.

4.02.07 Write-off

The Company directly reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

4.03 Input VAT

Input VAT is recognized when the Company pays all VATable transactions. This is initially recorded as an asset and measured at the amount of cash paid. Subsequently, this may be offset against the output VAT.

4.04 Investment in a Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity known as parent. Control is the exposure or rights, to variable returns from the involvement with an investee and the ability to affect those return through its power over an investee.

Investment in a subsidiary is accounted under the cost method. Under the cost method, the Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

If the Company losses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Company.

4.05 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than financial asset that is within the scope of PFRS 9, *Financial Instruments*, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and the value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as an income.

4.06 Financial Liabilities and Equity Instruments

4.06.01 Financial Liabilities

4.06.01.01 Initial Recognition and Measurement

The Company recognizes a financial liability in its separate statements of financial position when, and only when, the Company becomes party to the contractual provisions of the instrument.

Except for trade payables that do not have a significant financing component, at initial recognition, the Company measures a financial liability at its fair value minus, in the case of financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the liability.

4.06.01.02 Derecognition

The Company removes a financial liability (or part of a financial liability) from its separate statements of financial position when, and only when, it is extinguished (i.e. when the obligation in the contract is discharged or cancelled or expires).

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4.06.01.03 Classification

The Company classifies all financial liabilities as subsequently measured at amortized, except for:

- financial liabilities at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in a business combination.

The Company's financial liabilities measured at amortized cost include accrued professional fee and due to a related party.

The Company does not have financial liabilities measured at fair value through profit and loss.

4.06.02 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.07 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.08 Employee Benefits

4.08.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. The Company has no employees in both years. Short-term benefits that maybe given by the Company to its future employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

4.09 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the separate statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.10 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to the Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of an entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.11 Taxation

Income tax expense represents the sum of the current and deferred taxes.

4.11.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.11.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income 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 that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.11.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or an income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.12 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the separate financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the separate financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to separate financial statements when material.

4.13 Changes in Accounting Policies

The adoption of the new and revised standards and interpretations disclosed in Note 2.01 was made in accordance with their transitional provisions; otherwise, the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgments in Applying Accounting Policy

Below are the critical judgments, apart from those involving estimations that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in separate financial statements.

5.01.01 Assessment of Control

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Company controls an entity when it has the three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. In making its judgments, the Company considers all facts and circumstances when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Company has 85% ownership and voting rights over Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)*, assessed that it has control over its subsidiary since it has power over the subsidiary, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns during current year. In both years, the carrying amount of investment in a subsidiary amounted to ₱292,502,600, as disclosed in Note 8.

5.01.02 Assessment of Contractual Terms of a Financial Asset

The Company determines whether the contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. In making its judgments, the Company considers whether the cash flows before and after the changes in timing or in the amount of payments represent only payments of principal and interest on the principal amount outstanding.

Management assessed that the contractual terms of its financial asset is solely payment of principal and interest and consistent with basic lending arrangement. In both years, the Company's financial asset amounted to ₱5,000, as disclosed in Note 15.01.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Estimating Expected Credit Loss of Financial Asset

The Company evaluates the expected credit losses related to its financial asset based on an individual assessment and available facts and circumstances, including, but not limited to historical experience, macro-economic factors, industry performance, and financial information.

The Company uses credit ratings, performance of banking industry, macro-economic and bank's financial information to assess the expected credit losses on its cash in banks. In view of the foregoing factors, Management believed that the expected credit loss is nil.

As of December 31, 2018 and 2017, the carrying amounts of financial asset measured at amortized cost both amounted to ₱5,000, respectively, as disclosed in Note 15.01.

5.02.02 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of input VAT and investment in a subsidiary, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management believed that there is no indication of impairment in the value of its input VAT and investment in a subsidiary. As of December 31, 2018 and 2017, the carrying amounts of the aforementioned assets amounted to ₱292,561,185 and ₱292,557,735, respectively, as disclosed in Notes 7 and 8.

5.02.03 Non-recognition of Deferred Tax Asset

The Company reviews the carrying amount at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of its deferred tax asset to be utilized prior to expiration.

As of December 31, 2018 and 2017, Management believed that the Company would not be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus, the Company did not recognize deferred tax asset amounting to ₱8,775 and ₱18,270, respectively, as disclosed in Note 13.

6. CASH

For the purpose of the separate statements of cash flows, cash pertains only to cash in bank both amounting to ₱5,000 as of December 31, 2018 and 2017.

Cash in bank is a checking account and earns no interest.

7. INPUT VAT

The Company's input VAT from professional fee amounted to ₱58,585 and ₱55,135 as of December 31, 2018 and 2017, respectively.

8. INVESTMENT IN A SUBSIDIARY

Details of the Company's investment in a subsidiary accounted under cost method are as follows:

Name of Subsidiary	Principal Activity	Place of Incorporation and Operations	Proportion of Ownership and Interest 2018	2017
Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)*	Holding Company	Philippines	**85%**	85%

In January 2013, the Company's Board of Directors approved the acquisition of 85% ownership interest in Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)* for a consideration of ₱292,502,600.

As of December 31, 2018 and 2017, investment in a subsidiary both amounted to ₱292,502,600.

9. ACCRUED PROFESSIONAL FEE

As of December 31, 2018 and 2017, accrued professional fee amounted to ₱52,900 and ₱20,700, respectively.

