The Keepers

May 16, 2023

Securities and Exchange Commission
PICC Complex, Roxas Boulevard, Pasay City

Attention: **Mr. Vicente Graciano P. Felizmenio, Jr.**
Director, Markets and Securities and Regulation Department

Philippine Stocks Exchange
6/F, PSE Tower, 5th Avenue corner 28th Street
Bonifacio Global City, Taguig City

Attention: **Ms. Alexandra T. Wong**
OIC, Disclosure Department

Gentlemen:

For submission is the attached Amended Definitive Information Statement ("DIS") (SEC Form 20-IS) of The Keepers Holdings, Inc. for its forthcoming Annual Stockholders' Meeting scheduled on May 30, 2023, at 10 am.

For ease of reference, the Company's reply to the Commission's comments on the Definitive Information Statement is summarized below:

Comments	**Company's Reply**
Minutes of the previous Stockholders' Meeting	Please see Annex "H" of the Amended DIS
Dates of Committee Meetings	Please see page 18 of the Amended DIS
Aggregate Per Diem Allowance of Directors	Please see page 10 of the Amended DIS
First Quarter Financial Report 2023 (SEC 17-Q)	Please see Annex "I" of the Amended DIS
High and Low of Share Price for the Q1- 2023	Please see page 14 of the Amended DIS
Undertaking	Please see page 18 of the Amended DIS

Thank you.

Very truly yours,

Atty. Candy H. Dacanay – Datuon
Assistant Corporate Secretary

COVER SHEET

0000024015
SEC Registration Number

THE KEEPERS HOLDINGS, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

(Business Address: No. Street City/Town/Province)

CANDY H. DACANAY-DATUON
(Contact Person)

(63) 917 861 2459
(Company Telephone Number)

12 31
Month **Day**

AMENDED SEC FORM 20-IS
(Form Type)

05 30
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowing

Total No. of Stockholders

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20 - IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   [ ] Preliminary Information Statement
   [x] Amended Definitive Information Statement

2. **THE KEEPERS HOLDINGS, INC.**
   Name of Registrant as specified in its charter

3. **No. 900 Romualdez St., Paco, Manila**
   Province, country, or other jurisdiction of incorporation or organization

4. **24015**
   SEC Identification Number

5. **000-282-553**
   BIR Tax Identification Code

6. **No. 900 Romualdez St., Paco, Manila** **1007**
   Address of principal office Postal Code

7. **0917 861 2459**
   Registrant's telephone number, including area code:

8. **May 30, 2023, Tuesday, 10 am, Via Zoom Online Meeting**
   Date, time, and place of the meeting of security holders

9. **May 8, 2023**
   Approximate date on which the Information Statement is first to be sent or given to security holders

10. In case of Proxy Solicitations: **We are not asking for Proxy Solicitations.**

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on the number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt
Common Share	**14,508,750,313**

12. Are any or all of the registrant's securities listed in a Stock Exchange?

    Yes [x] No [ ]

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein: **Philippine Stock Exchange, common shares.**

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Notice is hereby given that the Annual Stockholders' Meeting of **THE KEEPERS HOLDINGS, INC.** will be on May 30, 2023, at 10:00 am, via Zoom Online Meeting.

AGENDA

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2022
4. Presentation of Annual Report and Approval of 2022 Audited Financial Statements
5. Election of Regular Directors and Independent Directors
6. Re-appointment of an External Auditor and fixing its remuneration
7. Other Matters
8. Adjournment

Only stockholders of record, as of May 10, 2023, are entitled to notice of, and vote at, this meeting.

Pursuant to the Company's bylaws and resolution of the Board of Directors dated April 17, 2023, the annual stockholders' meeting will be held entirely online or virtual. Stockholders may participate in the meeting by remote communication, by voting *in absentia*, or by appointing the Chairman of the meeting as their proxy. The Information Statement will be accessible on the Company website, www.thekeepers.com.ph, starting May 8, 2023.

The stockholders attending by proxies should e-mail their duly accomplished proxies to corporate.secretary@thekeepers.com.ph or send original hard copies of proxies to the Office of the Assistant Corporate Secretary, The Keepers Holdings, Inc., No. 900 Romualdez St., Paco, Manila 1007 on or before May 25, 2023, and stockholders attending by remote communication should notify the Company on or before May 25, 2023. The Information Statement will provide the requirements and procedures for participating in the meeting.

The Company's Stock Transfer Agent will validate the votes on May 26, 2023, at 3:00 pm, at the Office of the Assistant Corporate Secretary, The Keepers Holdings, Inc., No. 900 Romualdez St., Paco, Manila 1007.

Manila, Philippines, April 20, 2023.

CANDY H. DACANAY – DATUON
Assistant Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. Call to Order
The Chairman of the meeting, Mr. Lucio L. Co, will welcome the stockholders and formally open the meeting at 10:00 am.

2. Certification of Notice and Quorum
The Secretary, Candy H. Dacanay, will certify that the notice of the meeting was sent to the stockholders on record in accordance with the Company's bylaws, by posting on the Company website and the Philippine Stock Exchange Edge platform. She will also certify that there is a quorum to transact business in the meeting.

3. Approval of Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management
The result of the last Annual Meeting is posted on the Company website. A resolution presenting the Minutes and ratifying the acts and resolutions of the Board of Directors and Management since the last stockholders' meeting will be submitted for stockholders' approval.

4. Presentation of Annual Report and Approval of the 2022 Consolidated Audited Financial Statements
A video will be shown to the stockholders to present the Company's 2022 Annual Report and Consolidated Audited Financial Statements to the stockholders. A resolution ratifying the Annual Report and the 2022 Consolidated Audited Financial Statements will be presented to the stockholders for their approval.

5. Election of Regular and Independent Directors
The Chairman of the meeting will announce the names of the nominees for the election of directors and will open the floor for stockholders' voting. The nominees for directors are:

a. Mr. Lucio L. Co
b. Mr. Jose Paulino L. Santamarina
c. Ms. Camille Clarisse P. Co
d. Ms. Jannelle O. Uy
e. Mr. Robin Derrick C. Chua
f. Mr. Enrico S. Cruz as Independent Director
g. Mr. Edgardo G. Lacson as Independent Director

The profile of the nominees will be provided in the Information Statement.

6. Re-appointment of an External Auditor and fixing its remuneration
A resolution to appoint R.G. Manabat & Company (KPMG) with payment of up to P1.2 million as External Auditor of the Company will be presented for stockholders' approval.

7. Other Matters
The Chairman will open the floor for any questions from the stockholders.

PART 1: INFORMATION REQUIRED IN THE INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) May 30, 2023, Tuesday, 10:00 AM, via Zoom Meeting
Principal Office: No. 900 Romualdez St., Paco, Manila 1007

(b) The Information Statement will be available on the Company's website, www.thekeepers.com.ph, beginning on May 8, 2023[1].

We are not asking for a proxy, and you are requested not to send us a proxy.

Item 2. Dissenters' Right of Appraisal

Under Section 80, Title X of the Revised Corporation Code, any stockholder shall have the right to dissent and demand payment of the fair value of the shares in the following instances:

a) In case of an amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
b) In case of a sale, lease, exchange, transfer, mortgage, pledge, or other disposition of all or substantially all the corporate property and assets;
c) In case of merger or consolidation; and
d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

However, there are no matters or actions to be taken up at the meeting that may give rise to a possible exercise by stockholders of their appraisal rights.

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

a) No director, officer, nominee, or any associate of the foregoing person has a substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election or appointment to office.
b) No director, officer, nominee, or any associate of the foregoing person has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting and indicate the action which he intends to oppose.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

(a) Number of outstanding shares as of March 31, 2023:
14,508,750,313 common shares
Number of votes entitled: one (1) vote per share

(b) All stockholders on record, as of May 10, 2023, shall be entitled to vote in the meeting.

[1] Definitive Information Statement will be distributed to stockholders by posting the Notice of Meeting and the Information Statement on the Company website and the PSE Edge following Section 3, Article II of the Company's bylaws.

(c) Section 23 of the Revised Corporation Code states that stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the Company as of record date. The said stockholder may: (a) vote such number of shares for as many as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by a number of shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. Provided, that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the books of the Company multiplied by the whole number of directors to be elected.

(d) Security Ownership of Certain Beneficial Owners and Management

1. Security ownership of more than 5% of the stock of the Company as of March 31, 2023:

Title of Class	Name, Address of record owner	Relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	%
Common	Cosco Capital, Inc.[2] No. 900 Romualdez St., Paco, Manila	Stockholder/ Parent Company	Parent Company	Filipino	11,250,000,000	77.54%
Common	SB Equities, Inc. Security Bank Centre, 6776 Ayala Avenue, Makati City	Stockholder/ Not related	Acting for various clients	Non-Filipino	1,231,832,306	8.49%

2. Security Ownership of Directors and Executive Officers of the Company as of March 31, 2023:

Title of Class	Name of Beneficial Owner	Position	Nature of beneficial ownership	Citizenship	Number of shares	%
Common	Lucio L. Co	Chairman	Direct	Filipino	1	0.00%
Common	Jose Paulino L. Santamarina	President	Direct	Filipino	8,000,023	0.06%
Common	Camille Clarisse P. Co	Director	Direct	Filipino	1,500,023	0.01%
Common	Robin Derrick C. Chua	Director	Direct	Filipino	1,000,023	0.01%
Common	Jannelle O. Uy	Director	Direct	Filipino	2,000,023	0.01%
Common	Enrico S. Cruz	Independent Director	Direct	Filipino	2,750,023	0.02%
Common	Bienvenido E. Laguesma	Independent Director	Direct	Filipino	23	0.00%
Common	Imelda G. Lacap	Comptroller	Direct	Filipino	1,600,000	0.01%
Common	Ma. Editha D. Alcantara	Treasurer	Direct	Filipino	1,000,000	0.01%
Common	Baby Gerlie I. Sacro	Corporate Secretary	Direct	Filipino	0	0%
Common	Candy H. Dacanay	Assistant Corporate Secretary	Direct	Filipino	520,000	0.00%
Common	Abigael D. Lintag	Internal Auditor	Direct	Filipino	14,000	0.00%

3. None of the officers or directors have any voting trust agreement for their ownership of the Company's stocks.

4. There has been no change in control of the Company in the last fiscal period.

5. Foreign ownership level as of March 31, 2023: 424,791,324 or 2.93% of the outstanding capital stock of the Company.

[2] Mr. Lucio L. Co will vote on behalf of Cosco Capital, Inc.

Item 5. Directors and Executive Officers

(a) Attendance of Directors in 2022:

Director	Attendance	Percentage
Mr. Lucio L. Co	9/9	100%
Mr. Jose Paulino L. Santamarina	9/9	100%
Ms. Camille Clarisse P. Co	9/9	100%
Ms. Jannelle O. Uy	9/9	100%
Mr. Robin Derrick C. Chua	9/9	100%
Mr. Enrico S. Cruz	9/9	100%
Mr. Bienvenido E. Laguesma[3]	4/5	80%

(b) The Company has three Board Committees:

1. Executive Committee:
   Chairman: Mr. Lucio L. Co
   Members: Mr. Jose Paulino L. Santamarina, Ms. Camille Clarisse P. Co, Ms. Jannelle O. Uy, and Mr. Robin Derrick C. Chua

2. Audit Committee:
   Chairman: Mr. Enrico S. Cruz
   Members: Mr. Bienvenido Laguesma and Mr. Jose Paulino L. Santamarina

3. Corporate Governance Committee:
   Chairman: Mr. Bienvenido E. Laguesma
   Members: Mr. Enrico S. Cruz and Mr. Lucio L. Co

(c) The following are the nominees for the election of regular directors:

Mr. Lucio L. Co
Mr. Jose Paulino L. Santamarina
Ms. Camille Clarisse P. Co
Ms. Jannelle O. Uy
Mr. Robin Derrick C. Chua

The following are the nominees for the election of independent directors:

Mr. Enrico S. Cruz as Independent Director
Mr. Edgardo G. Lacson as Independent Director

Mr. Co nominated Mr. Cruz and Mr. Lacson as Independent Directors of the Company during the meeting of the Corporate Governance Committee held on April 14, 2023 and May 1, 2023. On the favorable recommendation of the Corporate Governance Committee, the Board of Directors approved their nomination on April 17 and May 2, 2023 meetings.

Presented below are the business profile of the nominees for the election of directors:

Lucio L. Co, Filipino, 68 years old
Mr. Co has been the Chairman of the Board of the Company since 2013. Mr. Co is currently the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc. He is also the Chairman of Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, PG Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Makabayan Holdings Incorporated, Union Energy Corporation, and Union Equities, Inc. He is a Director of

[3] Resigned effective June 30, 2022.

these companies: Bacolod Real Estate Development Corporation, Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation, Illido Management Corporation, KMC Realty Corporation, Negros Water Company, Patagonia Holdings Corp., PPCI Subic, Inc., S&R Pizza Harbor Point, Inc., S&R Pizza, Inc., and VS Gripal Power Corporation. He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc. Mr. Co holds positions in other PSE-listed companies: Chairman of Cosco Capital, Inc. and Puregold Price Club, Inc. and Director of Philippine Bank of Communications. Mr. Co has been an entrepreneur for the past 40 years.

Mr. Jose Paulino L. Santamarina, Filipino, 59 years old
Mr. Santamarina was elected President of the Company on February 19, 2021. He was the former President of Premier Wines and Spirits, Inc., one of the leading companies in the imported wine and spirits industry and a company he helped co-found in 1996. And before Premier, Mr. Santamarina was the Chief Financial Officer (1988-1996) of CMG Marketing, Inc., a subsidiary of United Distillers Ltd., the precursor of what is now known as Diageo. CMG was a pioneer in the imported wine and spirits industry established during the early stages of market liberalization in 1986. He started as an auditor for the professional firm SGV from 1984 to 1988. He concurrently holds directorship and officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph Distributors Corp., Pamana Consortium, Inc., Pamana Water Corporation, Premier Wine and Spirits, Inc. (Chairman and President), San Jose City I Power Corp., Southern Utility Management and Services Incorporation, Technowater Corporation, and VS Gripal Power Corporation. Mr. Santamarina graduated from Ateneo de Davao University with a Bachelor of Science in Accountancy degree in 1984. He is a Certified Public Accountant.

Ms. Camille Clarisse P. Co, Filipino, 34 years old
Ms. Co has been one of the Directors of the Company since 2020. Ms. Co is currently the Chairman and President of Meritus Prime Distributions, Inc., one of the subsidiaries of the Company. She is also a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc. Ms. Co is a graduate of De La Salle University with a degree of Bachelor of Arts in Psychology in 2009.

Ms. Jannelle O. Uy, Filipino, 34 years old
Ms. Uy has been one of the Directors of the Company since 2020. Ms. Uy is the Chairman and President of Montosco, Inc., one of the subsidiaries of the Company. Her previous experience includes working as a Key Account Manager at Unilever Philippines from 2009 to 2013. She graduated from De La Salle University with a degree in Applied Corporate Management in 2009.

Mr. Robin Derrick C. Chua, Filipino, 33 years old
Mr. Chua has been one of the Directors of the Company since 2020. Mr. Chua has been the Managing Director of Premier Wine and Spirits, Inc., one of the subsidiaries of the Company, from 2018 up to the present. He also worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018. He graduated from Ateneo de Manila University with a degree of Bachelor in Management and a Minor in Entrepreneurship in 2012.

Mr. Enrico S. Cruz, Filipino, 65 years old[4]

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[4] The Certification of Independent Director of Mr. Cruz is hereto attached as Annex "E".

Mr. Cruz has been an Independent Director of the Company since 2020. Mr. Cruz is currently an Independent Director of Security Bank Corporation, where he is also the Chairman of the Risk Oversight Committee and Vice Chairman of the Audit Committee, Member Nominations, Remuneration Committee, and Finance Committee. He is the incumbent Vice Chairman and a member of the Engagement and Underwriting Committee of SB Capital Investment Corporation. He is also an Independent Director of AREIT, Inc (Ayala Land REIT Company), where he chairs the Audit Committee and is a member of the Related Party Transactions, Corporate Governance and Nominations, and Risk Oversight Committees. Mr. Cruz is also an Independent Director of Maxicare Corporation and a member of the Audit and Related Party Transactions Committees. He is also an Independent Director of DITO CME Holdings Corp., Maxilife Insurance Corporation, Inc., and Robinsons Retail Holdings, Inc. He is part of the Board of Directors of CIBI Information Inc. Mr. Cruz's previous experience includes being the Chief Country Officer (CCO) of Deutsche Bank AG Manila Branch from 2003 until his retirement in 2019. Before he joined Deutsche Bank, he was a Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A. He was a Director of the Bankers Association of the Philippines (BAP) from 2003 to 2007 and 2011 to 2015. He was again elected to the Board of the BAP and was appointed 2nd Vice President and Secretary from 2017 to 2020. Ås a BAP Director, he was likewise the Chairman of the Capital Markets Committee (2017-2019) and Open Market Committee (2019-2020). Mr. Cruz was also a Director of Deutsche Knowledge Services RHQ, Deutsche Regis Partners, Philippine Dealing and Exchange Corporation, and Philippines Securities Settlement Corporation. He is also a past President of the Money Market Association. He obtained his B.S. in Business Economics and MBA from the University of the Philippines. The UP College of Business named him a Distinguished Alumnus in 2008 and a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association.

Mr. Edgardo G. Lacson, Filipino, 79 years old[5]
Mr. Lacson is currently the Chairman of Employers' Confederation of the Philippines, MIL Export Philippines, Inc. and Metrostores, Inc., President of MIS Maritime Corporation, Marine Industry Supply Corp., Safe Seas Shipping Agency Co., Inc., Director of Link Edge, Independent Director of Global Ferronickel Holdings, Inc. and Double Dragon Meridian Park – REIT, and a Member of the Board of Trustees of the University of Makati. He served as Independent Director of Puregold Price Club, Inc. from 2011 to 2022, Trustee of the Philippine Interisland Shipping Association from 1994 to 2022, and Director of The Philippine Stock Exchange from 2011 to 2017. He graduated from the Dela Salle College in 1965 with a degree of Bachelor of Science, major in Accounting, and an MBA candidate. Mr. Lacson is a Certified Public Accountant. This is the first time Mr. Lacson is nominated as an Independent Director of the Company.