10. RELATED PARTY TRANSACTIONS

The nature of the relationship of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)*	Subsidiary
Stockholders	Key management personnel

Balances and transactions between the Company and its related parties are disclosed below:

10.01 Due to a Related Party

Balances of due to a related party shown in the separate statements of financial position is summarized below:

10.01.01 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2018		December 31, 2017	
	Amount/ Volume	**Outstanding Balance**	Amount/ Volume	Outstanding Balance
Stockholders				
Advances	**₱ 500**	**₱ 292,530,720**	₱ 76,284	₱ 292,530,220

Advances pertain to amount owed to stockholders received for the acquisition of investment in a subsidiary of the Company. The amount is unsecured, non-interest bearing, payable on demand and will be settled in cash. No guarantees have been given for these advances.

The Company made payments to its stockholders amounting to nil and ₱619,500 in 2018 and 2017, respectively.

10.02 Remuneration of Key Management Personnel

There were no remuneration for the directors and other members of key management personnel in both years.

11. CAPITAL STOCK

The movements of the Company's capital stock are shown below:

	2018		2017	
	Shares	**Amount**	Shares	Amount
Authorized:				
₱100 par value per share	**100,000**	**₱ 10,000,000**	100,000	₱ 10,000,000
Issued and outstanding:				
₱100 par value per share				
Subscribed	**25,000**	**2,500,000**	25,000	2,500,000
Less: Subscription receivable		**1,875,000**		1,875,000
Balance, December 31		**₱ 625,000**		₱ 625,000

Ordinary shares carry one (1) vote per share and a right to dividends.

12. INCOME TAXES

12.01 Income Tax Recognized in Profit or Loss

The Company's income tax expense in 2018 and 2017 amounted to nil and ₱25,349, respectively.

A numerical reconciliation between tax expense and the product of accounting loss multiplied by the tax rate in 2018 and 2017 is as follows:

		2018		2017
Accounting loss	₱	**(29,250)**	₱	(21,200)
Tax benefit at 30%		**(8,775)**		(6,360)
Tax effect of:				
Non-recognition of DTA from NOLCO		**8,775**		6,360
Expiration of DTA from NOLCO		-		13,439
Derecognition of DTA from NOLCO		-		11,910
	₱	-	₱	25,349

Details of NOLCO are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2015	₱	18,500	₱	-	₱	-	₱	18,500	₱	-	2018
2016		21,200		-		-		-		21,200	2019
2017		21,200		-		-		-		21,200	2020
2018		29,250		-		-		-		29,250	2021
	₱	**90,150**	**₱**	**-**	**₱**	**-**	**₱**	**18,500**	**₱**	**71,650**	

In 2018 and 2017, the Company did not recognize NOLCO amounting to ₱29,250 and ₱21,200, respectively.

13. DEFERRED TAX ASSET

As of December 31, 2018 and 2017, Management believed that the Company would not be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus, the Company did not recognize deferred tax asset amounting to ₱8,775 and ₱18,270, respectively.

As of December 31, 2018 and 2017, the Company's deferred tax asset from NOLCO is detailed as follows:

		2018		2017
Balance, January 1	₱	-	₱	25,349
Recognized to profit or loss		-		(25,349)
Balance, December 31	₱	-	₱	-

14. FAIR VALUE MEASUREMENTS

14.01 Fair Value of Financial Asset and Liabilities

The carrying amounts and estimated fair values of the Company's financial asset and financial liabilities as of December 31, 2018 and 2017 are presented below:

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Asset:				
Cash	₱ 5,000	₱ 5,000	₱ 5,000	₱ 5,000
Financial Liabilities:				
Accrued professional fee	52,900	52,900	20,700	20,700
Due to a related party	292,530,720	292,530,720	292,530,220	292,530,220
	₱ 292,583,620	₱ 292,583,620	₱ 292,550,920	₱ 292,550,920

The carrying amounts of cash, accrued professional fee and due to a related party approximate their fair values due to either the demand feature or relatively short-term nature.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Management coordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks through appropriate and dedicated investment planning aimed to reduce risk exposure. These parameters include monitoring cash flows and investigation of counterparty's credit quality. Compliance with policies and exposure limits is reviewed by the Treasury on a continuous basis.

The Treasury reports quarterly and monitors risks and policies implemented to mitigate risk exposures.

15.01 Credit Risk Management

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is mainly exposed to credit risk from cash in bank measured at amortized cost.

The Company considers the following policy to manage its credit risk:

- Banks

  The Company transacts only to banks with investment grade credit rating. This information is supplied by independent rating agencies. The Company uses other publicly available information such as annual report to monitor the financial status of the banks. The Company assesses the current and forecast information of the banking industry and the macro-economic factors such as GDP, interest, and inflation rates to determine the possible impact to banks.

Financial asset measured at amortized cost pertains to cash in bank amounting to ₱5,000 in 2018 and 2017.

The calculation of allowance for expected credit losses are based on the following three (3) components:

- Probability of Default (PD)

  PD is the likelihood over a specified period, usually 90 days for customers and one year for service providers that they will not be able to make scheduled repayments. PD depends not only on the counterpart's characteristics, but, also on the economic environment. PD may be estimated using historical data and statistical techniques.

- Loss Given Default (LGD)

  LGD is the amount of money a company loses when a bank defaults. The most frequently used method to calculate this loss is by comparing the actual total losses and the total amount of potential exposure sustained at the time that a contract goes into default.

- Exposure at default (EAD)

  EAD is the total value a company is exposed to when a loan defaults. It refers to the carrying amount of financial asset.

Below is the summary of computation of allowance for expected credit loss in 2018:

	PD rate A	LGD rate b	EAD c	ECL d=a*b*c
Cash in bank	0.00%	0.00% to 99.22%	₱ 5,000	₱ -

Cash in bank

The Company determined the probability of default rate by considering the following: the credit ratings; the past, current, and forecast performance of banking industry; the past, current, and forecast macro-economic factors that may affect the banks; and the current and projected financial information. The Company estimated the probability of default to be nil.

Loss given default rate is calculated by taking into consideration the amount of insured deposit and estimated it to be 0.00% to 99.22%.

Exposure at default is equal to the gross carrying amount of cash in bank.

15.02 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate		Within 1 Year/ On Demand
December 31, 2018			
Accrued professional fee	-	₱	52,900
Due to a related party	-		292,530,720
		₱	292,583,620
December 31, 2017			
Accrued professional fee	-	₱	20,700
Due to a related party	-		292,530,220
		₱	292,550,920

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate		Within 1 Year/ On Demand
December 31, 2018			
Cash	-	₱	5,000
December 31, 2017			
Cash	-	₱	5,000

The amounts included above for variable interest rate instruments for non-derivative financial assets is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2017.

The capital structure of the Company consists equity (comprising capital stock and deficit).

Pursuant to Section 43 of the Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus plus profits in excess of one hundred percent (100%) of their paid-in capital stock, except: 1) when justified by definite corporate expansion projects or programs approved by the board of directors; or 2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or 3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

The Company is in compliance with the above requirement, since the Company is still in its pre-operating stage.

Management reviews the capital structure of the Company on an annual basis. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

The capital structure at end of the reporting period was as follows:

		2018		2017
Capital stock	₱	**625,000**	₱	625,000
Deficit		**(642,435)**		(613,185)
	₱	**(17,435)**	₱	11,815

17. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities from financing activities is as follows:

		2018		2017
January 1	₱	**292,530,220**	₱	293,074,436
Advances received from a related party		**500**		75,284
Repayments of advances from a related party		**-**		(619,500)
December 31	₱	**292,530,720**	₱	292,530,220

18. CHANGE IN ACCOUNTING POLICY

Adoption of PFRS 9 Financial Instruments

PFRS 9 introduces the following new requirements or improvements: the single classification and measurement approach; the forward-looking expected credit loss model; the accounting for "own credit issue" of financial liabilities measured at fair value through profit or loss; and the improved hedge accounting model to better link the economics of risk management with its accounting treatment.

The Company's financial asset consist of cash only. In prior years under PAS 39, this was classified as loans and receivables, which was subsequently measured at amortized cost. Under PFRS 9, the classification of financial asset is determined on the basis of business model within which they are held and their contractual cash flow characteristics. Based on the assessment, the contractual cash flow characteristics of these financial assets is solely for payments of principal and interest and consistent with the basic lending arrangement. While, the Company's business model is to hold these financial asset in order to collect contractual cash flows. Hence, these are classified under amortized cost category.

The Company has no financial assets at fair value through other comprehensive income and at fair value through profit or loss.

The Company's financial liabilities consist of accrued professional fee and due to a related party. In prior years under PAS 39, these were classified under other financial liabilities, which were subsequently measured at amortized cost. Under PFRS 9, these are classified under amortized cost category.

The Company has no financial liabilities at fair value though profit or loss. Hence, it is not affected by the accounting requirements for own credit issue.

In prior years under PAS 39, the Company adopted the incurred loss model to measure impairment of its financial asset. Under PFRS 9, the Company adopted the expected credit loss model. The Company applies general approach to cash in banks.

The Company does not have hedge transactions. Hence, it is not affected by the new disclosure requirements under PFRS 9.

The adoption of PFRS 9 has no significant impact in 2017 separate statement of comprehensive income and cash flows and on January 1, 2017 retained earnings.

19. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved and authorized for issuance by the Board of Directors on September 2, 2019.

20. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Bureau of Internal Revenue (BIR) released revenue regulation dated November 25, 2010 amending Revenue Regulations No. 21-2002 setting forth additional disclosures on Notes to Separate Financial Statements. Below are the disclosures required by the said Regulation:

20.01 Taxes and Licenses Paid or Accrued

20.01.01 Input VAT

The Company's unclaimed input VAT during the year amounted to ₱58,585.

20.01.02 Other taxes and licenses

The Company's other taxes and licenses pertains to the registration fee amounting to ₱500 during the year.

21. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19-2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosure required by the said regulation:

21.01 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Professional fees	₱	25,000
Taxes and licenses		500
Others		3,750
	₱	**29,250**

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

We have examined the separate financial statements of **INVESCAP INCORPORATED** for the years ended December 31, 2018 and 2017 on which we have rendered the attached report dated September 2, 2019.

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

In compliance with Securities Regulation Code Rule 68, we are stating that the above Company has a total number of one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 10, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
CEZA Accredited
Valid until September 10, 2020

GLENN J. MAGCALING
Partner
CPA Certificate No. 98624
SEC Group B Accredited
Accreditation No. 1691-A
Valid until July 11, 2021
BIR Accreditation No. 08-007130-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 198-646-943
PTR No. 7341834
Issued on January 8, 2019 at Makati City

September 2, 2019

"ANNEX E-5"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	0	0	1	0	4	2

Company Name

INVESCAP INCORPORATED

Principal Office (No./Street/Barangay/City/Town)Province)

NO. 900 ROMUALDEZ STREET PACO,
MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
N/A	(02) 524 - 4451	N A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
Six (6)	10th day of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MA. EDITHA D. ALCANTARA	n/a	(02) 524 - 4451	N/A

Contact Person's Address

No. 105 11th Ave., East Caloocan City

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

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **INVESCAP INCORPORATED** (the "Company"), which comprise the separate statements of financial position as at December 31, 2017 and 2016, and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate 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 the separate financial statements in 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.

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

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

In preparing the separate 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 separate financial reporting process.