Presented below are the Executive Officers' Business Profiles:

Ms. Baby Gerlie I. Sacro, Filipino, 44 years old
Ms. Sacro has been the Corporate Secretary of the Company since 2021. She is a Polytechnic University of the Philippines graduate with a Bachelor of Science in Entrepreneurial Management.

Ms. Imelda Lacap, Filipino, 44 years old
Ms. Lacap has been the Comptroller of the Company since 2021. She used to be an Audit Officer at Puregold Price Club, Inc. from 2001 to 2006. She graduated from Centro Escolar University – Malolos with a Bachelor of Science in Accountancy degree in 1998. She is a Certified Public Accountant.

Ms. Candy H. Dacanay, Filipino, 44 years old
Atty. Dacanay has been the Company's Assistant Corporate Secretary and Compliance Officer since 2013. Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of cum laude. She finished her Bachelor

[5] The Certification of Independent Director of Mr. Lacson is hereto attached as Annex "F".

of Laws from the University of Santo Tomas in 2003 and was admitted to the Philippine Bar in 2004. Atty. Dacanay started her career as Associate Counsel of Puregold Price Club, Inc. from 2004 to 2011. She became the Company's Assistant Corporate Secretary and, at the same time, Compliance Officer in 2012 and Data Privacy Officer in 2018. Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. and Puregold Price Club, Inc. (both listed companies), Corporate Secretary of Kareila Management Corporation (S&R), and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation. Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy", in 2020.

Ms. Editha D. Alcantara, Filipino, 51 years old
Ms. Alcantara has been the Treasurer of the Company since 2013. Ms. Alcantara serves as Chairman of Blue Ocean Holdings, Inc. and Jurist Realty, Inc.; President of PSMT Philippines, Inc.; Vice-President and Treasurer of Invescap Incorporated; Treasurer of Blue Ocean Foods, Inc, KB Space Holdings, Inc., Maxents Investments, Inc. and Premier Freeport, Inc., Director of Cosco Price, Inc., Fertuna International Trading, Inc., Subic Freeport Zone Hamburgers Corporation and Corporate Secretary of P.G. Holdings, Inc. Ms. Alcantara graduated from the Polytechnic University of the Philippines with a degree in Bachelor of Economics and Politics in 1992.

Significant Employees

All employees of the Company are expected to make a significant contribution to the operation of the business. The business of the Company is not highly dependent on the services of certain key personnel.

Family Relationships

1. Mr. Lucio L. Co and Ms. Camille Clarisse P. Co are father and daughter.
2. Mr. Robin Derrick C. Chua is a nephew of Mr. Lucio L. Co and a cousin of Ms. Camille Clarisse P. Co.

Involvement in Certain Legal Proceedings

As of December 31, 2022, and in the past five years, the Company has no director, executive officer, or principal officer who is involved in any of the following:

(1) Bankruptcy case.
(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.
(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending, or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.
(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to the Company's 2022 Consolidated Audited Financial Statements hereto attached as ***Annex "D"*** under Note 15, page 39.

No director has resigned or declined to stand for re-election to the board of directors since the last annual meeting of security holders because of a disagreement with the company on any matter relating to the Company's operations, policies, or practices.

Item 6. Compensation of Directors and Executive Officers

The Company pays a fixed monthly compensation to its directors, who are also its key officers, and a per diem allowance for board directors. Directors' fees in 2022 amounted to a total of P750,000.00. The Company increased the per diem allowances of its directors from P40,000 to P100,000 per board meeting and from P15,000 to P50,000 per committee meeting starting in December 2022.

The total annual compensation of the President and the four most highly compensated officers amounted to P10,148,687 in 2020, P10,627,430 in 2021, and P12,942,730 in 2022. Please see the table below for details:

(A) Summary Compensation Table

Name and Position	Year	Salary	Bonus	Other Annual Compensation
Jose Paulino L. Santamarina (President) Robin Derrick C. Chua (Director) Jannelle O. Uy (Director) Camille Clarisse P. Co (Director) Imelda G. Lacap (Comptroller)				
Aggregate compensation of the President and the four most highly compensated officers	2020	P10,148,687	-	-
	2021	P10,627,430	-	-
	2022	P12,942,730	-	-
	Projected 2023	P13,978,148		
Aggregate compensation paid to all other officers and managers	2020	P17,590,647	-	-
	2021	P18,844,443	-	-
	2022	P11,962,492	-	-
	Projected 2023	P12,919,492		

(B) Standard Arrangements

The Company has no standard arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances or salaries.

(C) Other Arrangements

The Company has no other arrangements according to which the directors are compensated, directly or indirectly, for any services provided as a director except for per diem allowances or salaries.

(D) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

All employees, including executive and principal officers, have employment contracts with the Company, which are consistent with the existing labor laws of the country. The Company has a retirement plan for its employees that is consistent with current labor laws.

(E) Warrants and Options

None.

Item 7. Independent Public Accountants

(a) The Company's external auditor in 2022:

Mr. Gregorio I. Sambrano Jr.
Handling Audit Partner
CPA License No. 088825
SEC Accreditation No. 88825-SEC, Group A, valid for five years covering the audit of 2021 to 2025 financial statements
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018 issued on June 29, 2021 valid until June 28, 2024
PTR No. Makati City 8854082
The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines
+63 (2) 885 7000

(b) Upon the favorable recommendation of the Audit Committee, the board is recommending the same principal accountant for the year 2023.

(c) Mr. Sambrano or his representatives are expected to be present at the stockholders' meeting; they will have the opportunity to make a statement if they desire to do so; and they are expected to be available to respond to appropriate questions.

(d) The independent accountant who was previously engaged as the principal accountant to audit the Company's financial statements has not resigned, nor was there any indication that he declined to stand for re-election after completing the current audit, and neither was he dismissed by the Company.

(e) There were no changes in or disagreements with independent accountants on accounting and financial disclosure.

(f) The Company paid the independent accountant P900,200.00 as a professional fee in 2021 and 2022. Up to P1.2 million is being proposed to the stockholders as an independent accountant fee for the Company and its subsidiaries for 2023.

In 2022, the Company also engaged the services of R.G. Manabat (KPMG) to audit the Company's use of proceeds from the 2021 follow-on offering and paid them P260,000 for the services.

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed during the meeting.

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

No action is to be taken concerning the authorization or issuance of any securities other than for exchange for outstanding securities of the Company during the meeting.

Item 10. Modification or Exchange of Securities

No action is to be taken concerning the modification of any class of securities of the registrant or the issuance or authorization for issuing one class of securities of the Company in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

Please refer to the Company's 2022 Management Discussion and Analysis of Operation and Consolidated Audited Financial Statements attached as ***Annex "C"*** and ***Annex "D"***.

Item 12. Mergers, Consolidations, Acquisitions, and Similar Matter

No action is to be taken up during the meeting that will involve mergers, consolidations, acquisitions, or any similar transaction of the Company.

Item 13. Acquisition or Disposition of Property

No action is to be taken concerning the acquisition or disposition of any property during the meeting.

Item 14. Restatement of Accounts

No action is to be taken up in the meeting concerning the restatement of any asset, capital, or surplus of the Company.

D. OTHER MATTERS

Item 15. Action with Respect to Reports

(a) Minutes of the 2022 Annual Stockholders' Meeting, including the President's Report and the 2022 Consolidated Audited Financial Statements.

(b) Annual Report including the 2022 Consolidated Audited Financial Statements

Item 16. Matters Not Required to be Submitted

No action is to be taken up concerning any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, Bylaws, or Other Documents

No action is to be taken up with respect to the amendment of the charter, bylaws, or any other documents.

Item 18. Other Proposed Action

(a) Ratification of all the acts and resolutions of the board of directors and management from the date of the previous stockholders' meeting. The summary of material matters approved by the Board of Directors in 2022 is as follows:

Date of Board Meeting	Items Approved by the Board of Director
April 11, 2022	Approval of the 2021 Consolidated Audited Financial Statements
April 28, 2022	Approval of the Amendment of Company's Bylaws
May 6, 2022	Approval of the 1st Quarter – 2022 Consolidated Financial Statements
May 30, 2022	Result of the Annual Stockholders Meeting: (1) Election of Mr. Lucio L. Co, Mr. Jose Paulino L. Santamarina, Ms. Camille Clarisse P. Co, Ms. Jannelle O. Uy, Mr. Robin Derrick C. Chua as Regular Directors (2) Election of Mr. Enrico S. Cruz and Mr. Bienvenido E. Laguesma as Independent Directors (3) Approval of the 2021 Annual Report and Audited Financial Statements (4) Approval of the Amendment of Bylaws Result of the Organizational Meeting and Appointment of Committee Memberships. Election/Appointment of the following officers:

	Chairman: Mr. Lucio L. Co President: Mr. Jose Paulino L. Santamarina Treasurer: Ms. Maria Editha D. Alcantara Comptroller: Ms. Imelda D. Lacap Corporate Secretary: Ms. Baby Gerlie I. Sacro Assistant Corporate Secretary & Compliance Officer: Ms. Candy H. Dacanay-Datuon Internal Auditor: Ms. Emerlinda Llamado Lead Independent Director: Mr. Enrico S. Cruz Investor Relations Officer & Sustainability Officer: Mr. John Marson T. Hao Executive Committee: Chairman: Mr. Lucio L. Co Members: Mr. Jose Paulino L. Santamarina, Ms. Camille Clarisse P. Co, Ms. Jannelle O. Uy, Mr. Robin Derrick C. Chua Audit Committee: Chairman: Mr. Enrico S. Cruz (Independent Director) Members: Mr. Bienvenido E. Laguesma (Independent Director), Mr. Jose Paulino L. Santamarina Corporate Governance Committee: Chairman: Mr. Bienvenido E. Laguesma (Independent Director) Members: Mr. Enrico S. Cruz (Independent Director), Mr. Lucio L. Co
June 29, 2022	Resignation of Atty. Bienvenido E. Laguesma as Independent Director.
August 2, 2022	Approval of the following: (1) Consolidated Financial Performance (2) Appointment of Ms. Abegail Lintag as new Internal Auditor.
August 26, 2022	Approval of the acquisition of up to 50% of the total shareholdings of Bodegas Williams & Humbert S.A.
November 8, 2022	Approval of the following: (1) Consolidated Financial Performance of the Company as of September 30, 2022 (2) Re-allocation of P800m out of its proceeds from the Follow on Offering to completely fund the acquisition of 50% of Bodegas Williams & Humbert.
December 20, 2022	Approval of the following: (1) Audit Plan for 2022 (b) Regular Cash Dividend Declaration of P0.054 per share.

(a) Election of regular and independent directors.

On the recommendation of the Corporate Governance Committee in a meeting held on April 11, 2023 and May 2, 2023, the Board of Directors endorsed to the stockholders for election the following nominees for regular and independent directors:

Regular Directors:	*Independent Directors:*
Mr. Lucio L. Co	Mr. Enrico S. Cruz
Mr. Jose Paulino L. Santamarina	Mr. Edgardo G. Lacson
Ms. Camille Clarisse P. Co	
Ms. Jannelle O. Uy	
Mr. Robin Derrick C. Chua	

(b) Re-appointment of an external auditor and fixing its audit service fees.

R.G. Manabat & Company for The Keepers and Subsidiaries	2022	2023
	Up to P1,650,200	Up to 1,200,000

The Company also engaged RG Manabat & Company to audit its use of proceeds from the 2021 follow-on offering and paid them P260,000.00 for the services.

The Board of Directors approved the foregoing audit scope and fee after it received a favorable recommendation from the Audit Committee.

Item 19. Voting Procedures

(a) The affirmative vote of at least the majority of the shares present or represented in the meeting shall be required to approve all actions submitted to the vote of stockholders.

(b) The stockholders may cast their votes by sending proxies, *in absentia,* or by any means of remote communication. Please refer to ***Annex "A"***- Guidelines for participating in the 2023 Annual Stockholders Meeting" and ***Annex "B"*** – Voting Form. The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the corporation as of record date.

For the election of directors, a stockholder may: (a) vote such number of shares for as many as there are directors to be elected; (b) cumulate said shares and give one (1) candidate as many votes as the number of directors to be elected multiplied by several shares owned; or (c) distribute them on the same principle among as many candidates as may be seen fit. Provided that the total number of votes cast shall not exceed the number of shares owned by the stockholders as shown in the corporation's books multiplied by the whole number of directors to be elected.

All votes of the stockholders must be submitted by email to corporate.secretary@thekeepers.com.ph on or before May 25, 2023.

(c) The Company will engage the services of its Stock Transfer Agent, BDO Stock Transfer Agent, to count and validate the stockholders' votes.

PART II: OPERATIONAL AND FINANCIAL INFORMATION

The Company is a holding company that wholly owns three major players— Montosco, Meritus, and Premier—in the Philippines' liquor, wine, and specialty beverage distribution businesses. The Company is the largest distributor of imported spirits in the Philippines, with a market share of 74.0% based on volume and 66.9% based on retail sales value in 2020, according to IWSR Drinks Market Analysis Limited ("IWSR").

On September 14, 2022, the Company acquired 50% of the total equity of Bodegas Williams Humbert SA. It produces "Alfonso," the number one imported brandy in the Philippines, accounting for 60% of The Keepers' revenue. Bodegas Williams & Humbert is a Spanish company with over 140 years of history producing alcoholic beverages. The acquisition will secure the Company's supply line of its biggest brand and category, "Alfonso". It will also transform the Company's business model from trading to manufacturing/distribution.

Further, on December 6, 2022, the Company incorporated "Fertuna Distributions, Inc." with the SEC. This subsidiary will distribute the Company's products in selected areas.

For more information on the Company's business as of December 31, 2022, please read the Company's Annual Report 2022 posted on the Company website, www.thekeepers.com.ph

(A) Shares of stock

The Company's common stock trades on the Philippine Stock Exchange under "KEEPR." The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in the current year are stated below:

Period	2020		2021		2022	
	High	Low	High	Low	High	Low
1st Quarter	5.46	4.5	8.98	2.51	1.51	1.14
2nd Quarter	5.00	4.00	3.27	2.50	1.30	1.08
3rd Quarter	4.30	3.1	3.06	2.94	1.34	1.06
4th Quarter	6.03	3.12	1.69	1.30	1.29	1.03

1st Quarter 2023 – High: 1.60 Low: 1.28
As of March 31, 2023, the Company's share is trading at P1.55 per share.

(B) Stockholders

As of December 31, 2022, the Company has:

Number of Stockholders on Record	478
Issued and Outstanding Shares	14,508,750,313
Listed Shares	14,508,750,313
Treasury Shares	0

As of December 31, 2022, the Company's top 20 stockholders are as follows:

	Stockholder	Number of Shares	Percentage
1	Cosco Capital, Inc.	11,250,000,000	77.54%
2	Sb Equities, Inc.	1,270,856,640	8.76%
3	Invescap Incorporated	219,926,768	1.52%
4	Tower Securities, Inc.	209,113,906	1.44%
5	COL Financial Group, Inc.	152,846,114	1.05%
6	First Metro Securities Brokerage Corp.	125,099,904	0.86%
7	Abacus Securities Corporation	110,167,180	0.76%
8	China Bank Securities Corporation	97,665,548	0.67%
9	Government Service Insurance System	66,666,000	0.46%
10	Lucky Securities, Inc.	63,624,799	0.44%
12	The Hongkong And Shanghai Banking Corp.	61,359,000	0.42%
13	PNB Securities, Inc.	61,287,430	0.42%
14	BDO Securities Corporation	61,212,850	0.42%
15	Philstocks Financial Inc.	44,483,715	0.31%
16	Maybank Securities, Inc.	43,888,278	0.30%
17	BPI Securities Corporation	32,682,346	0.23%
18	UOB Kay Hian Securities (Phils.) Inc.	31,864,000	0.22%
19	Citibank N.A	30,850,800	0.21%
20	Standard Securities Corporation	30,545,990	0.21%
	Total	13,964,141,268	96.25%

(C) Dividends and Dividend Policy

The Company's dividend policy is to declare an annual dividend payment ratio of at least 20% of its consolidated net income from the preceding fiscal year, subject to the requirements of applicable laws and regulations and the absence of circumstances that restrict the payment of dividends, including, but are not limited to, the following: (i) when the Corporation undertakes major projects and developments requiring substantial cash expenditures; or (ii) when the Corporation is restricted from paying dividends due to its loan covenants.

Since the follow-on offering in 2021, the Company declared and paid the following dividends:

Declaration Date	Dividend Per Share	Dividend Payment Ratio	Payment Date
December 21, 2021	P0.024	30%	January 28, 2022
December 20, 2022	P0.054	50%	January 20, 2023

(D) Recent Sale of Securities

None.

Item 6. Management's Discussion & Analysis of Financial Position and Results of Operation

Please refer to the Company's Management's Discussion and Analysis of Financial Position and Operation Results hereto attached as ***Annex "C"***.

Item 7. Financial Statements

Please refer to the Company's 2022 Consolidated Audited Financial Statements hereto attached as ***Annex "D"***.

PART III: CORPORATE GOVERNANCE

(a) The Company ensures that it is compliant with its Corporate Governance Manual. The Company has a Corporate Governance Committee, headed by an Independent Director, that oversees its general obedience to the Manual from the board level down to the managers and officers of the subsidiaries.

The Company will adopt a specific evaluation system that will establish or determine the level of compliance of the Board of Directors and top-level management with the Corporate Governance Manual.

(b) On July 25, 2014 and May 26, 2017, the Company adopted a Revised Corporate Governance Manual, incorporated therein are the leading practices on good corporate governance. On September 22, 2020, the Company also adopted a Material Related Party Transaction Policy, which guides the Board and the management in its dealings with related parties. The Corporate Governance Committee ensures adherence with the Revised Corporate Governance Manual while the Audit Committee guarantees the Company's compliance with the Material Related Party Transaction Policy.

The Company annually submits a Corporate Governance Report (I-ACGR) to the Securities and Exchange Commission and Philippine Stock Exchange and posts it on its website. The I-ACGR details how the board and management operate the Company with integrity, transparency, and accountability.

(c) There were no deviations from the Revised Corporate Governance Manual.