Auditors' Responsibilities for the Audits of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate 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 PSAs 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, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

- Identify and assess the risks of material misstatement of the separate 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 audits 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 separate 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.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 and 19-2011 in Notes 19 and 20, respectively, to the separate financial statements, is presented for purposes of filing with Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of the Management of **INVESCAP INCORPORATED.** The information has been subjected to the auditing procedures applied in our audits of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 21, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
IC Accreditation No. F-2016/002-R
Valid until August 30, 2019
CEZA Accredited
Valid until July 12, 2019

GLENN J. MAGCALING
Partner
CPA Certificate No. 98624
SEC Group B Accredited
Accreditation No. 1691-A
Valid until July 11, 2021
BIR Accreditation No. 08-007130-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 198-646-943
PTR No. 7341834
Issued on January 8, 2019 at Makati City

April 10, 2019

-U.N AVENUE BR.
BRANCH CODE 030-101
Teller's Initial

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

We have examined the separate financial statements of **INVESCAP INCORPORATED** for the years ended December 31, 2017 and 2016 on which we have rendered the attached report dated April 10, 2019.

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

In compliance with Securities Regulation Code Rule 68, we are stating that the above Company has a total number of one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 21, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
IC Accreditation No. F-2016/002-R
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GLENN J. MAGCALING
Partner
CPA Certificate No. 98624
SEC Group B Accredited
Accreditation No. 1691-A
Valid until July 11, 2021
BIR Accreditation No. 08-007130-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 198-646-943
PTR No. 7341834
Issued on January 8, 2019 at Makati City

April 10, 2019

INVESCAP INCORPORATED

900 Romualdez Street, Paco Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR SEPARATE FINANCIAL STATEMENTS

The Management of **INVESCAP INCORPORATED** is responsible for the preparation and fair presentation of the separate financial statements for the years ended December 31, 2017 and 2016, in accordance with the Philippine Financial Reporting Standards, and for such internal control as Management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the separate financial statements and submits the same to the stockholders.

R.S. Bernaldo & Associates, the independent auditor appointed by the stockholders, has audited the separate financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

LUCIO L. CO	**MA. EDITHA D. ALCANTARA**
Chairman of the Board/ President	Treasurer

Signed this 10th day of April 2019.

-U.N. AVENUE BR

JUN 19 20

RDC

BRANCH CODE 0-101

Teller No. Teller's initial

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF FINANCIAL POSITION
December 31, 2017 and 2016

(In Philippine Peso)

	NOTES	2017	2016
ASSETS			
Current Assets			
Cash	6	**5,000**	625,000
Input VAT	7	**55,135**	52,651
		60,135	677,651
Non-current Assets			
Investment in a subsidiary	8	**292,502,600**	292,502,600
Deferred tax asset	13	**-**	25,349
		292,502,600	292,527,949
TOTAL ASSETS		**292,562,735**	293,205,600
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accrued professional fee	9	**20,700**	72,800
Due to a related party	10	**292,530,220**	293,074,436
TOTAL LIABILITIES		**292,550,920**	293,147,236
STOCKHOLDERS' EQUITY			
Capital Stock	11	**625,000**	625,000
Deficit		**(613,185)**	(566,636)
TOTAL STOCKHOLDERS' EQUITY		**11,815**	58,364
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**292,562,735**	293,205,600

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2017 and 2016

(In Philippine Peso)

	NOTE	2017	2016
PRE-OPERATING EXPENSES			
Professional fee		**18,000**	18,000
Taxes and licenses		**500**	500
Others		**2,700**	2,700
LOSS BEFORE TAX		**21,200**	21,200
INCOME TAX EXPENSE	12	**25,349**	134,116
LOSS		**46,549**	155,316

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	Note	Capital Stock	Deficit	Total
Balance, January 1, 2016		625,000	(411,320)	**213,680**
Loss			(155,316)	**(155,316)**
Balance, December 31, 2016	11	**625,000**	**(566,636)**	**58,364**
Loss			(46,549)	**(46,549)**
Balance, December 31, 2017	11	**625,000**	**(613,185)**	**11,815**

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
SEPARATE STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2017 and 2016
(In Philippine Peso)

	NOTE	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(21,200)**	(21,200)
Increase in input VAT		**(2,484)**	-
Increase (Decrease) in accrued professional fee		**(52,100)**	2,700
Net cash used in operating activities		**(75,784)**	(18,500)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances obtained from a related party	10	**75,284**	18,500
Repayments made to a related party	10	**(619,500)**	-
Net cash from (used in) operating activities		**(544,216)**	18,500
NET DECREASE IN CASH		**(620,000)**	-
CASH AT BEGINNING OF YEAR		**625,000**	625,000
CASH AT END OF YEAR		**5,000**	625,000

(See Notes to Separate Financial Statements)

INVESCAP INCORPORATED
NOTES TO SEPARATE FINANCIAL STATEMENTS
December 31, 2017 and 2016

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Invescap Incorporated (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) per SEC Registration No. CS201001042 on January 28, 2010. The Company was registered with the Bureau of Internal Revenue per Tax Identification No. 007-584-121-000. The Company is primarily engaged to manage, develop, acquire, sell or operate business related to real estate or any similar property holdings, except dealer and broker of securities.

The Company is owned by Filipino individuals.

As of December 31, 2017, the Company has not yet started its operations.

The Company's registered office address is located at No. 900, Romualdez Street, Paco, Manila.

2. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The Philippine Financial Reporting Standards Council (FRSC) approved the issuance of new and revised Philippine Financial Reporting Standards (PFRS). The term "PFRS" in general includes all applicable PFRS, Philippine Accounting Standards (PAS), and Interpretations issued by the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the FRSC and adopted by SEC.

These new and revised PFRS prescribe new accounting recognition, measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with their transitional provisions, otherwise the adoption is accounted for as change in accounting policy under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

2.01 New and Revised PFRSs Applied with No Material Effect on the Separate Financial Statements

The following new and revised PFRSs have also been adopted in these separate financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Amendments to PAS 7, *Disclosure Initiative*

  The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash charges.

  Effective for annual periods beginning on or after January 1, 2017 and shall be applied prospectively.

- Amendments to PAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that unrealized losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

In addition, these clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

Effective for annual periods beginning on or after January 1, 2017 and shall be applied retrospectively.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Company will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

2.02.01 Standard Adopted by FRSC and Approved by the Board of Accountancy (BOA)

- PFRS 9, *Financial Instruments (2014)*

  PFRS 9, amended on July 24, 2014, made limited amendments to the requirements for classification and measurement of financial assets and requirements for impairment.

  The amendments introduce a 'fair value through other comprehensive income' measurement category for particular simple debt instruments. Also it introduced impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. These requirements eliminate the threshold that was in PAS 39 for the recognition of credit losses. Under the impairment approach in PFRS 9 it is no longer necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

  PFRS 9 supersedes PFRS 9 (2009), PFRS 9 (2010) and PFRS 9 (2013) and is effective retrospectively for annual periods beginning on or after January 1, 2018, with earlier application permitted.

- PFRS 10, *Consolidated Financial Statements and* PAS 28, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments clarify the treatment of the sale or contribution of assets between an investor and its associate and joint venture. This requires an investor in its financial statements to recognize in full the gains and losses arising from the sale or contribution of assets that constitute a business while recognize partial gains and losses if the assets do not constitute a business (i.e. up to the extent only of unrelated investor share).

  On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- PFRS 16, *Leases*

  Introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  On the other hand, it substantially carries forward the lessor accounting requirements in PAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

  Effective for annual periods beginning on or after January 1, 2019, however, earlier application is permitted.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 issued on May 28, 2016, outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

  The core principle of the revenue model is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve such, an entity should first identify the contract with a customer; secondly, identify the separate performance obligations in the contract; third is to determine the transaction price; then allocate the transaction price to the separate performance obligations in the contract; and lastly, recognize revenue when (or as) the entity satisfies a performance obligation. The proposed standard also includes requirements for accounting for some costs that are related to a contract with customer.

  PFRS 15 requires disclosures of the quantitative and qualitative information about contract with customers (e.g. revenue recognized, reconciliation of contract balances, types of goods and services, significant payment terms, timing of satisfying the obligation), performance obligations, assets recognized from the costs to obtain or fulfill a contract with the customers, significant judgments made in applying the requirements, policy decisions made related to time value of money and costs to obtain or fulfill the contract and the information about the methods, inputs and assumptions used to determine the transaction price and allocation of amounts to performance obligations.

  PFRS 15 is effective from January 1, 2018. Earlier application is permitted.

- Amendments to PFRS 2, *Classification and Measurement of Share-based Payment Transactions*

  The amendments clarify the accounting for the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and modification to the terms and conditions of share-based payment transactions that will result to change in classification from cash-settled to equity-settled.

  The amendments are effective for annual periods beginning on or after January 1, 2018. Retrospective application is permitted if elected for all of the aforementioned amendments and other criteria are met.

- Amendments to PFRS 4, *Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*

  The amendments address concerns about issues arising from implementing PFRS 9, *Financial Instruments*, before the new insurance contracts Standard comes into effect. Two options for entities that issue insurance contracts within the scope of PFRS 4 were provided, an option to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets and an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4.

  An entity would apply the overlay approach retrospectively to qualifying financial assets when it first applies PFRS 9.

  An entity would apply the deferral approach for annual periods beginning on or after January 1, 2018. The deferral can only be used for the three years following January 1, 2018.

- Amendments to PFRS 15, *Clarifications to PFRS 15*

  The amendments clarify how to identify a performance obligation in a contract, how to determine whether a company is a principal or an agent and how to determine whether the revenue from granting a license should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

- PIC Q&A No. 2016-04 Application of PFRS 15 *"Revenue from Contracts with Customers"* on Sale of Residential Properties under Pre-completion Contracts

  This Q&A applies to the accounting for revenue from sale of a residential property unit under pre-completion stage (e.g., construction is on-going or has not yet commenced) by a real estate developer that enters into a Contract to Sell (CTS) with a buyer, and the developer has determined that the contract is within the scope of PFRS 15 by satisfying all the criteria in paragraph 9 of PFRS 15.

  This Q&A does not deal with the accounting for other aspects of real estate sales such as variable considerations, financing components, commissions and other contract costs, timing of sales of completed project, etc.

  The consensus in this Q&A is effective on the same date as the effective date of PFRS 15, *Revenue from Contracts with Customers.*

2.02.02 Standard Adopted by FRSC but pending for Approval of the BOA

- Amendments to PAS 40, *Transfers of Investment Property*

  The amendment states that a property under construction or development that was previously classified as inventory could be transferred to investment property when there was an evident change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property.

  The amendments are effective for periods beginning on or after January 1, 2018. Earlier application is permitted.

- IFRIC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

  IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

- IFRIC Interpretation 23, *Uncertainty Over Income Tax Treatments*

  IFRIC 23 clarifies the accounting treatment for uncertainties in income taxes.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted.

- Annual Improvements to PFRSs 2014 - 2016 Cycle

  PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – Deleted some of the short-term exemptions from PFRSs in Appendix E of PFRS 1 after those short-term exemptions have served their intended purpose.