(d) The Company will continue to strengthen its compliance with the principles and leading practices of good corporate governance.

Compliance with Section 49 of the Revised Corporation Code

Items	**Status of Compliance**
Description of the voting and voting tabulation procedures used in the previous meeting	Please refer to the Minutes of the previous stockholders' meeting dated May 30, 2022, which may be viewed/downloaded on the company website, www.thekeepers.com.ph, and hereto attached as **"Annex H"**.
Description of the opportunity given to stockholders or members to ask questions and a record of the questions asked and answers given	Please refer to the Minutes of the previous stockholders' meeting dated May 30, 2022, which may be viewed/downloaded on the company website, www.thekeepers.com.ph, and hereto attached as **"Annex H"**.

The matters discussed and resolutions reached	Please refer to the Minutes of the previous stockholders meeting dated May 30, 2022, which may be viewed/downloaded on the company website, www.thekeepers.com.ph, and hereto attached as **"Annex H"**.
A record of the voting results for each agenda item	Please refer to the Minutes of the previous stockholders meeting dated May 30, 2022, which may be viewed/downloaded on the company website, www.thekeepers.com.ph, and hereto attached as **"Annex H"**.
List of directors, officers and stockholders who attended the meeting	Please refer to the Minutes of the previous stockholders meeting dated May 30, 2022, which may be viewed/downloaded on the company website, www.thekeepers.com.ph, and hereto attached as **"Annex H"**.
Such other items that the Commission may require in the interest of good corporate governance and the protection of minority stockholders	Please refer to page 16 hereof.
List of material information on the current stockholders and their voting rights	Please refer to page 15 hereof.
Detailed, descriptive, balanced and comprehensive assessment of the corporation's business, strategy, and other affairs	Please refer to the 2022 Annual Report (SEC 17-A) of the Company, which may be viewed/downloaded on the company website, www.thekeepers.com.ph
Financial report for the preceding year, which shall include financial statements duly signed and certified in accordance with this Code and the rules the Commission may prescribe, a statement on the adequacy of the corporation's internal controls or risk management systems, and a statement of all external audit and non-audit fees	Please refer to the 2022 Annual Report (SEC 17-A) of the Company, which may be viewed/downloaded on the company website, www.thekeepers.com.ph, the Consolidated Audited Financial Statements hereto attached as **"Annex D"** and the First Quarter Financial Report 2023 hereto attached as **"Annex I"**.
An explanation of the dividend policy and the fact of payment of dividends or the reasons for non-payment thereof	Please refer to page 15 hereof.
Director's qualifications and relevant experience, length of service in the corporation, trainings and continuing education attended, and their board representation in other corporations	Except for the years 2020 and 2021, the directors and officers of the Company attend an annual Corporate Governance training. The last Corporate Governance seminar they attended was on January 25, 2022.[6]
A director attendance report, indicating the attendance of each director at each of the meetings of the board and its	The Board of Directors held eight online meetings in 2022. All directors were present in those meetings[7].

[6] Annual Corporate Governance of Company Directors and Officers from 2017-2019 were organized by SGV & Company.
[7] Board meetings in 2022 - January 25, April 11, April 28, May 6, May 30, August 2, November 8 and December 20.

committees and in regular or special stockholder meeting	The Audit Committee held four online meetings in 2022 – April 4, April 29, July 29, and November 4. All members of the Committee attended those meetings. The Corporate Governance Committee held one online meeting in 2022 – April 4. All members of the Committee attended those meetings.
Appraisal and performance reports for the board and the criteria and procedure for assessment	The company aims to improve its good Corporate Governance practices including adopting an evaluation system for individual directors and as a group.
A director compensation report prepared in accordance with this Code and the rules the Commission may prescribed	Please refer to page 10 hereof.
Director disclosures on self-dealings and related party transactions	Please refer to Note 15, page 39 of the attached Consolidated Audited Financial Statements, hereto attached as **"Annex D"**.
The profiles of directors nominated or seeking election or re-election	Please refer to page 6 to 8 hereof.

SIGNATURE PAGE

After reasonable inquiry and to the best of our knowledge and belief, I hereby certify that the information set forth in this report is accurate, complete, and correct. This report was signed in Manila, Philippines, on May 16, 2023.

THE KEEPERS HOLDINGS, INC.

By:

Ms. Candy H. Dacanay – Datuon
Assistant Corporate Secretary

UNDERTAKING

Upon the written request of a stockholder, the Company undertakes to furnish a hard copy of the Information Statement with the 2022 Annual Report (SEC 17-A) and Q1-2023 Financial Report (SEC 17-Q) without any fee. A stockholder may request to the Office of the Corporate Secretary, Puregold Price Club, Inc., No. 900 Romualdez St., Paco, Manila, Philippines, 1007, or email corporate.secretary@thekeepers.com.ph.

Ms. Candy H. Dacanay – Datuon
Assistant Corporate Secretary

The Keepers Holdings

ANNEX "A"

GUIDELINES FOR PARTICIPATING IN THE 2023 ANNUAL STOCKHOLDERS' MEETING OF THE KEEPERS HOLDINGS, INC. VIA REMOTE COMMUNICATION AND VOTING *IN ABSENTIA*

The 2023 Annual Stockholders' Meeting ("**ASM**") of The Keepers Holdings, Inc. (the "**Company**") will be held on May 30, 2023, at 10 am, via live Zoom meeting.

Registration

Stockholders must notify the Assistant Corporate Secretary of their intention to participate in the ASM via remote communication and vote in absentia by no later than May 25, 2023, by sending an email to corporate.secretary@thekeepers.com.ph and by submitting the following supporting documents/information:

- ***Individual Stockholders***

1. Copy of valid government ID of stockholder/proxy
2. Stock certificate number/s
3. If appointing a proxy, a copy of the proxy form duly signed by the stockholder (need *not* be notarized)
4. Email address and contact number of stockholder or proxy

- ***Multiple Stockholders or joint owners***

1. Stock certificate number/s
2. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
3. Copy of valid government IDs of all registered stockholders
4. Email-address and contact number of the authorized representative

- ***Corporate Stockholders***

1. Secretary's Certification of Board resolution appointing and authorizing a proxy to participate in the ASM
2. Valid government ID of the authorized representative
3. Stock certificate number/s
4. Email-address and contact number of the authorized representative

- ***Stockholders with Shares under Broker's Account***

1. Certification from the broker as to the number of shares owned by the stockholder
2. Valid government ID of stockholder
3. If appointing a proxy, a copy of the proxy form duly signed by the stockholder (*need not be notarized*)
4. Email address and contact number of stockholder or proxy

Online Voting and Meeting

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their login passwords to join the online meeting. There will be video recordings of the ASM, which a stockholder on record may avail upon request.

The stockholders can then cast their votes following these simple steps:

1. Visit our company website www.thekeepers.com.ph.
2. Look for the "Casting Votes in the 2023 Stockholders' Meeting" button.
3. Fill up the Voting Forms.
4. Submit your vote by clicking the "Submit" button.
5. For our verification, email the required documents under the "registration" portion at corporate.secretary@thekeepers.com.ph
6. After our verification, you will receive an email confirmation regarding your votes from the Company.

Open Forum

There will be Open Forum during the meeting, where representatives of the Company may answer as many questions as time will allow. However, a stockholder may email their questions in advance to corporate.secretary@thekeepers.com.ph on or before May 25, 2023. The Company's Investor Relations Officer will answer questions received but not answered during the ASM by email.

For any queries or concerns, please contact the Office of the Assistant Corporate Secretary at 09178612459 or via email at *corporate.secretary@thekeepers.com.ph*.

ANNEX "B"

THE KEEPERS HOLDINGS, INC.
Annual Stockholders Meeting
May 30, 2023, www.thekeepers.com.ph

(__) Vote by Ballot – casting votes following the instructions in the table below.

(__) Vote by Proxy – appointing the Chairman of the meeting to represent and cast votes following the instructions in the table below.

	Agenda Item	FOR	AGAINST	ABSTAIN
1	Approval of the Minutes of the Previous Meeting and Ratification of Acts and Resolutions of the Board of Directors and Management in 2022			
2	Approval of 2022 Annual Report and Consolidated Audited Financial Statements			
3	Re-appointment of R.G. Manabat & Company as External Auditor of the Company and subsidiaries with up to P1.2 million remuneration			
	Election of Regular and Independent Directors			
4	Mr. Lucio L. Co			
4.1	Mr. Jose Paulino L. Santamarina			
4.2	Ms. Camille Clarisse P. Co			
4.3	Ms. Jannelle O. Uy			
4.4	Mr. Robin Derrick C. Chua			
4.5	Mr. Enrico S. Cruz, *Independent Director*			
4.6	Mr. Edgardo G. Lacson, *Independent Director*			

Name of Stockholder ______________________

Number of Shares ______________________

Signature of Stockholder / Authorized Signatory ______________________

1. For corporate shareholders, this form must be accompanied by a corresponding secretary's certificate confirming the appointment of the Proxy or the designated representative and the votes cast.

2. Where no specific authority is indicated, the vote shall be deemed for the approval of all the corporate matters listed above and for all the nominated directors named therein.

3. This form should be sent by e-mail to corporate.secretary@thekeepers.com.ph on or before May 25, 2023. The Company's Stock Transfer Agent will validate the votes on May 26, 2022, 3:00 pm, at the Office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the accompanying audited consolidated financial statements for the years ended December 31, 2022 and 2021 and the accompanying notes thereto.

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at December 31, 2022 and 2021:

	December 2022	December 2021
Current Ratio (1)	**2.34:1**	**7.05:1**
Asset to Equity Ratio (2)	**1.46:1**	**1.17:1**
Debt to Equity Ratio (3)	**0.46:1**	**0.17:1**
Debt to Total Assets Ratio (4)	**0.31:1**	**0.15:1**
Book Value per Share (5)	**P0.93**	**P0.83**

	December 31 2022	December 31 2021
Earnings per Share (6)	**P0.15**	P0.13
Return on Assets (7)	**13.23%**	13.83%
Return on Equity (8)	**17.51%**	17.11%

(1) Current Assets over Current Liabilities
(2) Total Assets over Total Equity
(3) Total Liabilities over Total Equity
(4) Total Liabilities over Total Assets
(5) Total Equity over Total Common Shares Outstanding
(6) Net income after tax over Weighted Average Common Shares Outstanding
(7) Net income after tax over Average Total Assets
(8) Net income after tax over Average Total Equity

I. Financial Performance

The following table shows the audited consolidated statements of comprehensive income for the year ended December 31, 2022 and 2021:

(In thousands)	**2022**	**% to Sales**	2021	% to Sales	**% Change**
Net Sales	**P13,957,192**	**100.0%**	P11,034,613	100.0%	**26.5%**
Cost of Sales	**10,483,585**	**75.1%**	8,095,233	73.4%	**29.5%**
Gross Profit	**3,473,607**	**24.9%**	2,939,380	26.6%	**18.2%**
Operating Expenses	**901,240**	**6.5%**	947,204	8.6%	**(4.8%)**
Income from Operations	**2,572,367**	**18.4%**	1,992,176	18.1%	**29.1%**
Other income (charges)– net	**212,406**	**1.5%**	2,590	0.0%	**8101%**
Net Income before tax	**2,784,773**	**19.9%**	1,994,766	18.1%	**39.6%**
Provision for income tax	**549,760**	**3.9%**	410,383	3.7%	**34.0%**
Net Income after tax	**P2,235,013**	**16.0%**	P1,584,383	14.4%	**41.1%**

Net Sales
The Group's consolidated net sales for the year ended December 31, 2022, amounting to P13.9 billion grew by 26.5% from the ₱11.0 billion consolidated net sales of 2021.

The growth in net sales is attributable to the continuous recovery in demand and consumption. Overall growth in sales volume is at 20% and the growth is across all categories. Brandy category still dominates the group's sales at 76% contribution. Uplift in revenue is also driven by related enhancement in sales mix and price adjustments on certain product SKUs.

Cost of Sales
The Group's cost of sales increased by 27.3% for the year ended December 31, 2022, and is relative to the increase in sales of 26.5%.

Gross Profit
Gross profit increased by 24.2% and this is relative to the growth in net sales. Slight dip in GP rate from 26.6% to 24.9% was the effect of sales mix and the impact of conditional discounts and supports granted in the execution of customer-initiated promotional activities.

Operating Expenses
Operating expenses amounting to P901.2 million for the year ended December 31, 2022, slightly decreased by 4.8% as compared to the operating expenses in 2021 which amounted to P947.2 million. This is the net effect of operational efficiencies in logistics and advertising & promo expenses and the nonrecurring costs for taxes and professional fees incurred in 2021 in relation to the share swap and the Follow-on Offering transactions.

Other Income (Charges)- Net
Other income, net of other charges amounted to P36.6 million for the year ended December 31, 2022 improved significantly as compared to 2021. This is due to the increase in the interest income earned on short-term cash placements resulting from higher interest rates during the year, the net foreign exchange losses, and the recognized share in the net income of investees.

Net Income
The Group's net income for the year ended December 31, 2022 amounted to P2.24 billion which grew by 41.1% compared to the net income of P1.58 billion in 2021 resulting from a combination of the strong sales recovery performance with a corresponding strategic control of cost and operating expenses. Increase in the interest income also contributed to the growth.

II. Consolidated Financial Position

The Group's audited consolidated financial position as at December 31, 2022 and 2021 are shown below:

(in thousands)	**December 31, 2022**	**% to Total Assets**	**December 31, 2021**	**% to Total Assets**	**% Change**
Cash and cash equivalents	**P4,784,441**	**24.4%**	P7,700,929	54.4%	(37.9%)
Trade and other receivables – net	**2,227,178**	**11.3%**	2,042,263	14.4%	(9.1%)
Inventories	**6,100,767**	**31.0%**	3,519,298	24.9%	73.4%
Prepaid expenses and other current assets	**1,071,480**	**5.5%**	555,423	3.9%	92.9%
Total Current Assets	**14,183,866**	**72.2%**	13,817,913	97.7%	2.6%
Right-of-use assets – net	**118,625**	**0.6%**	176,112	1.2%	(32.6%)
Property and equipment – net	**28,788**	**0.1%**	26,740	0.2%	7.7%
Deferred income tax assets – net	**6,123**	**0.0%**	4,107	0.0%	49.1%
Investments in associate and joint venture	**5,246,928**	**26.7%**	78,388	0.6%	6593.5%
Other noncurrent assets	**49,505**	**0.3%**	46,074	0.3%	7.4%
Total Noncurrent Assets	**5,449,969**	**27.8%**	331,421	2.3%	1544.4%
Total Assets	**P19,633,835**	**100.0%**	P14,149,334	100.0%	38.8%
Trade and other payables	**P4,020,687**	**20.5%**	P1,286,839	9.1%	212.4%
Due to related parties	**846,700**	**4.3%**	106,700	0.8%	693.5%
Loan payable	**130,000**	**0.7%**	-	-	0.0%
Dividends payable	**783,473**	**4.0%**	348,210	2.4%	125.0.%
Income tax payable	**208,240**	**1.1%**	148,598	1.1%	40.1%
Lease liabilities – current	**63,654**	**0.3%**	58,118	0.4%	9.5%
Provisions	**-**	**0.0%**	11,975	0.1%	(100.0%)
Total Current Liabilities	**6,052,754**	**30.8%**	1,960,440	13.9%	208.7%
Lease liabilities - net of current portion	**67,519**	**0.3%**	128,740	0.9%	(47.6%)
Retirement benefits liability	**20,452**	**0.1%**	17,972	0.1%	13.8%
Total Noncurrent Liabilities	**87,971**	**0.4%**	146,712	1.0%	(40.0%)
Total Liabilities	**6,140,725**	**31.3%**	2,107,152	14.9%	191.4%
Capital stock	**1,450,875**	**7.4%**	1,450,875	10.3%	0.0%
Additional paid in capital	**25,447,900**	**129.6%**	25,447,900	179.8%	0.0%
Retained earnings	**7,440,353**	**37.9%**	5,988,812	42.3%	24.2%
Equity adjustments from common control Transactions	**(20,848,500)**	**-106.2%**	(20,848,500)	-147.3%	0.0%
Accumulated remeasurements on retirement benefits	**3,071**	**0.0%**	3,552	0.0%	(13.5%)
Cumulative translation adjustment	**1,683**	**0.0%**	-		0.0%
Other reserves	**(2,272)**	**0.0%**	(457)	0.0%	397.2%
Total Equity	**13,493,110**	**68.7%**	12,042,182	85.1%	12.0%
	P19,633,835	**100.0%**	P14,149,334	100.0%	38.8%

Working Capital
As at December 31, 2022 the Group's working capital decreased to P8.1 billion from P11.8 billion as at December 31, 2021. Current ratios are at 2x and 7x as of December 31, 2022 and December 31, 2021, respectively.

Current Assets
Cash and cash equivalents amounted to about P4.8 billion as of December 31, 2022 or 24.4% of total assets. The balance decreased by 37.9% or P2.9 billion mainly due to the net effect of the cash generated from the operations and the utilization of the proceeds from the Keepers' 2021 Follow-on Offering for equity investments pertaining to the acquisition of 50% equity interest in Bodegas Williams & Humbert.

Trade and other receivables amounted to P2.2 billion as of December 31, 2022 or 11.3% of total assets. It mainly consists of trade receivables from various customers. The Group continuously improves its Accounts Receivable management process. Average collection period in 2022 is 50 days compared to 59 days in 2021. Average credit terms offered to customers is from 30-60 days.

Inventories amounted to P6.1 billion or 31.0% of total assets as of December 31, 2022. The net increase of 73.4% or P2.6 billion from the December 31, 2021 balance of P3.5 billion is due to the net effect of importations received, the cost of sales and the recognition of the inventories in transit from Bodegas Williams & Humbert in the amount of P1.7 billion which were subsequently received in 2023.

Prepaid expenses and other current assets amounted to P1.1 billion or 5.5% of the total assets as of December 31, 2022. Significant increase of P516.0 million or 92.9% as compared to the balance of P555.4 million as at December 31, 2021 represents additional payments for advance excise taxes for importation orders and advance payments to trade suppliers net of amounts applied against shipments received during the year.