  PFRS 12, *Disclosure of Interests in Other Entities* – Clarified that the disclosure requirements in PFRS 12 apply to an entity's interests in other entities when those interests are classified as held for sale or discontinued operations in accordance with IFRS 5 *"Non-current Assets Held for Sale or Discontinued Operations"*.

  PAS 28, *Investments in Associates and Joint Ventures* – Clarified that an entity has an investment-by-investment choice for measuring investees at fair value in accordance with PAS 28 by a venture capital organization, or a mutual fund, unit trust or similar entities including investment linked insurance funds.

  The amendments to PFRS 1 and PAS 28 are effective for annual periods beginning on or after January 1, 2018, the amendment to PFRS 12 for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

- PIC Q&A No. 2017-01

  This Q&A No. 2017-01 sets out the changes (i.e., amendments or withdrawal) to certain PIC Q&As. These changes are made as a consequence of the issuance of new Philippine Financial Reporting Standards (PFRS) and amendments to certain existing PFRS that are effective as of December 31, 2017. The consequential amendments are set out in the same section as the amended PIC Q&As attached to this Q&A No. 2017-01. In addition, a marked-up copy of the amended PIC Q&A showing the changes made (i.e., new text is underlined and deleted text is struck through) is attached as an appendix to the amended PIC Q&A.

  The effective date of the amendments is included in the Q&As affected.

3. BASIS FOR THE PREPARATION AND PRESENTATION OF SEPARATE FINANCIAL STATEMENTS

3.01 Statement of Compliance

The separate financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for certain financial instruments that are carried at amortized cost.

3.02 Functional and Presentation Currency

Items included in the separate financial statements of the Company are measured using Philippine Peso (₱), the currency of the primary economic environment in which the Company operates (the "functional currency").

The Company presents its separate financial statements using its functional currency.

3.03 Basis of Preparation

The reporting period of the separate financial statements of the Company and its subsidiary is December 31. These financial statements are prepared as a separate financial statements only. However, the Company also prepares consolidated financial statements which are available for public use.

4. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Company in the preparation of its separate financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

4.01 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets that are subsequently measured at amortized cost, and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: financial assets' at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial asset pertains to cash only.

4.01.01 Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis.

4.01.02 Amortized Cost

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

4.01.03 Cash

Cash pertains to checking account held at call with bank that is measured at the face value of cash or other consideration expected to be paid or received and does not interest.

4.01.04 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider; or
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment has not been recognized.

4.01.05 Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

4.02 Input VAT

Input VAT is recognized when the Company pays all VATable transactions. This is initially recorded as an asset and measured at the amount of cash paid. Subsequently, this may be offset to output VAT.

4.03 Investment in a Subsidiary

A subsidiary is an entity, including an unincorporated entity such as a partnership, that is controlled by another entity known as parent. Control is the exposure or rights, to variable returns from the involvement with an investee and the ability to affect those return through its power over an investee.

Investment in a subsidiary is accounted under the cost method. Under the cost method, the Company recognizes as income the dividends received that are distributed from net accumulated earnings of the investee since the date of acquisition by the investor. Dividends received that are in excess of the earnings subsequent to the date of acquisition are not income and therefore considered as return or reduction of investment.

If the Company losses control of a subsidiary, the Company recognizes any investment retained in the former subsidiary at its fair value at the date when control is lost or recognizes any resulting difference as a gain or loss in profit or loss attributable to the Company.

4.04 Impairment of Assets

At each reporting date, the Company assesses whether there is any indication that any assets other than deferred tax asset and financial asset that is within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as an income.

4.05 Financial Liabilities and Equity Instruments

4.05.01 Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

4.05.02 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Company's financial liabilities include accrued professional fee and due to a related party.

4.05.03 Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired. The difference between the carrying amounts of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4.05.04 Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity.

4.06 Provisions

Provisions are recognized when the Company has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.07 Employee Benefits

4.07.01 Short-term Benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. The Company has no employees during the year. Short-term benefits that maybe given by the Company to its future employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

4.08 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the Company.

The Company recognizes expenses in the separate statements of comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

4.09 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Company that is preparing its financial statements. A person or a close member of that person's family is related to the Company if that person has control or joint control over the Company, has significant influence over the Company, or is a member of the key management personnel of the Company or of a parent of the Company.

An entity is related to the Company if any of the following conditions applies:

- The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of an entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

4.10 Taxation

Income tax expense represents the sum of the current and deferred taxes.

4.10.01 Current Tax

Current tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statements of income and deficit because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.10.02 Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income 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 that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

4.10.03 Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or an income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.11 Events after the Reporting Period

The Company identifies subsequent events as events that occurred after the reporting period but before the date when the separate financial statements were authorized for issue. Any subsequent events that provide additional information about the Company's position at the reporting period, adjusting events, are reflected in the separate financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to separate financial statements when material.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Company's accounting policies, which are disclosed in Note 4, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and the associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and the underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

5.01 Critical Judgment in Applying Accounting Policy

Below is the critical judgment, apart from those involving estimations that Management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in separate financial statements.

5.01.01 Assessment of Control

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The Company controls an entity when it has the three elements of control: (a) power over the investee; (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns. In making its judgments, the Company considers all facts and circumstances when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

The Company has 85% ownership and voting rights over Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)*, assessed that it has control over its subsidiary since it has power over the subsidiary, exposure or rights to variable returns from its involvement and ability to use its power to affect the component of its returns during current year. In both years, the carrying amount of investment in a subsidiary amounted to ₱292,502,600, as disclosed in Note 8.