Noncurrent Assets
As at December 31, 2022, total noncurrent assets amounted to P5.4 billion or 27.8% of total assets.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office and warehouse facilities. As of December 31, 2022, net book value amounted to P118.6 million. The net decrease of 32.6% was due the net effect of renewal lease agreement covering the use of office spaces and warehouse facilities and the amortizations recognized during the year.

Property and equipment-net book values amounted to P28.8 million as of December 31, 2022. This account mainly consists of the leasehold improvements on leased office premises and warehouses. The net increase of P2.1 million from the December 31, 2021 net book value of P26.7 million was mainly due to purchase of office and transportation equipment, computer software licenses, and the depreciation recognized during the year.

Investment in associate and joint venture amounted to P5.2 billion as of December 31, 2022. This includes the group's 30% equity interest in Pernod Ricard Philippines which was made in February 2019, net of accumulated share in net income. Investment in joint venture as of December 31, 2022 pertains to The Keepers Holdings, Inc. acquisition of 50% equity interest in Bodegas Williams & Humbert SA.

Current Liabilities
As at December 31, 2022 total current liabilities amounted to P6.1 billion equivalent to 30.8% of total assets.

Trade and other payables amounted to P4.0 billion or 20.5% of total assets. This amount pertains to amounts due to trade and non-trade suppliers, both local and foreign. This account increased by 212.4% as compared to the balance of P1.3 billion as at December 31, 2021 primarily due to the amount payable to Bodegas Williams & Humbert for the inventories in transit recognized as of December 31, 2022.

Due to related parties amounting to P846.7 million includes the amount payable to related parties relative to the equity investment in Bodegas Williams & Humbert SA.

Loans payable amounted to P130.0 million as of December 31, 2022. This was availed by Meritus Prime Distributions, Inc. in August 2022 to augment its working capital requirements. This loan was fully settled in January 2023.

Dividends payable as of December 31, 2022 amounting to P783.4 million pertains to the cash dividend declared in December 2022 at P0.54 per share or about 50% of the consolidated net income for the year ended December 31, 2021 in line with the company's existing dividend policy and subsequently paid on January 20, 2023.

Income tax payable amounted to P208.2 million as of December 31, 2022. Income tax payable as of December 31, 2021 amounting to P148.5 million were paid in April 2022.

Lease liabilities due within the year amounted to P63.6 million representing lease payable for the use of warehouses and offices.

Provisions amounting to P11.97 million as of December 31, 2021 has been fully reversed during the year. This resulted from management's updated assessment of the business risks previously covered by these provisions.

Noncurrent Liabilities

As at December 31, 2021, total non-current liabilities amounted to P87.97 million, equivalent to 0.4% of total assets.

Lease liabilities payable for the succeeding year until the end of the lease agreements on the use of warehouses and offices amounted to P67.5 million. Net decrease of 47.6% pertains to the reclassification of current portion of the lease liabilities.

Retirement benefit liability represents the present value of the defined benefits retirement obligations amounted to P20.4 million as of December 31, 2022.

Equity

As at December 31, 2022 total equity amounted to P13.5 billion or 68.7% of total assets.

Capital stock amounted to P1.45 billion as of December 31, 2022 and December 31, 2021.

Additional paid in capital amounted to P25.4 billion of which, P21.3 billion resulted from the recognition of the difference between the fair market values of the three liquor distribution companies based on an independent valuation and the par value of the 11.250 billion new shares issued by the Company in favor of Cosco Capital pursuant to the share swap transaction between the Company and Cosco net of P46.8 million pertaining to shares issuance costs.

The balance also includes additional paid in capital from the follow on offering of 3,000,000,000 primary shares amounting to P4.1 billion, net of the share issuance cost of P126.3 million.

Retained earnings amounted to P7.4 billion representing the aggregated retained earnings of the Company and the subsidiaries as of December 31, 2022 net of cash dividends declarations.

Equity adjustments from common control transactions amounting to P20.8 billion represents the difference between the fair market values and the carrying values of the net assets of the three liquor distribution companies recognized in accordance with existing international accounting standards and guidance on consolidation of companies under common control.

Accumulated remeasurements on retirement benefits which pertains to accruals and adjustments made in compliance with the accounting standard covering employee benefits amounted to P3.0 million as of December 31, 2022 and December 31, 2021.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availment from bank loan facilities as and when required.

A brief summary of the consolidated cash flows during the comparative periods are shown below:

	For the periods ended December 31	
(In thousands)	**2022**	2021
Net cash from operating activities	**P1,695,967**	P1,366,499
Net cash used in investing activities	**(4,352,966)**	(13,481)
Net cash used in financing activities	**(275,519)**	3,813,808
Effect of exchange rate changes	**16,030**	-
Net increase (decrease) in cash and cash equivalents	**(P2,916,488)**	P5,166,826

Net cash used in operating activities during the current period is basically attributable to net effect of increase in sales, collection of trade receivables, settlement of trade payable accounts, purchase of additional inventory requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for the equity investment recently acquired and for additional assets acquisitions.

Net cash used in financing activities in the current period is primarily due to payment of dividends and lease liabilities.

IV. Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

Item 6. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the accompanying audited consolidated financial statements for the years ended December 31, 2021 and 2020 and the accompanying notes thereto.

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at December 31, 2021 and 2020:

	December 31 2021	December 2020
Current Ratio (1)	**7.05:1**	3.97:1
Asset to Equity Ratio (2)	**1.18:1**	1.35:1
Debt to Equity Ratio (3)	**0.18:1**	0.35:1
Debt to Total Assets Ratio (4)	**0.15:1**	0.26:1
Book Value per Share (5)	**P0.83**	P0.56

	December 2021	December 2020
Earnings per Share (6)	**P0.13**	P0.10
Return on Assets (7)	**13.83%**	13.46%
Return on Equity (8)	**17.11%**	19.67%

(1) Current Assets over Current Liabilities
(2) Total Assets over Total Equity
(3) Total Liabilities over Total Equity
(4) Total Liabilities over Total Assets
(5) Total Equity over Total Common Shares Outstanding
(6) Net income after tax over Weighted Average Common Shares Outstanding
(7) Net income after tax over Average Total Assets
(8) Net income after tax over Average Total Equity

I. Financial Performance

The following table shows the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

(In thousands)	**2021**	**% to Sales**	2020	% to Sales	**% Change**
Net Sales	**P11,034,613**	**100.0%**	P8,167,404	100.0%	**35.1%**
Cost of Sales	**8,095,233**	**73.4%**	5,931,960	72.6%	**36.5%**
Gross Profit	**2,939,380**	**26.6%**	2,235,444	27.4%	**31.5%**
Operating Expenses	**947,204**	**8.6%**	609,489	7.5%	**55.4%**
Income from Operations	**1,992,176**	**18.0%**	1,625,955	19.9%	**22.5%**
Share in the net loss of an investee	**(14,516)**	**(0.1%)**	(24,833)	(0.3%)	**(41.5%)**
Other income (charges) – net	**17,106**	**0.2%**	(30,716)	(0.4%)	**(155.7%)**
Net Income before tax	**1,994,766**	**18.1%**	1,570,406	19.2%	**27.0%**
Provision for income tax	**410,383**	**3.7%**	391,650	4.8%	**4.8%**
Net Income after tax	**P1,584,383**	**14.4%**	P1,178,756	14.4%	**34.4%**

Net Sales

The Group posted a consolidated net sales of P11.03 billion in 2021 or a growth of 35.1% compared to the P8.17 billion in 2020. As in the case of almost every firm, 2020 sales were largely affected by the pandemic. The increase in sales in 2021 was due to the gradual opening of the economy that allows more movements in terms of marketing and promotional activities as compared to 2020.

Although the Inter-Agency Task Force against COVID-19 has placed Metro Manila and surrounding provinces under hard lockdowns in certain periods during the 1st Quarter and 3rd Quarter of 2021 due to the fresh surge of cases and the threat of the more transmissible Delta variant, the stronger rebound of sales in the 4th Quarter of 2021 significantly contributed to the Groups 2021 sales achievements. Fourth Quarter sales represents 40% of the total year's sales.

The Group posted a strong 31.9% growth in terms of sales volume in 2021 as compared to 2020 basically driven by the strong recovery of its brandy category which registered a 39.5% growth and comprise about 77.8% of the Group's sales volume. The Wines and Specialty Beverage categories likewise contributed satisfactory growth especially in the 4th quarter which is the gift-giving season. The Other Spirits category, which includes whiskeys and tequila, actually experienced a downtrend during the 1st 3 quarters of 2021 but managed to close the year at almost the same volume last year. This category is largely driven by the on-premise operations which have been the most affected market segment by the community and mobility restrictions.

Breakdown of the sales volume performance by category follows:

(In thousands)

Category	2021	% to Total	2020	% to Total	% Change
Brandy	**3,473**	**77.8%**	2,489	**73.5%**	**39.5%**
Other spirits	**533**	**11.9%**	533	**15.8%**	**0.0%**
Wines	**220**	**4.9%**	167	**4.9%**	**31.7%**
Specialty beverages	**240**	**5.4%**	197	**5.8%**	**21.8%**
Total Cases Sold	**4,466**	**100.0%**	3,386	100.0%	**31.9%**

Cost of Sales

The Group's cost of sales increased by 36.5% for the year ended December 31, 2021, this is relative to the increase in sales. Sales mix is a factor as well.

Gross Profit

The minimal decrease in the gross profit rate in 2021 is attributed to sales mix and the impact of conditional discounts and execution of customer-initiated promotional activities. There were no significant increase in product costs, taxes and other import charges during the year. The group ensures seamless customs releasing process permitting incoming goods to be delivered to the warehouse facilities at reasonable costs and avoiding unnecessary charges.

Operating Expenses

Operating expenses increased by 55.4% in 2021 mainly due to increased trade deals, promotional activities, distribution costs, depreciation of office improvements, and amortizations for new leased office and warehouse facilities. The increase also includes the professional fees, taxes and filing fees incurred in connection with the parent company's shares swap transaction implemented sometime in May 2021 and the related follow-on offering and listing of additional common shares of the parent company at the Philippine Stock Exchange in November 2021

Share in the Net Losses of an Investee

Share in the net operating losses from equity-accounted investments in an associate amounted to P14.52 million in 2021 or a decrease of 41.5% as compared to the share in the loss in 2020 amounting to P24.83 million. The decrease was mainly due to the marketing supports extended by the investee's brand owners during the second quarter of 2021. Investee's sales grew by 8% in 2021 as compared to 2020.

Other Income (Charges)- Net

Other income (net of other charges) amounted to P17.11 million in 2021, improved significantly when compared to the net other charges of P30.72 million in 2020. This is due to significant decrease in the interest expense particularly on bank loans and advances from related parties.

Net Income

The Group's net income for the year ended December 31, 2021 amounted to P1.58 billion or an increase of P405.63 million or 34.4% compared to the net income of P1.18 billion in 2020. This is due to significant increase in sales, cost-saving measures, the 2020 income tax savings amounting to P32.69 million and the tax savings effect of lower income tax rate in the current period resulting from the implementation of the CREATE law.

II. Consolidated Financial Position

The Group's consolidated audited financial position as at December 31, 2021 are shown below together with the comparative figures based on the pro-forma consolidated audited financial position as of December 31, 2020:

(in thousands)	December 31, 2021	% to Total Assets	December 31, 2020	% to Total Assets	% Change
Cash and cash equivalents	**P7,700,929**	**54.4%**	P2,534,103	28.9%	203.9%
Trade and other receivables – net	**2,042,263**	**14.4%**	1,574,625	18.0%	29.7%
Inventories	**3,519,298**	**24.9%**	3,659,336	41.8%	(3.8%)
Prepaid expenses and other current assets	**555,423**	**3.9%**	639.010	7.3%	(13.1%)
Total Current Assets	**13,817,913**	**97.7%**	8,407,074	95.9%	64.4%
Right-of-use assets – net	**176,112**	**1.2%**	185,853	2.1%	(5.2%)
Property and equipment – net	**26,740**	**0.2%**	32,213	0.4%	(17.0%)
Deferred income tax assets - net	**4,107**	**0.0%**	4,762	0.1%	(13.8%)
Investment in an associate	**78,388**	**0.6%**	93,361	1.1%	(16.0%)
Other noncurrent assets	**46,074**	**0.3%**	40,497	0.5%	13.8%
Total Noncurrent Assets	**331,421**	**2.3%**	356,686	4.1%%	(7.1%)
Total Assets	**P14,149,334**	**100.0%**	P8,763,760	100.0%	61.5%
Trade and other payables	**P1,286,839**	**9.1%**	1,325,766	15.1%	(2.9%)
Due to related parties	**106,700**	**0.8%**	200,553	2.3%	(46.8%)
Loan payable	**-**	**-**	42,000	0.5%	(100.0%)
Dividends payable	**348,210**	**2.5%**	300,000	3.4%	16.1%
Income tax payable	**148,598**	**1.0%**	185,438	2.1%	(19.9%)
Lease liabilities – current	**54,118**	**0.4%**	52,553	0.6%	3.0%
Provisions	**11,975**	**0.1%**	11,975	0.1%	0.0%
Total Current Liabilities	**1,960,440**	**13.9%**	2,118,285	24.2%	(7.5%)
Lease liabilities - net of current portion	**128,740**	**0.9%**	149,407	1.7%	(13.8%)
Retirement benefits liability	**17,972**	**0.1%**	15,330	0.2%	17.2%
Total Noncurrent Liabilities	**146,712**	**1.0%**	164,737	1.9%	(10.9%)
Total Liabilities	**2,107,152**	**14.9%**	2,283,022	26.1%	(7.7%)
Capital stock	**1,450,875**	**10.3%**	1,150,875	13.1%	26.1%
Additional paid in capital	**25,447,900**	**179.8%**	21,421,033	244.4%	18.8%
Retained earnings (deficit)	**5,988,812**	**42.3%**	4,752,639	54.2%	26.0%
Equity adjustments from common control transactions	**(20,848,500)**	**-147.3%**	(20,848,500)	(237.9%)	0.0%
Accumulated remeasurements on retirement benefits	**3,552**	**0.0%**	4,691	0.1%	(24.3%)
Other reserves	**(457)**	**0.0%**	-	-	0.0%
Total Equity	**12,042,182**	**85.1%**	6,480,738	73.9%	85.8%
	P14,149,334	**100.0%**	P8,763,760	100.0%	61.5%

Working Capital

As at December 31, 2021 the Group's working capital increased to P11.86 billion from just P6.29 billion as at December 31, 2020. Current ratios are 7.05x and 3.97x as of December 31, 2021 and 2020, respectively.

Current Assets
Cash and cash equivalents amounted to P7.70 billion as of December 31, 2021 or 54.4% of total assets. The balance includes the net proceeds from the follow on offering amounting P4.35 billion. It mainly consists of short-term placements.

Trade and other receivables amounted to P2.04 billion as of December 31, 2021 or 14.4% of total assets. It mainly consists of trade receivables from various customers. The increase of 29.7% is due to the significant increase in sales in 4th quarter. There is also a further improved credit and collection process and transitions to more negotiable credit terms. Average collection period improved to 59 days in 2021 compared to the 87 days in 2020

Inventories amounted to P3.52 billion or 24.9% of total assets. Sales efficiency lowered average age of inventory to 162 days in 2021 from 258 days in 2020.

Prepaid expenses and other current assets amounted to P555.42 million or 3.9% of the total assets. The amount decreased by 13.1% or P83.59 million compared to the balance of P639 million as of December 31, 2020 due to applications of advance payments to suppliers against shipments received during 4th quarter of 2021.

Noncurrent Assets
As at December 31, 2021, total noncurrent assets amounted to P331.42 million or 2.3% of total assets.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office and warehouse facilities. Net book value as of December 31, 2021 is at P176.11 million. The net decrease of 5.2% was due the net effect of new lease agreement covering the use of office spaces, renewal of lease contract on the use of warehouse and the amortizations recognized during the period.

Property and equipment-net book values amounted to P26.74 million, representing 0.2% of total assets. This account mainly consists of the leasehold improvements on offices and warehouses. The net decrease of 17.0% from the December 31, 2020 net book value of P32.21 million was mainly due to additional improvements and the depreciation during the period.

Investment in an associate amounted to P78.39 million or 0.6% of total assets. This represents the group's 30% equity interest in Pernod Ricard Philippines which was made in February 2019.

Other non-current assets amounted to P46.07 million or 0.3% of total assets. It mainly consists of excess tax credits carried over from previous years, input tax and the refundable deposits from the lease contracts.

Current Liabilities
As at December 31, 2021 total current liabilities amounted to P1.96 billion equivalent to 13.9% of total assets. It includes payable to trade suppliers amounting to P1.29 billion which were settled in January 2022.

Trade and other payables amounted to P1.29 billion or 9.1% of total assets. The decrease of 2.9% from the December 31, 2020 balance of P1.33 billion was due to the net effect of new purchases and payments to trade suppliers, both local and foreign.

Due to related parties, represents payable for management fees amounted to P100.7 million as of December 31, 2021.

Dividends payable as of December 31, 2021 amounted P348.21 million which pertains to the cash dividend declared in December 2021 at P0.24 per share or about 30% of the consolidated net income for the year ended December 31, 2020 in line with the company's dividend policy. Dividends payable as of December 31, 2020 amounting to P300 million were fully paid to COSCO in 2021.

Income tax payable amounted to P148.60 million as of December 31, 2021 is 19.9% lower than the income tax payable as of December 31, 2020 due to the income tax savings effect of lower corporate income tax rate under CREATE law.

Lease liabilities due within the year amounted to P54.12 million representing lease payable for the use of warehouses and offices.

Provisions amounting to P11.98 million was set up as provision for any probable liabilities that may arise as a result of conducting the group's business.

Noncurrent Liabilities
As at December 31, 2021, total non-current liabilities amounted to P146.71 million, equivalent to 1.0% of total assets.

Lease liabilities payable for the succeeding year until the end of the lease agreements on the use of warehouses and offices amounted to P128.74 million. Net decrease of 13.8% pertains to the new lease agreement on the use of office spaces, renewal of lease agreement on use of warehouse and the reclassification of current portion of the lease liabilities.

Retirement benefit liability which represents the present value of the defined benefits retirement obligations amounted to P17.97 million as of December 31, 2021.

Equity
As at December 31, 2021 total equity amounted to P12.04 billion or 85.1% of total assets.

Capital stock amounted to P1.45 billion as of December 31, 2021. The increase is due to the issuance of additional new common shares resulting from the offer and sale to the public of 3,000,000,000 primary common shares on November 19, 2021, each common share with a par value of ₱0.10 per share, in order to restore and comply with the minimum public ownership of at least 20% following the Share-Swap Transaction implemented with Cosco Capital sometime in May 2021.

Additional paid in capital amounted to P25.45 billion of which, P21.33 billion resulted from the recognition of the difference between the fair market values of the three liquor distribution companies based on an independent valuation and the par value of the 11.250 billion new shares issued by the Company in favor of Cosco Capital pursuant to the share swap transaction between the Company and Cosco. This amount is net of P46.8 million pertaining to shares issuance costs incurred during the follow-on offering transaction.

The balance also includes additional paid in capital from the follow-on offering of 3,000,000,000 primary shares amounting to P4.07 billion, net of the share issuance cost of P126.33 million.

Retained earnings amounted to P5.99 billion representing the aggregated retained earnings of the Company and the subsidiaries as of December 31, 2021.

Equity adjustments from common control transactions amounting to P20.85 billion represents the difference between the fair market values and the carrying values of the net assets of the three liquor distribution companies recognized in accordance with existing standards and guidance on consolidation of companies under common control.
Accumulated remeasurements on retirement benefits which pertains to accruals and adjustments made in compliance with the accounting standard covering employee benefits amounted to P3.55 million as of December 31, 2021.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availment from banks loan facilities as and when required.

A brief summary of the consolidated cash flows during the comparative years are shown below:

	For the year ended December 31	
(In thousands)	**2021**	2020
Net cash from operating activities	**P1,366,499**	P3,592,551
Net cash used in investing activities	**(13,481)**	(34,091)
Net cash from (used in) financing activities	**3,813,808**	(1,466,427)
Net increase in cash and cash equivalents	**P5,166,826**	P2,092,033

Net cash from operating activities during the current year is basically attributable to net effect of increase in sales, further improvement of collection process, settlement of trade payable accounts, purchase of inventory requirements and other related current operating requirements. Net cash from the operating activities of the previous year were mainly due to collections and the lower spending in this period due to the effects of the community lockdowns caused by pandemic.

Net cash used in investing activities mainly pertains to the funds used for additional assets acquisition and leasehold improvements.

Net cash from financing activities in 2021 primarily came from the proceeds from follow on offering of primary shares of the Company on November 19, 2021 as well as settlements of advances from related parties, bank loan and cash dividends paid during the year.

IV. Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

Management Discussion and Analysis or Plan of Operations

The discussion and analysis of our financial condition and plan of operations should be read in conjunction with our audited financial statements and the related notes as of December 31, 2020, 2019, and 2018, which are included in this report.

The financial analysis tools used as key performance indicators for the Corporation's operations and in determining its profitability and liquidity are the following:

1. *Percentage analyses* to show the relationship of each income statement component to total sales on comparable basis.

2. *Financial Highlights* to summarize the operating results for the last three years that include sales growth analysis, return on sales, return on assets, return on equity, current ratio, and debt to equity ratio.

Percentage Analysis

	2020	**2019**	**2018**
Net Sales	0.00%	0.00%	0.00%
Cost of Goods Sold	0.00%	0.00%	0.00%
Gross Profit	0.00%	0.00%	0.00%
Operating Expenses	0.00%	0.00%	0.00%
Net Operating Income	0.00%	0.00%	0.00%
Other charges (net)	0.00%	0.00%	0.00%
Income before income tax	0.00%	0.00%	0.00%
Provision for income tax	0.00%	0.00%	0.00%
Net Income	0.00%	0.00%	0.00%

Operating Results for year ended December 31, 2020 VS December 31, 2019

At present, the Corporation does not have any operations.

Financial Highlights: (Based on the Corporation's Consolidated Financial Statements)

Increase/(Decrease)		2020	2019	2018	Average
Sales growth	[1]	0.00%	0.00%	0.00%	0.00%
Return on sales (ROS)	[2]	0.00%	0.00%	0.00%	0.00%
Return on assets (ROA)	[3]	0.00%	0.00%	0.00%	0.00%
Return on equity	[4]	0.00%	0.00%	0.00%	0.00%
Current ratio	[5]	0.00	0.00	0.00	0.00

[1] The percentage change in sales value over prior year sales.
[2] Represents percentage (%) of net income over net sales.
[3] Represents percentage (%) of net income over total assets.
[4] Represents percentage (%) of net income over stockholders' equity.
[5] Represents the ratio of current assets over current liabilities. It also represents the Corporation's liquidity.

Debt-equity ratio [6]		0.71	0.58	0.47	0.59

2020 and 2019 Analytical Discussion

Sales Growth

No sales in 2020 and 2019 since it has no operations since 2013.

Profitability

The Corporation's return on sales (ROS) was 0% for the years 2020 and 2019 since it has no operations since 2013.

Solvency and Liquidity

The Corporation's current ratio for the years 2020 and 2019 was nil since it has no operations since 2013.

Material Changes in the Financial Statements

The following are the summary of items that has material change in the financial statements:

	2020	2019	2018	Average
Receivables (net)	–	–	–	–
Assets held for disposal	–	–	–	–
Accounts payable and accrued expenses	4.7%	(0.2%)	8.6%	4.4%
Due to related parties	16.1%	20.6%	18.3%	18.3%
Current portion of long term debt	–	–	–	–
Liabilities directly associated with assets held for disposal	–	–	–	–

Material Changes in the Financial Statements in 2020 and 2019

Accounts Payable and Accrued Expenses

This pertains to the expenses accrued up to December 31, 2020 representing professional fees and other expenses to third parties that render services to the Corporation for reportorial requirements with the SEC and the PSE.

Due to Related Parties

This pertains to the expenses advanced by stockholders up to December 31, 2020 since the Company has yet to open a bank account to finance its expenses.

Plan of Operations

As of December 31, 2020, the Corporation has yet to identify a feasible investment opportunity. When the Corporation identifies such a viable project, it will then pursue

[6] Represents the percentage (%) of total liabilities over total stockholders' equity

capital raising activities either by way of a rights offering, public offering or private placement transaction. Since there is no operation and no business opportunity at this time, the Corporation's stockholders have advanced and are willing to advance monies to satisfy the cash requirements of the Corporation.

Other Reporting Disclosures

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

There are no:

(i.) Known trends or events, which may have material effect on the Company's short-term or long-term liquidity;

(ii.) Issuances, repurchases, and repayment of equity securities;

(iii.) Segment revenue and segment result for business segment or geographical segments;

(iv.) Changes in the composition of the Corporation during the interim period;

(v.) Changes in contingent liabilities or contingent assets;

(vi.) Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period;

(vii.) Material changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(viii.) Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Corporation with unconsolidated entities or other persons created during the reporting period;

(ix.) Known trends or events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

ANNEX "D"

C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	0	1	5

COMPANY NAME

THE KEEPERS HOLDINGS, INC.
AND SUBSIDIARIES

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
A A F S	SEC	

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
thekeepersholdings@gmail.com	(02) 522-8801 to 04	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
478	Any Day of May	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
Atty. Candy H. Dacanay - Datuon	candy.dacanay@gmail.com	522-8801 to 04	0917-861-2459

CONTACT PERSON's ADDRESS

No. 900 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 occurence 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.*

THE KEEPERS HOLDINGS, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2022, 2021 and 2020

With Independent Auditors' Report

The Keepers Holdings

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **The Keepers Holdings, Inc. and Subsidiaries** (the "Group"), is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for year ended December 31, 2022 and 2021, 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 from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group'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.

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

LUCIO L. CO
Chairman of the Board

JOSE PAULINO L. SANTAMARINA
President

MA. EDITHA D. ALCANTARA
Treasurer

APR 17 2023
Signed this __ th day of April 2023.

APR 17 2023
SUBSCRIBED AND SWORN to before me this ________________ in the City of Manila, Philippines, affiants exhibited to me competent proof of their respective identities.

Lucio Co	TIN ID No. 108-975-721
Jose Paulino L. Santamarina	TIN ID No. 255-968-021
Ma. Editha D. Alcantara	TIN ID No. 171-668-333

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2023-030 until Dec. 31, 2024
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 0862253 / 01 03 2023 / Mla
MCLE Compliance No. VII-0008368 / 02-11-22
No. 900 Romualdez St., Paco, Manila

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Book No. 36
Series of 2023

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
The Keepers Holdings, Inc. and Subsidiaries
No. 900 Romualdez Street
Paco, Manila

Opinion

We have audited the consolidated financial statements of The Keepers Holdings, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Revenue Recognition (P13.96 billion)
Refer to Note 3 to the consolidated financial statements.

The risk
Revenue is not complex but it is a significant measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers.*

- We evaluated and assessed the design and implementation of the key controls over the revenue process.

- We tested, on a sample basis, sales transactions to supporting documentation such as sales invoices with corresponding customer acknowledgement, delivery documents and value-added-tax returns throughout the current period, as applicable, to ascertain that the revenue recognition criteria are met.

- We tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as sales invoices with corresponding customer acknowledgement and delivery documents, to assess whether these transactions are recorded in the correct reporting period.

- We tested specific journal entries posted to revenue accounts to identify unusual or irregular items.

- We performed substantive analytical review procedures over revenues such as, but not limited to, gross profit analysis, ratio analysis, and yearly and monthly analyses of sales per product/brand, volume and customer.

- We reviewed the adequacy of the Group's disclosure in respect of revenue.

Accounting for an Equity Investment (P5.16 billion)
Refer to Note 11 to the consolidated financial statements.

The risk
The Keepers Holdings, Inc. acquired 50% equity interest in Bodegas Williams & Humbert SA, a Spanish company with over 140 years of history producing alcoholic beverages, for a total consideration amounting to EUR88.75 million (P5.06 billion). It is the producer of “Alfonso,” the number one imported brandy in the Philippines, and which accounts for 60% of the Group’s revenue. The rationale and benefits for the transaction includes, securing of the Group’s supply line of its biggest brand and category, “Alfonso”.

The transaction presented involves significant management judgments and accounting and reporting considerations under PAS 28, *Investment in Associates and Joint Ventures* and PFRS 11, *Joint Arrangements,* among others.

Our response
We performed the following audit procedures, among others, on the investment:

- We obtained an understanding of the transaction and evaluated management’s judgment on whether this acquisition qualifies as a business , whether there are factors indicating joint control and if the joint arrangement is a joint operation or a joint venture, and how this should be accounted for, by reference to agreements, documents and applicable standards and pronouncements related to the transaction.

- We inspected, vouched and evaluated supporting documents and necessary executed documents related to the investment transaction such as Share Purchase and Shareholder’s Agreements, Share Transfer Certificates, and Minutes of Meetings, among others.

- We reviewed the provisional purchase price allocation prepared by management to verify that the difference between the cost of the investment and the Group’s share of the fair value of the investee’s identifiable assets and liabilities is accurately accounted for.

- We reviewed the management’s computation of the share in the investee’s profit or loss.

- We reviewed the adequacy of the Group’s disclosure in respect to the investment.

- We requested submissions of Group Reporting documents from the external auditors of the investee and reviewed the working papers of the said external auditors.

- We assessed if there are any impairment indicators on the investment.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors’ Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards.

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

The engagement partner on the audits resulting in this independent auditors' report is Mr. Gregorio I. Sambrano, Jr.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 88825-SEC, Group A, valid for five (5) years
  covering the audit of 2021 to 2025 financial statements
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-036-2021
  Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563846
  Issued January 3, 2023 at Makati City

April 17, 2023
Makati City, Metro Manila

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands)

		December 31	
	Note	**2022**	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**P4,784,441**	P7,700,929
Trade and other receivables - net	*7, 25*	**2,227,178**	2,042,263
Inventories	*8*	**6,100,767**	3,519,298
Prepaid expenses and other current assets	*9*	**1,071,480**	555,423
Total Current Assets		**14,183,866**	13,817,913
Noncurrent Assets			
Right-of-use assets - net	*20*	**118,625**	176,112
Property and equipment - net	*10*	**28,788**	26,740
Deferred income tax assets - net	*22*	**6,122**	4,107
Investments in associate and joint venture	*11*	**5,246,928**	78,388
Other noncurrent assets	*12, 20, 25*	**49,505**	46,074
Total Noncurrent Assets		**5,449,968**	331,421
		P19,633,834	P14,149,334
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*13, 25*	**P4,020,687**	P1,286,839
Due to related parties	*15, 25*	**846,700**	106,700
Loans payable	*14, 25*	**130,000**	-
Dividends payable	*16, 25*	**783,473**	348,210
Income tax payable		**208,240**	148,598
Lease liabilities - current	*20, 25*	**63,654**	58,118
Provisions	*23*	**-**	11,975
Total Current Liabilities		**6,052,754**	1,960,440
Noncurrent Liabilities			
Lease liabilities - net of current portion	*20, 25*	**67,519**	128,740
Retirement benefits liability	*21*	**20,452**	17,972
Total Noncurrent Liabilities		**87,971**	146,712
Total Liabilities		**6,140,725**	2,107,152
Equity			
Capital stock	*16*	**1,450,875**	1,450,875
Additional paid-in capital	*16*	**25,447,900**	25,447,900
Retained earnings:			
Unappropriated		**6,490,352**	5,038,812
Appropriated	*16*	**950,000**	950,000
Equity adjustments from common control transactions	*5*	**(20,848,500)**	(20,848,500)
Accumulated remeasurements on retirement benefits	*21*	**3,071**	3,552
Cumulative translation adjustment		**1,683**	-
Other reserves		**(2,272)**	(457)
Total Equity		**13,493,109**	12,042,182
		P19,633,834	P14,149,334

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands, Except Per Share Data)

		Years Ended December 31		
	Note	**2022**	2021	2020
NET SALES	*15*	**P13,957,192**	P11,034,613	P8,167,404
COST OF GOODS SOLD	*17*	**10,483,585**	8,095,233	5,931,960
GROSS PROFIT		**3,473,607**	2,939,380	2,235,444
OPERATING EXPENSES	*18*	**901,240**	947,204	609,489
INCOME FROM OPERATIONS		**2,572,367**	1,992,176	1,625,955
SHARE IN NET INCOME (LOSSES) OF AN ASSOCIATE AND A JOINT VENTURE	*11*	**106,160**	(14,516)	(24,833)
OTHER INCOME (CHARGES) - Net	*19*	**106,246**	17,106	(30,716)
INCOME BEFORE INCOME TAX		**2,784,773**	1,994,766	1,570,406
PROVISION FOR INCOME TAX	*22*	**549,760**	410,383	391,650
NET INCOME		**2,235,013**	1,584,383	1,178,756
OTHER COMPREHENSIVE LOSS				
Items that will never be reclassified to profit or loss in subsequent periods				
Share in other comprehensive loss of an associate	*11*	**(1,815)**	(457)	-
Remeasurement losses on retirement benefits	*21*	**(439)**	(904)	(841)
Deferred income tax		**(42)**	(235)	152
		(2,296)	(1,596)	(689)
Item that may be reclassified to profit or loss in subsequent periods				
Foreign currency translation adjustment	*11*	**1,683**	-	-
TOTAL COMPREHENSIVE INCOME		**P2,234,400**	P1,582,787	P1,178,067
BASIC AND DILUTED EARNINGS PER SHARE	*24*	**P0.15**	P0.13	P0.10

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
CAPITAL STOCK				
Balance at beginning of year, as previously reported	*16*	**P1,450,875**	P25,875	P25,875
Share swap transaction	*5, 16*	**-**	1,125,000	1,125,000
Balance at beginning of year, as restated		**1,450,875**	1,150,875	1,150,875
Issuance of common shares	*16*	**-**	300,000	-
Balance at end of year	*16*	**1,450,875**	1,450,875	1,150,875
ADDITIONAL PAID-IN CAPITAL				
Balance at beginning of year, as previously reported		**25,447,900**	46,033	46,033
Share swap transaction	*5, 16*	**-**	21,375,000	21,375,000
Balance at beginning of year, as restated		**25,447,900**	21,421,033	21,421,033
Issuance of common shares	*16*	**-**	4,200,000	-
Share issuance costs	*16*	**-**	(173,133)	-
Balance at end of year	*16*	**25,447,900**	25,447,900	21,421,033
RETAINED EARNINGS				
Unappropriated:				
Balance at beginning of year, as previously reported		**5,038,812**	(57,863)	(56,774)
Share swap transaction		**-**	3,860,502	2,880,657
Balance at beginning of year, as restated		**5,038,812**	3,802,639	2,823,883
Net income for the year, as restated		**2,235,013**	1,584,383	1,178,756
Dividend declaration	*16*	**(783,473)**	(348,210)	(200,000)
		6,490,352	5,038,812	3,802,639
Appropriated:				
Balance at beginning of year, as previously reported		**950,000**	-	-
Share swap transaction		**-**	950,000	950,000
	16	**950,000**	950,000	950,000
Balance at end of year		**7,440,352**	5,988,812	4,752,639

Forward

	Note	Years Ended December 31 2022	2021	2020
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS				
Balance at beginning of year, as previously reported		**(P20,848,500)**	P -	P -
Share swap transaction	*5*	**-**	(20,848,500)	(20,848,500)
Balance at end of year, as restated		**(20,848,500)**	(20,848,500)	(20,848,500)
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS	*21*			
Balance at beginning of year, as previously reported		**3,552**	-	-
Share swap transaction		**-**	4,691	5,380
Balance at beginning of year, as restated		**3,552**	4,691	5,380
Remeasurement loss on retirement benefits during the year		**(481)**	(1,139)	(689)
Balance at end of year		**3,071**	3,552	4,691
CUMULATIVE TRANSLATION ADJUSTMENT				
Foreign currency translation adjustment during the period	*11*	**1,683**	-	-
OTHER RESERVES				
Balance at beginning of year		**(457)**	-	-
Share in other comprehensive loss of an associate	*11*	**(1,815)**	(457)	-
Balance at end of year		**(2,272)**	(457)	-
		P13,493,109	P12,042,182	P6,480,738