5.02 Key Sources of Estimation Uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5.02.01 Asset Impairment

The Company performs an impairment review when certain impairment indicators are present. Determining the fair value of input VAT and investment in a subsidiary, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the separate financial statements. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In both years, Management believes that there is no indication of impairment in the value of its input VAT and investment in a subsidiary. As of December 31, 2017 and 2016, the carrying amounts of the aforementioned assets amounted to ₱292,557,735 and ₱292,555,201, respectively, as disclosed in Notes 7 and 8.

5.02.02 Non-recognition of Deferred Tax Asset

The Company reviews the carrying amount at each reporting date and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of its deferred tax asset to be utilized prior to expiration.

As of December 31, 2017, Management believed that the Company would not be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus, the Company did not recognize deferred tax asset amounting to ₱18,270, as disclosed in Note 13.

As of December 31, 2016, Management believed that the Company would be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus the Company recognized deferred tax asset amounting ₱25,349, as disclosed in Note 13.

As of 2017 and 2016, deferred tax asset from NOLCO amounted to nil and ₱25,349, as disclosed in Note 13.

6. CASH

For the purpose of the separate statements of cash flows, cash pertains only to cash in bank amounting to ₱5,000 and ₱625,000 in 2017 and 2016, respectively.

Cash in bank is a checking account and earns no interest.

7. INPUT VAT

The Company's input VAT from professional fee amounted to ₱55,135 and ₱52,651 as of December 31, 2017 and 2016, respectively.

8. INVESTMENT IN A SUBSIDIARY

Details of the Company's investment in a subsidiary accounted under cost method are as follows:

Name of Subsidiary	Principal Activity	Place of Incorporation and Operations	Proportion of Ownership and Interest 2017	2016
Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)*	Holding Company	Philippines	**85%**	85%

As of December 31, 2017 and 2016, investment in a subsidiary both amounted to ₱292,502,600.

9. ACCRUED PROFESSIONAL FEE

As of December 31, 2017 and 2016, accrued professional fee amounted to ₱20,700 and ₱72,800, respectively.

10. RELATED PARTY TRANSACTIONS

The nature of the relationship of the Company and its related parties are disclosed below:

Related Parties	Nature of Relationship
Da Vinci Capital Holdings, Inc. *(Formerly: Mariwasa Siam Holdings, Inc.)*	Subsidiary
Stockholders	Key management personnel

Balances and transactions between the Company and its related parties are disclosed below:

10.01 Due to a Related Party

Balances of due to a related party shown in the separate statements of financial position is summarized below:

10.01.01 Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2017				December 31, 2016			
		Amount/ Volume		Outstanding Balance		Amount/ Volume		Outstanding Balance
Stockholders								
Advances	₱	76,284	₱	292,530,220	₱	18,500	₱	293,074,436

Advances pertain to amount owed to stockholders received for the acquisition of investment in subsidiary of the Company. The amount is unsecured, non-interest bearing, payable on demand and will be settled in cash. No guarantees have been given for these advances.

The Company made payments to its stockholders amounting to ₱619,500 and nil in 2017 and 2016, respectively.

10.02 Remuneration of Key Management Personnel

There were no remuneration for the directors and other members of key management personnel in both years.

11. CAPITAL STOCK

The movements of the Company's capital stock are shown below:

	2017		2016	
	Shares	**Amount**	Shares	Amount
Authorized:				
₱100 par value per share	**100,000**	**₱ 10,000,000**	100,000	₱ 10,000,000
Issued and outstanding:				
₱100 par value per share				
Subscribed	**25,000**	**2,500,000**	25,000	2,500,000
Less: Subscription receivable	**18,750**	**1,875,000**	18,750	1,875,000
Balance, December 31	**6,250**	**₱ 625,000**	6,250	₱ 625,000

Ordinary shares carry one (1) vote per share and a right to dividends.

12. INCOME TAXES

12.01 Income Tax Recognized in Profit or Loss

The Company's income tax expense in 2017 and 2016 amounted to ₱25,349 and ₱134,116, respectively.

A numerical reconciliation between tax expense and the product of accounting loss multiplied by the tax rate in 2017 and 2016 is as follows:

		2017		2016
Accounting loss	₱	**(21,200)**	₱	(21,200)
Tax benefit at 30%		**(6,360)**		(6,360)
Tax effect of:				
Expiration of DTA from NOLCO		**13,439**		140,476
Derecognition of DTA from NOLCO		**11,910**		-
Nonrecognition of DTA from NOLCO		**6,360**		-
	₱	**25,349**	₱	134,116

Details of NOLCO are as follows:

Year Incurred		Amount		Applied Previous Year		Applied Current Year		Expired		Unapplied	Expiry Date
2014	₱	44,798	₱	-	₱	-	₱	44,798	₱	-	2017
2015		18,500		-		-		-		18,500	2018
2016		21,200		-		-		-		21,200	2019
2017		21,200		-		-		-		21,200	2020
	₱	**105,698**	₱	**-**	₱	**-**	₱	**44,798**	₱	**60,900**	

During the year, the Company did not recognize NOLCO amounting to ₱21,200.

13. DEFERRED TAX ASSET

As of December 31, 2017, Management believed that the Company would not be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus, the Company did not recognize deferred tax asset amounting to ₱18,270.

As of December 31, 2016, Management believed that the Company would be able to generate future taxable profit that would allow its deferred tax asset to be fully utilized prior to its expiration; thus the Company recognized deferred tax asset amounting ₱25,349.