See Notes to Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

		Years Ended December 31		
	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P2,784,773**	P1,994,766	P1,570,406
Adjustments for:				
Interest income	*6, 19*	**(112,794)**	(24,272)	(21,926)
Share in net losses (income) of an associate and a joint venture	*11*	**(106,160)**	14,516	24,833
Depreciation and amortization	*10, 18, 20*	**75,382**	73,557	63,852
Reversal of provision on probable losses	*23*	**(11,975)**	-	-
Unrealized foreign exchange losses - net		**9,675**	5,967	16,613
Interest expense	*14, 19, 20*	**9,173**	9,101	31,392
Retirement benefit costs	*21*	**2,573**	2,214	2,185
Gain on disposal of property and equipment		**(62)**	-	-
Operating income before working capital changes		**2,650,585**	2,075,849	1,687,355
Decrease (increase) in:				
Trade and other receivables		**(184,902)**	(467,638)	747,568
Inventories		**(2,581,469)**	140,038	1,085,347
Prepaid expenses and other current assets		**(516,057)**	83,587	402,114
Increase (decrease) in trade and other payables		**2,707,723**	(42,329)	12,187
Cash generated from operations		**2,075,880**	1,789,507	3,934,571
Income taxes paid		**(492,175)**	(446,290)	(363,946)
Interest received	*6, 19*	**112,794**	24,272	21,926
Retirement benefits paid	*21*	**(532)**	(990)	-
Net cash from operating activities		**1,695,967**	1,366,499	3,592,551
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of investment in joint venture	*11*	**(4,332,512)**	-	-
Additions to property and equipment	*10*	**(18,031)**	(9,710)	(25,705)
Additions to other noncurrent assets		**(3,431)**	(5,577)	(8,386)
Proceeds from disposals of property and equipment		**1,008**	1,806	-
Net cash used in investing activities		**(4,352,966)**	(13,481)	(34,091)

Forward

	Note	2022	2021	2020
		Years Ended December 31		
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from issuance of stocks	*16*	**P -**	P4,500,000	P -
Payments of:				
Dividends	*16*	**(348,210)**	(300,000)	(50,000)
Lease liabilities - principal portion	*20*	**(58,543)**	(65,541)	(47,853)
Interest	*20, 27*	**(8,766)**	(11,665)	(23,013)
Share issuance costs	*16*	**-**	(173,133)	-
Due to related parties		**-**	(93,853)	-
Loans payable	*14*	**-**	(42,000)	(784,000)
Advances from a stockholder		**-**	-	(659,652)
Proceeds from availment of loans payable	*14*	**130,000**	-	97,000
Advances received from related parties	*15*	**10,000**	-	1,091
Net cash from (used in) financing activities	*27*	**(275,519)**	3,813,808	(1,466,427)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**16,030**	-	(3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,916,488)**	5,166,826	2,092,030
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**7,700,929**	2,534,103	442,073
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P4,784,441**	P7,700,929	P2,534,103

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Par Value,
Per Share Data and Number of Shares)

1. Reporting Entity

The Keepers Holdings, Inc. (the "Parent Company" or "TKHI") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 5, 1963, and its shares are listed in the Philippine Stock Exchange (PSE) on September 3, 1991. On June 30, 2021, the SEC approved the amendments to certain sections of the Parent Company's Articles of Incorporation which include the extension of its corporate life into perpetual existence.

The principal activities of the Parent Company are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefore in money or by exchanging shares of stocks of the Parent Company or any other corporation, while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property; and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

On February 19, 2021, the BOD approved the issuance of common shares of TKHI, which will be created and issued out of an increase in its authorized capital stock, in exchange for Cosco Capital, Inc.'s (Cosco) investments in Montosco, Inc. (MI), Meritus Prime Distributions, Inc. (MPDI) and Premier Wine and Spirits, Inc. (PWSI) (collectively referred to as "Subsidiaries" or "Liquor Entities"), under a Share Swap Arrangement as discussed in Note 5 to consolidated financial statements.

MI, MPDI and PWSI are incorporated and registered with the Philippine SEC on August 13, 2008, February 17, 2010 and June 19, 1996, respectively. The subsidiaries engage primarily in buying, selling, importing, 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 share swap transaction between TKHI and Cosco resulted into the strategic spin-off of the three (3) liquor subsidiaries of Cosco. Cosco has acquired a controlling interest to TKHI, a separately public listed company, as a result of the injection of these companies to TKHI.

The stockholders of TKHI approved the foregoing corporate actions in its annual stockholders meeting on May 28, 2021. On June 18, 2021, TKHI and Cosco signed a Deed of Exchange whereby Cosco Capital, Inc. shall transfer 100% of its shares in MI, MPDI and PWSI in exchange of 11,250,000,000 common shares at P2.00 per share (see Note 5).

On June 30, 2021, the SEC approved the increase in the Parent Company's authorized capital stock by virtue of the issuance to the Company of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation. The SEC also approved the other amendments to the Articles of Incorporation on the same date. As a result of the approval of the increase in the Parent Company's authorized capital stock, the issuance of the new shares to Cosco in exchange of 100% of the outstanding shares of MI, MPDI and PWSI (the "Share Swap Transaction") was completed. Consequently, the Parent Company became the legal and beneficial owner of the 100% outstanding shares each of MI, MPDI and PWSI, while Cosco obtained controlling interest in the Parent Company with an equity ownership of almost 98%. The acquisition of MI, MPDI and PWSI under a share swap transaction is considered to be a business combination of entities under common control as they are all under the common control of Mr. Lucio Co. before and after the acquisition.

Prior to June 30, 2021, TKHI was 85% owned by Invescap Incorporated ("Invescap"), a company that is incorporated in the Philippines. Cosco and Invescap are also companies controlled by Mr. Lucio Co before and after the acquisition.

With the approval of the increase in the Parent Company's authorized capital stock, the SEC consequently accepted and approved the transfer value of the shares of MI, MPDI and PWSI amounting to P22,500,000, the investment value of the Company in MI, MPDI and PWSI.

As the issuance of new shares to Cosco resulted in the Parent Company's public ownership level falling below the minimum twenty (20%) requirement under the SEC Memorandum Circular No. 13 Series of 2017 on the rules and regulations on minimum public ownership on initial public offering, the PSE suspended the trading of the Company's shares commencing July 8, 2021.

On September 8, 2021, the BIR issued the Electronic Certificate Authorizing Registration covering the Share Swap Transaction which confirms that the said transaction is exempt from capital gains tax.

<u>Additional Listing of the Shares and Follow-on Public Offering</u>

Following the increase in the capital stock of the Parent Company and the Share Swap Transaction, the Parent Company's public ownership was reduced to 0.34%. On April 29, 2021, the Parent Company filed a request with the PSE for the grant of MPO Exemption Period for the minimum public float requirements of the PSE and the SEC (the "minimum public ownership (MPO) Rule") to commence from subscription by Cosco up to the completion of this Offer in order to comply with the minimum public ownership requirement of at least 20% public float upon and after listing. In its letter dated May 26, 2021, the PSE informed the Parent Company that it can only provide a relaxation of the MPO Rule to the end that the trading of the Company's shares will continue notwithstanding the public float being lower than the minimum public ownership required during the MPO Exemption Period if the following conditions concur: (i) the prior approval of the SEC on the grant of the exemption from the MPO Rule shall be first obtained by the PSE; and (ii) the Company secures a ruling/opinion from the Bureau of Internal Revenue ("BIR") for confirmation that Revenue Regulations No. 16-2012 will not apply during the MPO Exemption Period.

However, if subsequently the Parent Company's public ownership level decreases to below the MPO Rule minimum, then trading in the Company's shares may be suspended. Listed companies that become non-compliant with the minimum public ownership rules may be suspended from trading for a period of not more than six months and will automatically be delisted if they remain non-compliant after the lapse of the suspension period.

On July 14, 2021, the Parent Company filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, the Parent Company filed its application for the listing and trading of offer shares with the PSE. On September 20, 2021, the Parent Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of the Parent Company's Offer Shares was issued by SEC on November 3, 2021.

In compliance with Section 3 of the 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, on August 19, 2021, the Company filed the application for listing with the PSE for additional shares of stock issued in connection with the increase of the 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 was approved by the stockholders on May 28, 2021.

Under BIR Revenue Regulations No. 16-2012, the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO Rule will be subject to capital gains tax and documentary stamp tax, unless temporary relief is granted and the trading suspension is not lifted. In line with the said ruling, any sale of the Offer Shares will be subject to capital gains tax and documentary stamp tax unless covered by a granted MPO exemption period, including the aforementioned confirmation by the BIR.

After the effectivity of the share swap transaction and follow-on offering on November 19, 2021, the Parent Company became 77.54% owned by Cosco, a company incorporated in the Philippines. The follow-on offering also increased the Parent Company's public ownership to 20.94% in compliance with the MPO rule. The remaining 1.52% is owned by Invescap. As at December 31, 2022 and 2021, Cosco is the immediate and ultimate parent of TKHI and its Subsidiaries (collectively referred to as the "Group").

The Group's respective registered office address and principal place of business are presented below:

	Registered Office and Principal Place of Business
The Keepers Holdings, Inc.	No. 900 Romualdez Street, Paco, Manila
Montosco, Inc.	1501 Federal Tower, Dasmariñas Street, Binondo, Manila
Meritus Prime Distribution, Inc.	704 Federal Tower, Dasmariñas Street, Binondo, Manila
Premier Wine and Spirits, Inc.	Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila
Fertuna Distributions, Inc.	1204 Federal Tower, Dasmariñas Street, San Nicolas, Manila

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company, the Group's interests in a joint venture and an associate accounted for under the equity method of accounting, and the following subsidiaries which are all incorporated in the Philippines:

	Effective Percentage of Ownership	
	2022	2021
Liquor Distribution		
Montosco, Inc.	**100%**	100%
Meritus Prime Distributions, Inc.	**100%**	100%
Premier Wine and Spirits, Inc.	**100%**	100%
Fertuna Distributions, Inc.	**100%**	-

The comparative financial information for the years ended December 31, 2021 and 2020 pertain to the combined financial information of the Parent Company and its subsidiaries. The Parent Company was only required to present consolidated financial statements as at and for the year ended December 31, 2021, when the Parent Company and Cosco Capital, Inc. entered into a share swap transaction resulting to the Parent Company's acquisition of its subsidiaries. The comparative financial information was presented as if the entities had always been combined in accordance with the retrospective approach for presentation taken by the Group in applying the pooling of interest method for the business combination involving entities under common control.

Subsidiaries

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that such control ceases.

The financial statements of the liquor entities are prepared for the same financial reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income, and expenses resulting from intra-group transactions are eliminated in full.

Functional and Presentation Currency
The consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All amounts are rounded to the nearest thousands, except par value, per share data, number of shares and when otherwise indicated.

Authorization for Issuance of the Consolidated Financial Statements
The accompanying consolidated financial statements of the Group as at December 31, 2022 and 2021 were approved and authorized for issuance by the Group's BOD on April 17, 2023.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on Group's consolidated financial statements. These are as follows:

- PFRS 16*, Leases - COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment)* extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendments is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- PAS 37*, Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendment)* clarifies that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* The following are the amendments that are relevant to the Group:

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment*) clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - PFRS 16, *Leases - Lease Incentives (Amendment to Illustrative Examples)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- PFRS 3, *Business Combinations - Reference to the Conceptual Framework*. The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022.

<u>Consolidation</u>
The consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group transactions, balances, income, and expenses are eliminated upon consolidation. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses on intragroup transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Unrealized gross profits from upstream purchases of inventories from the investee are recognized as a deduction from the underlying asset.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

<u>Statements of Cash Flows</u>
The Group has chosen to prepare the consolidated statements of cash flows using the indirect method, which presents cash flows from operating activities as the income from operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid on loans is presented as a financing activity. The Group has chosen to present dividends paid to its stockholders as a financing activity cash flow. In the cash flow statements, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

<u>Common Control Business Combinations</u>
Business combinations involving entities under common control are business combinations in which all entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations using the pooling of interest method.

In applying the pooling of interest method, the Group follows Philippine Interpretations Committee Question and Answer No. 2012-01, *PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements,* which provides the following guidance:

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies between the combining entities;

- No ‘new’ goodwill is recognized as a result of the business combination. Any difference between the consideration paid or transferred and the equity ‘acquired’ is presented as “Equity adjustments from common control transactions” account in the consolidated statement of financial position;

- The consolidated statements of comprehensive income reflect the results of the combining entities for the full year, irrespective of when the combination took place; and

- Comparatives are presented as if the entities had always been combined.

Cash and Cash Equivalents
Cash includes cash on hand and in banks, which is subject to insignificant risk of changes in value and is used by the Group in managing its short-term commitments. Cash equivalents are short-term placements for varying periods of up to three months from its original maturity depending on the immediate cash requirements of the Group. Cash in banks and cash equivalents earn interest at the respective prevailing bank rates.

Financial Instruments
Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated 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 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. Trade receivables without a significant financing component is initially measured at the transaction price.

Classification and Measurement of Financial Instruments
On initial recognition, the Group 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 Group classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Group classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Group 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 Group 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 Group 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 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 Group'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 (f) 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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g., non-recourse features).

The Group has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2022 and 2021.

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 Group's cash in banks, 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 Group's trade and other payables (excluding statutory obligations), due to related parties, loans payable, dividends payable and lease liabilities as at December 31, 2022 and 2021.

<u>Impairment of Financial Assets</u>
The Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group.

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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 Group on terms that the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group’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 Group 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 consolidated 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 consolidated 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 Group.

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 Group 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 are measured or disclosed in the consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group 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, 2022 and 2021, no financial asset or financial liability was carried at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, 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 Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Inventories
Inventories, which consist of spirits, wines, 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 Group 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
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 consolidated 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.

Advances to Suppliers
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 consolidated statement of financial position.

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 consolidated statement of financial position.

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	3 - 5
Leasehold improvements	3 - 5 or lease term, whichever is shorter
Office equipment	2 - 3
Furniture and fixtures	2 - 3
Computer software license	2
Machinery and equipment	3

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.

Any change in the estimated useful lives and methods of depreciation and amortization are adjusted prospectively from the time the change was determined necessary.

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 arising from retirement or disposal of property and equipment (calculated as the difference between the net proceeds and the carrying amount of the item) is recognized in the consolidated statements of 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.

Investments in an Associate and Joint Arrangements

An associate is an entity over which the Group 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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement.

Investment in associate and joint venture are accounted for using the equity method. The investment in associate and joint venture are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group’s share of the profit or loss and OCI of the associate and joint venture, until the date on which significant influence or joint control ceases.

Unrealized gains arising from transactions with associate and joint venture are eliminated to the extent of the Group’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. Unrealized gross profits from upstream purchases of inventories from the associate and joint venture are recognized as a deduction from the underlying asset. Distributions and dividends from the investee reduce the carrying amount of the investment.

The Group discontinues applying the equity method when its investment in the investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share in net income equals the share in net losses not recognized during the period when the equity method was suspended.

The accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at the end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which include right-of-use assets, property and equipment and investment in associate and joint venture 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 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 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 systematic basis over its remaining useful life.

Other Noncurrent Assets

Excess Tax Credits

Excess tax credits pertain to overpayment of income taxes in prior years. Excess tax credits are initially recognized based on the amount withheld by the payee in accordance with the local tax rules and regulations. These are accumulated and are reduced when deducted against income tax payable. Excess tax credits that are expected to be realized within 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

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.

Capital Stock
Common shares are classified as equity. The proceeds from the issuance of 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. Incremental costs incurred that are directly related to a probable future equity transaction is presented as “Costs of anticipated equity transaction” under “Prepaid expenses and other current assets account” in the consolidated statements of financial position. Transaction costs that related jointly to more than one transaction are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

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.

Appropriated retained earnings are accumulated earnings set aside by the BOD for a specific purpose. Unappropriated retained earnings are the residual amount of retained earnings after appropriation.

Equity Adjustment from Common Control Transactions
Equity adjustment from common control transactions is the difference between the acquisition cost of an entity under common control and the Parent Company’s proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling-of-interest method. Equity reserve is derecognized when the subsidiary is deconsolidated, which is the date on which the control ceases.

Dividends on Common Shares
Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Group. 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 Group expects to be entitled in exchange for those goods. The Group concluded that it is acting as principal for the revenue arrangement below.

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

Sale of Spirits, Wines and Specialty Beverages
Revenue from sale of spirits, wines and specialty beverages 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 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. Invoices are generated at the time of delivery and are usually due within 30 to 60 days.

Receivable is recognized by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of the time is required before payment is due.

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

Other Income
Other income is recognized as earned.

<u>Cost and Expense Recognition</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses are incurred.

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 to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

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

<u>Employee Benefits</u>
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 Group 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 Group has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Group'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 Group 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 Group recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

<u>Leases</u>
At inception of a contract, the Group 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 Group 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 Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and,

- the Group has the right to direct the use of the asset. The Group 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 Group has the right to direct the use of the asset if either:

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

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

Group as Lessee
The Group 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 of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use 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 right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is presented as a separate line item in the consolidated 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 Group's incremental borrowing rate. Generally, the Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or, if the Group 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 Group 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 income(charges) - net" in profit or loss.

<u>Income Taxes</u>
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 current income tax 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.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

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 and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO 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 future taxable profits will allow the deferred income tax assets 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.

Segment Reporting
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and President, collectively as the Group's chief operating decision maker. The Group has single segment, which is the sale of sale of spirits, wines and specialty beverages to customers.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments* are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Philippine peso at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Philippine peso at the exchange rates at the date of transactions.

Foreign currency differences are recognized in OCI and accumulated in the cumulative translation adjustments.

When a foreign operation is disposed of in its entirety or partially such that significant influence or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative translation adjustments is reclassified to profit or loss.

Provisions
Provisions are recognized when the Group 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 Group 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 consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated 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 Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to consolidated 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, 2022. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2023

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments)* clarifies the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- PAS 1, *Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendments).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies.

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- PAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)* clarifies that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- PFRS 16, *Leases - Lease Liability in a Sale and Leaseback (Amendments) confirm the following:*

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period.

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

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

The preparation of the consolidated financial statements 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 consolidated 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 Group'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 consolidated financial statements of the Group.

Determination of the Group*'s Functional Currency*
The Group 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 Group, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Group's operations.

Identifying a Lease
The Group 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 Group 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 Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Group has entered into various contracts for the lease of warehouse space. The Group has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 20).

Determining the Term and Discount Rate of Lease Arrangements
Where the Group 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 Group as lessee, management uses the incremental borrowing rate, being the rate that the Group 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 Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease. The weighted average rate applied ranges from 4.11% to 4.69%.

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 Group is typically reasonably certain to extend (or not terminate).

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

- Otherwise, the Group 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 Group 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 warehouse and office space is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Group uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Group determined that the control is transferred for sale of goods when the Group 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.

Determination of whether the Group is acting as a Principal or an Agent
The Group is a principal if it controls the specified good before it is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good by another party and the Group does not control the good before it is transferred to the customer. The Group concluded that it is acting as principal in its revenue arrangements.

Classification of Joint Arrangements
The Group classifies a joint arrangement as a joint operation or a joint venture depending on the rights and obligations of the parties in the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement (joint operators). A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement (joint venturers).

The Group classifies its joint arrangement as joint venture and assessed that it has the rights to the net assets of the arrangement.

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 ECLs on Trade and Other Receivables and Refundable Deposits
The Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the trade and other receivables. The maturity of the Group's trade and other 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 as at the reporting date is low, therefore the Group did not have to assess whether a significant increase in credit risk has occurred.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Group considers the counterparties' financial condition and their capacity to return the amounts due. The Group 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.

An increase in the allowance for ECLs would increase the recorded operating expenses and decrease current assets.

The combined carrying amounts of trade and other receivables and refundable deposits amounted to P2,243,697 and P2,058,828 as at December 31, 2022 and 2021, respectively (see Notes 7, 12 and 25). The allowance for ECLs amounted to P2,621 as at December 31, 2022 and 2021.

Determination of NRV of Inventories
The Group'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, 2022 and 2021 amounted to P6,100,767 and P3,519,298, respectively (see Note**Error! Reference source not found.** 8). No allowance to reduce inventory to NRV was recognized for the years ended December 31, 2022, 2021 and 2020.

Estimation of Useful Lives of Property and Equipment
The Group 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 consolidated financial statements. There is no change in the estimated useful lives of property and equipment for the years ended December 31, 2022 and 2021.

The carrying amounts of property and equipment as at December 31, 2022 and 2021 amounted to P28,788 and P26,740, respectively (see Note 10).

Impairment of Noncurrent Nonfinancial Assets
The Group assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to right-of-use assets, property and equipment and investment in associate and joint venture are impaired. If any such indication exists, the Group 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 Group to make estimates and assumptions that can materially affect the consolidated 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 Group's consolidated financial position and consolidated 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.

For the years ended December 31, 2022, 2021 and 2020, no impairment loss was recognized on the Group's right-of-use assets, property and equipment and investments in an associate and a joint venture.

The combined carrying values of right-of-use assets, property and equipment and investment in an associate and a joint venture amounted to P5,394,341 and P281,240 as at December 31, 2022 and 2021, respectively (see Notes 10, 11, and 20).

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 Group has retirement benefits liability amounting to P20,452 and P17,972 as at December 31, 2022 and 2021, respectively (see Note 21).

Recognition of Deferred Income Tax Assets
The Group 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 Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Group'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 Group's past results and future expectations on revenues and expenses. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Group has recognized deferred income tax assets amounting to P6,122 and P4,107 as at December 31, 2022 and 2021, respectively (see Note 22).

For the years ended December 31, 2022 and 2021, MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. MI intends to continue its availment of the optional standard deduction in the subsequent years.

As at December 31, 2022 and 2021, the Group has not recognized deferred income tax assets arising from temporary differences amounting to a total of P26,753 and P17,037, respectively (see Note 22).

Provisions and Contingencies
The Group, 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 Group has provision for probable losses amounting to nil and P11,975 as at December 31, 2022 and 2021, respectively. No provision for probable losses was recognized by the Group for the three years ended December 31, 2022 (see Note 23).

5. Business Combinations under Common Control

As discussed in Note 1, the acquisition of MI, MPDI and PWSI is considered to be a business combination of entities under common control as they are all controlled by Mr. Lucio Co before and after the acquisition.

The Group recognized assets acquired and liabilities assumed at their carrying amounts in the individual financial statements of MI, MPDI and PWSI. No new goodwill was recognized in the consolidated financial statements. The difference between the consideration paid or transferred and the net assets acquired is recognized under “Equity adjustments from common control transactions” account in the consolidated statement of changes in equity.

Adjustments from the retrospective application of business combination under common control follow:

a. *Share Swap Transaction*

Represents the issuance of 11,250,000,000 common shares of TKHI with a par value of P0.10 at P2.00 per share in exchange for Cosco’s investments in MI, MPDI and PWSI, under a Share Swap Transaction as follows:

- 9,488,444,240 common shares of TKHI were swapped with 7,500,000 common shares of Cosco in MI;
- 907,885,074 common shares of TKHI were swapped with 7,500,000 common shares of Cosco in MPDI; and,
- 853,670,686 common shares of TKHI were swapped with 1,500,000 common shares of Cosco in PWSI.

The details of the share swap transaction follows:

	% of Ownership	Amount
Transfer value as approved by SEC (Note 1):		
MI	100%	P18,976,888
MPDI	100%	1,815,771
PWSI	100%	1,707,341
		22,500,000
Less par value of the shares issued by TKHI		1,125,000
Additional paid-in capital		P21,375,000

Related transaction costs from the share swap transaction paid and incurred in 2021 amounting to P46,800 is deducted against additional paid-in capital as at December 31, 2021. Transaction costs is composed of fees for the increase in authorized capital stock and documentary stamp tax.

b. *Elimination of Investments in MI, MPDI and PWSI*

Details of the elimination follows:

	MI	MPDI	PWSI	Total
Capital stock	P750,000	P750,000	P150,000	P1,650,000
Additional paid-in capital	-	-	1,500	1,500
Equity adjustments from common control transactions	18,226,888	1,065,771	1,555,841	20,848,500
Transfer value	(18,976,888)	(1,815,771)	(1,707,341)	(22,500,000)
	P -	P -	P -	P -

c. *Equity Adjustments from Common Control Transactions*

This account represents the excess of transfer value over the paid-in capital of MI, MPDI and PWSI. Details are as follows:

	MI	MPDI	PWSI	Total
Transfer value	(P18,976,888)	(P1,815,771)	(P1,707,341)	(P22,500,000)
Paid-in capital acquired	750,000	750,000	151,500	1,651,500
	(P18,226,888)	(P1,065,771)	(P1,555,841)	(P20,848,500)

d. *Elimination of Intercompany Transactions*

There were no transactions and balances to be eliminated as at and for the year ended December 31, 2020.

6. Cash and Cash Equivalents

This account consists of:

	Note	2022	2021
Cash on hand		**P2,042**	P1,747
Cash in banks	*25*	**1,833,732**	1,274,488
Cash equivalents	*25*	**2,948,667**	6,424,694
		P4,784,441	P7,700,929

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from cash in banks which are recognized in profit or loss amounted to P731, P1,096 and P1,563 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 19).

Cash equivalents pertain to short-term placements. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P112,063, P23,176 and P20,363 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 19).

7. Trade and Other Receivables

This account consists of:

	Note	2022	2021
Trade:			
Third parties		**P1,264,011**	P1,150,478
Related parties	*15*	**928,114**	875,685
Allowance for ECLs		**(2,621)**	(2,621)
		2,189,504	2,023,542
Nontrade:			
Third parties		**33,051**	15,629
Related parties	*15*	**2,985**	1,857
Others		**1,638**	1,235
	25	**P2,227,178**	P2,042,263

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

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

There are no movements for ECLs on third party trade receivables in 2022 and 2021.

8. Inventories

This account consists of:

	Note	**2022**	2021
At landed cost (on hand):			
Spirits		**P3,893,864**	P3,343,387
Wines		**289,310**	98,806
Specialty beverages		**113,184**	77,105
At invoice cost (in-transit):			
Spirits		**1,778,219**	-
Others		**26,190**	-
	17	**P6,100,767**	P3,519,298

Spirits inventories is net of unrealized gross profit arising from unsold inventories purchased from a joint venture.

Cost of inventories charged to "Cost of goods sold" amounted to P10,483,585 (including unrealized gross profits of P176,044 from the purchases of inventories from a joint venture), P8,095,233 and P5,931,960 for the years ended December 31, 2022, 2021, and 2020, respectively (see Note 17).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2022	2021
Prepaid duties and taxes	**P616,731**	P431,852
Advances to suppliers	**442,021**	118,333
Input VAT	**3,387**	-
Prepaid import charges	**102**	589
Other prepaid expenses	**9,239**	4,649
	P1,071,480	P555,423

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 payments made by the Group to suppliers which will be applied against future billings.

10. 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	Machinery and Equipment	Total
Cost							
January 1, 2020*	P42,775	P18,941	P12,563	P6,795	P1,021	P2,904	P84,999
Additions*	2,999	20,132	1,190	101	1,200	83	25,705
Disposal*	(630)	-	-	-	-	-	(630)
December 31, 2020*	45,144	39,073	13,753	6,896	2,221	2,987	110,074
Additions	3,650	5,020	707	-	333	-	9,710
Disposals and retirement	(10,093)	(13,421)	(5,733)	(2,927)	-	(1,746)	(33,920)
December 31, 2021	38,701	30,672	8,727	3,969	2,554	1,241	85,864
Additions	14,250	88	1,541	27	2,067	58	18,031
Disposals	(1,022)	-	-	-	-	-	(1,022)
December 31, 2022	**51,929**	**30,760**	**10,268**	**3,996**	**4,621**	**1,299**	**102,873**
Accumulated Depreciation and Amortization							
January 1, 2020*	32,790	14,314	11,562	6,780	236	2,439	68,121
Depreciation and amortization*	3,672	4,862	841	31	586	378	10,370
Disposal*	(630)	-	-	-	-	-	(630)
December 31, 2020*	35,832	19,176	12,403	6,811	822	2,817	77,861
Depreciation and amortization	4,376	6,891	1,078	43	880	109	13,377
Disposals and retirement	(10,093)	(11,616)	(5,733)	(2,926)	-	(1,746)	(32,114)
December 31, 2021	30,115	14,451	7,748	3,928	1,702	1,180	59,124
Depreciation and amortization	5,225	7,386	1,102	42	1,221	61	15,037
Disposals	(76)	-	-	-	-	-	(76)
December 31, 2022	**35,264**	**21,837**	**8,850**	**3,970**	**2,923**	**1,241**	**74,085**
Net Book Value							
December 31, 2021	P8,586	P16,221	P979	P41	P852	P61	P26,740
December 31, 2022	**P16,665**	**P8,923**	**P1,418**	**P26**	**P1,698**	**P58**	**P28,788**

**As restated (see Note 5)*

Depreciation and amortization expense charged as part of "Operating Expenses" in profit or loss amounted to P15,037, P13,377 and P10,370 for the years ended December 31, 2022, 2021, 2020, respectively (see Note 18).

The cost of fully depreciated property and equipment still in use amounted to P45,530 and P38,043 as at December 31, 2022 and 2021, respectively.

11. Investments in a Joint Venture and an Associate

The details of this account are as follows:

	2022	2021
Joint venture	**P5,157,889**	P -
Associate	**89,039**	78,388
	P5,246,928	P78,388

Investment in Joint Venture
In September 14, 2022, the Parent entered into a Share Purchase Agreement to acquire 50% interest or 646,775 shares of Bodegas Williams & Humbert SA ("Bodegas") with a par value of €32 at €137.22 per share for €88,750 (equivalent to P5,062,512).

On such date, the Parent entered into a Shareholders' Agreement with Medina Portfolio, S.L.U., the owner of the remaining 50% shares of Bodegas, to regulate the joint ownership of Bodegas and joint participation of its governing bodies.

Bodegas was incorporated on October 11, 1974 under the name Luis Páez, S.A. It adopted its present name at an ordinary and extraordinary General Meeting of Shareholders held on June 22, 2004. Its principal place of business is at Carretera Nacional IV, km. 641.75, Jerez de la Frontera, Cádiz, Spain. Bodegas is engaged in all types of agricultural cultivation and operations, the import, export, acquisition, transformation, storage, packaging, industrialization, representation, sale and exploitation of all types of foodstuff and agricultural product and the manufacture of packaging for such products. It is also engaged in the preparation, production, manipulation, representation and wholesale or retail marketing, in Spain or abroad, of all types of food products, in particular alcoholic or non-alcoholic drinks and the distribution of said products.

The Group has yet to obtain the information necessary to finalize the purchase price allocation. In view of this, the amounts disclosed below for fair value and goodwill are provisional and will be reassessed by the Group within the one-year period permissible by the standards.

For the period ended December 31, 2022, the Parent Company has paid P4,332,512 and has a remaining payable of P730,000 as at December 31, 2022 to VFC Land Resources, Inc., the other stockholder of Bodegas (see Note 15).

The investment is accounted for using the equity method.

The following table summarizes the financial information of Bodegas, adjusted for fair value adjustments at acquisition and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment as at December 31, 2022:

	2022
Balance at beginning of year	**P -**
Acquisition of investment	**5,062,512**
Share in net income	**101,092**
Depreciation of excess fair value	**(7,398)**
Foreign currency translation adjustment	**1,683**
Balance at end of year	**P5,157,889**

	2022
Percentage Ownership Interest	**50%**
Current assets (including cash and cash equivalents of P34,613)	**P7,147,957**
Noncurrent assets	**2,120,734**
Current liabilities (including current financial liabilities, excluding trade and other payables and provisions of P437,868)	**3,799,421**
Noncurrent liabilities including non-current financial liabilities, excluding trade and other payables and provisions of P349,865)	**359,972**
Net Assets	**5,109,298**
TKHI's share of net assets	**2,554,649**
Goodwill	**1,984,514**
Fair value adjustment	**617,709**
Translation adjustment	**1,683**
Foreign exchange differences	**(666)**
Carrying Amount of Investment in Joint Venture	**P5,157,889**

The following table shows the Group's share in net income of investee for the three-month period ended December 31, 2022:

	2022
Revenue	**P3,524,450**
Depreciation	**(39,014)**
Interest income	**9**
Interest expense	**(1,053)**
Income tax expense	**(85,514)**
Net income	**202,183**
The Group's share in net income at 50%	**101,092**
Depreciation of excess fair value at 50%	**(7,398)**
	P93,694

Investment in Associate
PWSI entered into a Shareholders' Agreement and a Share Purchase Agreement with Pernod 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 (equivalent to P126,957) in February 2019.

Pernod wholesales and distributes distilled spirits. Pernod 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, 2022 and 2021, PWSI owns 30% of Pernod shares.

The financial year end date of Pernod is June 30. This is the reporting date established on the articles of incorporation of the associate. This is also the reporting date adopted by its parent company, Pernod Ricard Asia S.A.S. and its ultimate parent company, Pernod Ricard S.A.

The following table summarizes the financial information of Pernod and shows the reconciliation of the Group's share in net assets of such investee to the carrying amounts of its investment as at December 31, 2022 and 2021:

	2022	2021
Balance at beginning of year	**P78,388**	P93,361
Share in net income (loss)	**12,466**	(14,516)
Share in other comprehensive loss	**(1,815)**	(457)
Balance at end of year	**P89,039**	P78,388

	2022	2021
Percentage Ownership Interest	**30%**	30%
Current assets	**P1,200,437**	P541,610
Noncurrent assets	**157,547**	166,860
Current liabilities	**1,096,923**	469,888
Noncurrent liabilities	**9,167**	22,191
Net Assets	**251,894**	216,391
PWSI's share of net assets	**75,568**	64,917
Goodwill	**13,471**	13,471
Carrying Amount of Investment in Associate	**P89,039**	P78,388

The following table shows the Group's share in net income (loss) of investee for the year ended December 31, 2022 and 2021:

	2022	2021
Revenue	**P1,465,477**	P632,899
Net income (loss) for the year	**41,554**	(48,386)
The Group's share in net income (loss) at 30%	**P12,466**	(P14,516)
Other comprehensive loss for the year	**(P6,051)**	(P1,522)
The Group's share in other comprehensive loss at 30%	**(P1,815)**	(P457)

12. Other Noncurrent Assets

This account consists of:

	Note	2022	2021
Excess tax credits		**P23,234**	P23,234
Refundable deposits	*20, 25*	**16,519**	16,565
Input VAT		**8,358**	-
Others		**1,394**	6,275
		P49,505	P46,074

Excess tax credits pertain to prepaid taxes carried over from previous taxable years.

13. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade payables:			
Related parties	*15*	**P3,275,472**	P -
Third parties		**187,033**	967,997
Non-trade payables:			
Third parties		**211,675**	169,508
Related parties	*15*	**25,222**	1,857
Advances from customers		**154,345**	-
Statutory obligations		**85,868**	89,172
Accrued expenses		**81,072**	58,305
	25	**P4,020,687**	P1,286,839

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

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 terms.

Advances from customers are amounts paid by the customers but has not yet delivered by the Group at the end of year.

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

14. Loans Payable

The movements and balances in loans payable are as follows:

	Note	**2022**	2021
Balances at beginning of year		**P -**	P42,000
Availment of loan		**130,000**	-
Payments made		**-**	(42,000)
Balances at end of year	*25, 27*	**P130,000**	P -

PWSI
PWSI has unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 3.21% as at December 31, 2019. These are intended to finance the inventory build-up and additional working capital requirements of PWSI. The loans are not subject to compliance with any loan covenant.

PWSI fully settled its loan payable amounting to P313,000 on December 15, 2020.

MPDI
In 2019, MPDI entered into various unsecured, short-term loans with a maturity of less than one year from Asia United Bank totaling to P279,000 with fixed annual interest of 4.75% to 6.00%. MPDI made principal payments amounting to P64,000 in 2019.

In 2019, MPDI entered into various unsecured, short-term loan agreements with Metropolitan Bank and Trust Company (MBTC) totaling P115,000 with fixed annual interest rates of 4.50% to 5.50%. MPDI made principal payments amounting to P34,000 in 2019. The remaining outstanding balance totaling to P81,000 were subsequently paid in 2020.