As of December 31, 2017 and 2016, the Company's deferred tax asset from NOLCO is detailed as follows:

		2017		2016
Balance, January 1	₱	**25,349**	₱	159,465
Recognized to profit or loss		**(25,349)**		(134,116)
Balance, December 31	₱	**-**	₱	25,349

14. FAIR VALUE MEASUREMENTS

14.01 Fair Value of Financial Liabilities

The carrying amounts and estimated fair values of the Company's financial asset and financial liabilities as of December 31, 2017 and 2016 are presented below:

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Asset:				
Cash	₱ 5,000	₱ 5,000	₱ 625,000	₱ 625,000
Financial Liabilities:				
Accrued professional fee	₱ 20,700	₱ 20,700	₱ 72,800	₱ 72,800
Due to a related party	292,530,220	292,530,220	293,074,436	293,074,436
	₱ 292,550,920	₱ 292,550,920	₱ 293,147,236	₱ 293,147,236

The carrying amounts of cash, accrued professional fee and due to a related party approximate their fair values due to either the demand feature or relatively short-term nature.

15. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Management coordinates access to domestic markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including credit risk and liquidity risk.

The Company seeks to minimize the effects of these risks through appropriate and dedicated investment planning aimed to reduce risk exposure. These parameters include monitoring cash flows and investigation of counterparty's credit quality. Compliance with policies and exposure limits is reviewed by the Treasury on a continuous basis.

The Treasury reports quarterly and monitors risks and policies implemented to mitigate risk exposures.

15.01 Credit Risk Management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors annually

In 2017 and 2016, the carrying amount of cash in bank recognized in the separate financial statements amounting to ₱5,000 and ₱625,000, respectively, represents the Company's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

The credit risk is limited because counterparty is a bank with high-credit ratings.

The Company does not hold any collateral or other credit enhancements to cover this credit risk.

15.02 Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Company may be required to pay.

	Weighted Average Effective Interest Rate	Within 1 Year/ On Demand
December 31, 2017		
Accrued professional fee	-	**₱ 20,700**
Due to a related party	-	**292,530,220**
		₱ 292,550,920
December 31, 2016		
Accrued professional fee	-	₱ 72,800
Due to a related party	-	293,074,436
		₱ 293,147,236

The following table details the Company's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Weighted Average Effective Interest Rate	Within 1 Year/ On Demand
December 31, 2017		
Cash	-	**₱ 5,000**
December 31, 2016		
Cash	-	₱ 625,000

The amounts included above for variable interest rate instruments for non-derivative financial assets is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists equity (comprising capital stock and deficit).

Pursuant to Section 43 of the Corporation Code of the Philippines, stock corporations are prohibited from retaining surplus plus profits in excess of one hundred percent (100%) of their paid-in capital stock, except: 1) when justified by definite corporate expansion projects or programs approved by the board of directors; or 2) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its/his consent, and such consent has not yet been secured; or 3) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

The Company is in compliance with the above requirement, since the Company is still in its pre-operating stage.

Management reviews the capital structure of the Company on an annual basis. As part of this review, Management considers the cost of capital and the risks associated with each class of capital.

The capital structure at end of the reporting period was as follows:

	2017	2016
Capital	₱ **625,000**	₱ 625,000
Deficit	**(613,185)**	(566,636)
	₱ **11,815**	₱ 58,364

17. RECONCILIATION OF LIABILITIES FROM FINANCING ACTIVITIES

Reconciliation of liabilities from financing activities is as follows:

January 1, 2017	₱ 293,074,436
Advances received from related parties	75,284
Repayments of advances from related parties	(619,500)
December 31, 2017	₱ **292,530,220**

18. APPROVAL OF SEPARATE FINANCIAL STATEMENTS

These separate financial statements were approved and authorized for issuance by the Board of Directors on April 10, 2019.

19. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Bureau of Internal Revenue (BIR) released revenue regulation dated November 25, 2010 amending Revenue Regulations No. 210-02002 setting forth additional disclosures on Notes to Separate Financial Statements. Below are the disclosures required by the said Regulation:

19.01 Taxes and Licenses Paid or Accrued

19.01.01 Input VAT

The Company's unclaimed input VAT during the year amounted to ₱55,135.

19.01.02 Other taxes and licenses

The Company's other taxes and licenses pertains to the registration fee amounting to ₱500 during the year.

20. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION NO. 19-2011

Pursuant to Section 244 in relation to Section 6(H) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations are prescribed to revise BIR Form 1702 setting forth the following schedules. Below are the disclosure required by the said regulation:

20.01 Itemized Deductions

The following is an analysis of the Company's itemized deductions for the taxable year:

Professional fees	₱	18,000
Taxes and licenses		500
Other		2,700
	₱	**21,200**

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
INVESCAP INCORPORATED
No. 900 Romualdez Street
Paco, Manila

We have examined the separate financial statements of **INVESCAP INCORPORATED** for the years ended December 31, 2017 and 2016 on which we have rendered the attached report dated April 10, 2019.

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

In compliance with Securities Regulation Code Rule 68, we are stating that the above Company has a total number of one (1) stockholder owning one hundred (100) or more shares.

R.S. BERNALDO & ASSOCIATES
BOA/PRC No. 0300
Valid until October 21, 2021
SEC Group A Accredited
Accreditation No. 0153-FR-3
Valid until September 6, 2020
BSP Group B Accredited
Valid until 2018 audit period
CDA CEA No. 0013-AF
Valid until December 12, 2019
IC Accreditation No. F-2016/002-R
Valid until August 30, 2019
CEZA Accredited
Valid until July 12, 2019

GLENN J. MAGCALING
Partner
CPA Certificate No. 98624
SEC Group B Accredited
Accreditation No. 1691-A
Valid until July 11, 2021
BIR Accreditation No. 08-007130-001-2018
Valid from February 12, 2018 until February 11, 2021
Tax Identification No. 198-646-943
PTR No. 7341834
Issued on January 8, 2019 at Makati City

April 10, 2019