In 2020, MPDI availed of unsecured, short-term loan agreements with Metropolitan Bank and Trust Company (MBTC) amounting to P97,000 with fixed annual interest rates of 3.5% to 5.00%. MPDI paid a total of P55,000 for this loan in September 2020 and November 2020. The remaining balance of P42,000 was paid in January 2021.

In 2022, MPDI entered into unsecured, short-term loans with maturities of less than one year from Asia United Bank amounting to P60,000 and Metropolitan Bank Trust & Co., amounting to P70,000, both loans with annual interest rate of 3.75%. Proceeds of the loans were used to finance working capital requirements.

MI
On November 20, 2019, MI obtained an unsecured, six-month loan from Metropolitan Bank and Trust Company amounting to P120,000 with a fixed interest rate of 4.50%. This was subsequently paid in 2020.

The proceeds from the availments of loans were used to finance the Group's working capital requirements.

Interest expense recognized in profit or loss amounted to P2,146, P70 and P16,196 for the years ended December 30, 2022, 2021 and 2020, respectively (see Note19). Interest payable arising from these loans amounting to P407 and nil as at December 31, 2022 and 2021, was recorded as part of non-trade payables under "Trade and Other Payables" account.

15. Related Party Transactions

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

Category/Transaction	*Ref*	Year	Transactions During the Year	Outstanding Balance: Receivable	Outstanding Balance: Payable	Outstanding Balance: Due to Related Parties	Terms	Conditions
Ultimate Parent Company								
Dividends	*16*	**2022**	**P783,473**	**P -**	**P783,473**	**P -**	**Due and demandable**	**Unsecured**
	16	2021	348,210	-	348,210	-		
Management fee	*a*	**2022**	**-**	**-**	**-**	**106,700**	Due and demandable;	Unsecured
	a	2021	-	-	-	106,700	non-interest-bearing	
Entities under Common Control								
Sales of good	*7, b*	**2022**	**4,005,818**	**928,114**	**-**	**-**	30 days credit term;	Unsecured;
	7, b	2021	3,236,093	875,685	-	-	non-interest bearing	no impairment
Lease expense	*20, c*	**2022**	**67,372**	**-**	**131,173**	**-**	Payable on a monthly	Unsecured
	20, c	2021	69,211	-	186,858	-	basis	
Purchases of goods and services	*d*	**2022**	**105**	**-**	**-**	**-**	Due and demandable;	
		2021	120	-	-	-	non-interest bearing	
Investment	*11, e*	**2022**	**2,293,416**	**-**	**-**	**730,000**	**Due and demandable**	**Unsecured**
		2021	-	-	-	-		
Reimbursement of expenses	*f*	**2022**	**28,636**	**2,985**	**25,222**	**-**	Payable on demand;	Unsecured;
		2021	3,715	1,857	1,857	-	non-interest-bearing	no impairment
Joint Venture								
Purchases of goods and services	*13, d*	**2022**	**3,195,368**	**-**	**3,275,472**	**-**	30 days credit term;	
		2021	-	-	-	-	non-interest bearing	
Stockholders								
Investment	*e*	**2022**	**724,261**	**-**	**-**	**-**	**Due and demandable**	**Unsecured**
		2021	-	-	-	-		
Advances	*g*	**2022**	**10,000**	**-**	**-**	**10,000**	**Due and demandable**	**Unsecured**
		2021	-	-	-	-		
		2022		**P931,099**	**P4,215,340**	**P846,700**		
		2021		P877,542	P536,925	P106,700		

a. This pertains to amount due to the Ultimate Parent Company for corporate services rendered to PWSI in 2017 and 2016. No similar services were rendered subsequently.

b. The Group distributes wines and liquors to entities under common control.

c. The Group entered into lease agreements with entities under common control for its office spaces and warehouses. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 20).

d. The Group purchased inventoriable items and goods from entities under common control amounting to P105 and P120 for the years ended December 31, 2022 and 2021, respectively. The Group also purchased inventoriable items from its investment in joint venture amounting to P3,195,368 and nil for the years ended December 31, 2022 and 2021, respectively.

e. During 2022, the Parent Company acquired the shares of Bodegas from VFC Land Resources, Inc. and various stockholders. As at December 31, 2022, the outstanding balance from the acquisition amounted to P730,000.

f. This represents cash advances to and from related parties as at December 31, 2022 and 2021 in the form of reimbursement of expenses and working capital advances.

g. Stockholder's advances represent amounts owed to related parties for working capital requirements of the Parent Company which amounted to P10,000 and nil for the years ended December 31, 2022 and 2021, respectively. As at December 31, 2022, the balance of such advances amounted to P10,000.

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

As at December 31, 2022, the Company is still in the process of formalizing its policy framework in relation to its approval requirement and limits on the amount and extent of related party transactions.

Related Party Transactions and Balances Eliminated During Consolidation

During 2021, payment of registration fees amounting to P88,884 for the increase in authorized capital stock of and follow-on offering of TKHI was paid in advance by MI to Cosco. As at December 31, 2021, the outstanding balance of this amount is P79,204. There were no other transactions and balances to be eliminated.

Key Management Personnel

The compensation of the key management personnel of the Group, by benefit type, are as follows:

	2022	2021	2020
Short-term employee benefits	**P24,905**	P4,228	P4,228
Retirement benefit costs	**476**	146	161
	P25,381	P4,374	P4,389

16. Equity

Capital Stock

As at December 31, 2022 and 2021, the Parent Company's capital stock, at P0.10 par value per share consists of the following number of shares:

	Shares	Amount
Authorized P0.10 par value	**20,000,000,000**	**P2,000,000**
Issued and outstanding, as previously reported - P0.023 par value	**1,124,999,969**	**P25,875**
Share swap transaction - P0.10 par value	**11,250,000,000**	**1,125,000**
Effect of changes in par value	**(866,249,656)**	**-**
Issuance of shares (FOO)	**3,000,000,000**	**300,000**
Issued and outstanding, as restated - P0.10 par value	**14,508,750,313**	**P1,450,875**

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

Presented below is the tracking of the Parent Company's registration:

Date	Activity	Issue Price	Number of Shares Common Shares
September 3, 1991	Issuance of capital stocks as of listing date	P2.85	1,124,999,969
June 30, 2021*	Effect of reduction in par value	-	(866,249,656)
June 30, 2021	Issuance of capital stocks via shares swap	P2.00	11,250,000,000
November 19, 2021	Issuance of capital stocks - FOO	P1.50	3,000,000,000
Total outstanding shares as at December 31, 2022			14,508,750,313

**The accounting for the share swap arrangement was applied retrospectively (see Note 5)*

As at December 31, 2022 and 2021, the Parent Company has a total of 478 and 474 common stockholders owning listed shares, respectively. As disclosed in Note 1, the amended Articles of Incorporation of the Parent Company increasing its authorized capital stock was approved by the Stockholders and the BOD on May 28, 2021 and April 29, 2021, respectively. Such corporate action was approved by the SEC on June 30, 2021. The adjustments in the number of issued and outstanding shares of the Company were reflected on the PSE's systems effective on September 13, 2021.

On July 14, 2021, the Parent Company filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, the Parent Company filed its application for the listing and trading of offer shares with the PSE. On September 20, 2021, the Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of the Company's Offer Shares was issued by SEC on November 3, 2021.

On August 19, 2021, the Parent Company filed the application for listing with the PSE for additional shares of stock issued in connection with the increase of the 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 was approved by the stockholders on May 28, 2021.

Additional Paid-in Capital
Presented below is the Parent Company's additional paid-in capital:

	Note	**2022**	2021
Balance at beginning of year, as previously reported		**P25,447,900**	P46,033
Share swap transaction	*5*	**-**	21,375,000
Balance at beginning of year, as restated		**25,447,900**	21,421,033
Issuance of shares (FOO)		**-**	4,200,000
Share issuance costs		**-**	(173,133)
Balances at end of year		**P25,447,900**	P25,447,900

Related transaction costs from the share swap transaction paid and incurred for the year ended 2021 amounting to P173,133 was deducted against additional paid-in capital as at December 31, 2021. Transaction costs is composed of fees for the increase in authorized capital stock, professional fees, listing fees and documentary stamp taxes.

Retained Earnings
Declaration of Dividends
On December 20, 2022, the Group's BOD approved the declaration of cash dividend equivalent to P0.054 per share or an aggregate amount of P783,473. These dividends were paid on January 20, 2023.

On December 21, 2021, the Group's BOD approved the declaration of cash dividend equivalent to P0.024 per share or an aggregate amount of P348,210. These dividends were paid on January 17, 2022.

MI
On December 18, 2020, MI's BOD approved the declaration of cash dividends of P26.66 per share or an aggregate amount of P200,000, payable to stockholders of record as of the same date. These dividends were paid on April 6, 2021.

PWSI
On December 11, 2015, PWSI's BOD approved the declaration of cash dividends amounting to P100,000, payable to stockholders of record as at the same date. Such amount was paid in 2021.

Appropriated Retained Earnings
On December 13, 2018, the BOD of MI approved the appropriation of P950,000 from MI's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction was expected to be completed in December 2021 but was deferred at a later date because of the pandemic and as of date, it is not completed.

On March 6, 2023, the BOD of MI approved the reversal of the appropriation of P950,000 to MI's unappropriated retained earnings to be declared subsequently as cash dividends.

17. Cost of Goods Sold

This account consists of:

	Note	2022	2021	2020
Inventories at beginning of year		**P3,519,298**	P3,659,336	P4,744,683
Net purchases		**13,065,054**	7,955,195	4,846,613
Total goods available for sale		**16,584,352**	11,614,531	9,591,296
Inventories at end of year:				
On-hand		**(4,296,358)**	(3,519,298)	(3,659,336)
In-transit		**(1,804,409)**	-	-
		(6,100,767)	(3,519,298)	(3,659,336)
	8	**P10,483,585**	P8,095,233	P5,931,960

18. Operating Expenses

This account consists of:

	Note	2022	2021	2020
Distribution costs		**P301,785**	P324,278	P213,853
Advertisement		**296,670**	295,977	139,310
Salaries and other employee benefits		**110,248**	97,664	86,251
Depreciation and amortization	*10, 20*	**75,382**	73,557	63,852
Outside services		**45,074**	34,903	34,400
Taxes and licenses		**22,107**	58,238	26,891
Transportation and travel		**15,044**	5,310	5,011
Insurance		**11,742**	10,062	12,001
Legal and professional fees		**5,864**	22,108	2,461
Utilities and communication		**5,513**	4,603	6,310
Representation and entertainment		**1,364**	842	934
Miscellaneous		**10,447**	19,662	18,215
		P901,240	P947,204	P609,489

19. Other Income (Charges)

This account consists of:

	Note	2022	2021	2020
Interest income	*6*	**P112,794**	P24,272	P21,926
Reversal of provision	*23*	**11,975**	-	-
Interest expense	*14, 20*	**(9,173)**	(9,101)	(31,392)
Foreign exchange losses - net		**(7,970)**	(12,756)	(23,271)
Bank charges		**(1,741)**	(358)	(272)
Investment income		**-**	13,725	-
Others		**361**	1,324	2,293
		P106,246	P17,106	(P30,716)

20. Lease Agreements

The Group entered into lease agreements with entities under common control for its office space and warehouses. These leases have terms ranging from two (2) years to five (5) years, renewable under terms and condition agreed upon by both parties.

The lease payments provide for, among others, security deposits amounting to P16,505 as at December 31, 2022 and 2021, which are shown under "Other noncurrent assets" account in the consolidated statements of financial position (see Note 12).

The movements and balances of the right-of-use assets and lease liabilities are as follows:

i. Right-of-Use Assets

	Note	**2022**	2021
Balance at beginning of year		**P176,112**	P185,853
Additions		**2,858**	50,439
Amortization charge for the year	*18*	**(60,345)**	(60,180)
Balance at end of year		**P118,625**	P176,112

ii. Lease Liabilities

	Note	**2022**	2021
Balance at beginning of year		**P186,858**	P201,960
Additions		**2,858**	50,439
Interest charge for the year	*19*	**7,027**	9,031
Payments made		**(65,570)**	(74,572)
Balance at end of year	*27*	**P131,173**	P186,858

As at December 31, 2022 and 2021, the Group's lease liabilities are classified in the consolidated statements of financial position as follows:

	2022	2021
Current	**P63,654**	P58,118
Noncurrent	**67,519**	128,740
	P131,173	P186,858

Maturity analyses of the undiscounted lease liabilities as at December 31, 2022 and 2021 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P67,996**	**P4,342**	**P63,654**
Later than one year but not later than five years	**69,484**	**1,965**	**67,519**
Balances at December 31, 2022	**P137,480**	**P6,307**	**P131,173**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P65,082	P6,964	P58,118
Later than one year but not later than five years	135,047	6,307	128,740
Balances at December 31, 2021	P200,129	P13,271	P186,858

iii. Amounts recognized in profit or loss for the years ended December 31:

	Note	**2022**	2021	2020
Amortization expense	*18*	**P60,345**	P60,180	P53,482
Interest on lease liabilities	*19*	**7,027**	9,031	7,357
		P67,372	P69,211	P60,839

iv. Amounts recognized in the consolidated statements of cash flows for the years ended December 31:

	2022	2021	2020
Total cash outflow for leases	**P65,570**	P74,572	P47,853

21. Retirement Benefits Liability

The Group 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.

The succeeding table summarizes the components of the retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the consolidated statements of financial position. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2022.

The table below shows the present value of the defined benefits retirement obligation or the retirement benefits liability and its components as at December 31:

	2022	2021
Balance at beginning of year	**P17,972**	P15,330
Recognized in Profit or Loss		
Current service cost	**1,593**	1,608
Interest cost	**980**	606
	2,573	2,214
Recognized in Other Comprehensive Income (Loss)		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	**1,070**	(764)
Change in financial assumptions	**(4,543)**	1,173
Experience adjustments	**3,912**	1,009
	439	1,418
Benefits paid	**(532)**	(990)
Balance at end of year	**P20,452**	P17,972

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

There are no unusual or significant risks to which the retirement benefits liability exposes the Group. However, it should be noted that in the event a benefit claim arises under the retirement benefits liability, the benefit shall immediately be due and payable from the Group.

As at December 31, 2022 and 2021, accumulated remeasurements on retirement benefits amounted to P3,071 and P3,552, respectively, as presented in the consolidated statements of financial position.

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

	2022	2021
Discount rate	**7.22%**	5.08%
Future salary increases	**8.00% to 10.00%**	8.00% to 10.00%

The valuation results are based on the employee data as of the valuation date. The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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 11.13 years and 10.47 years as at December 31, 2022 and 2021, respectively.

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits obligation by the amounts below:

	December 31, 2022		December 31, 2021	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P1,644)**	**P1,255**	(P813)	P440
Salary increase rate	**1,991**	**(1,582)**	1,265	(1,027)

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
Since the Group does not have a formal retirement plan, benefit claims under the retirement benefits liabilities are paid directly by the Group when they become due.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the defined benefits obligation.

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

	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
2022	**P20,452**	**P20,938**	**P -**	**P10,314**	**P10,624**
2021	P17,972	P14,348	P872	P7,760	P5,716

22. Income Taxes

The provision for income tax consists of:

	2022	2021	2020
Current	**P551,571**	P409,450	P391,699
Deferred	**(1,811)**	933	(49)
	P549,760	P410,383	P391,650

The Group's provision for current income tax represents regular corporate income tax (RCIT) in all years presented.

MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income for the years ended December 31, 2022, 2021 and 2020. 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 periods ended December 31 are as follows:

	2022	2021	2020
Income before income tax	**P2,784,773**	P1,994,766	P1,570,406
Provision for income tax at the statutory income tax rate*	**P696,193**	P498,692	P471,122
Additions to (reductions from) income taxes resulting to the tax effects of:			
Availment of optional standard deduction	**(139,008)**	(69,170)	(92,655)
Interest income subjected to final tax	**(28,198)**	(9,499)	(6,578)
Share in net loss (income) of an associate and a joint venture	**(26,540)**	3,629	7,450
Change in unrecognized deferred income tax asset	**5,103**	13,834	6,364
Non-taxable income	**(2,995)**	-	-
Non-deductible expenses	**45,205**	4,514	5,947
Impact of CREATE Act	**-**	(31,617)	-
Provision for income tax	**P549,760**	P410,383	P391,650

**Statutory income tax rate for the years ended December 31, 2022 and 2021 is 25% while for the year ended December 31, 2020 is 30%*

The components of the Group's net deferred income tax assets as at December 31, 2022 and 2021 are as follows:

	2022	2021
Retirement benefits liability	**P3,429**	P3,145
PFRS 16, *Leases* adjustment	**2,768**	368
Allowance for expected credit losses on trade receivables	**655**	655
Unrealized foreign exchange gains - net	**(730)**	(61)
	P6,122	P4,107

TKHI

As at December 31, 2022 and 2021, TKHI has carryforward benefits of unused NOLCO amounting to P68,791 and P57,473, respectively, for which no deferred income tax asset was recognized. Management believes that it is not probable that future taxable profits will be available to allow all or part of its deferred income tax asset to be utilized prior to its expiration.

Details of the TKHI's NOLCO for the taxable year 2022 are as follows:

Years Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2019	P1,048	P -	P -	(P1,048)	P -	2022
2020	1,089	-	-	-	1,089	2025*
2021	55,336	-	-	-	55,336	2026*
2022	12,366	-	-	-	12,366	2025
	P69,839	**P -**	**P -**	**(P1,048)**	**P68,791**	

**Pursuant to Section 4 of Republic Act (RA) 11494, Bayanihan to Recover As One Act and as implemented under Revenue Regulations (RR) No. 25-2020, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.*

MI

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

	2022	2021
PFRS16, *Leases* adjustment	**P7,419**	P7,174
Retirement benefits liability	**6,737**	5,370
Unrealized foreign exchange losses - net-	**12,597**	4,493
	P26,753	P17,037

23. Provision

The Group 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 Group'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, 2022 and 2021 are as follows:

	Note	**2022**	2021
Balances at beginning of year		**P11,975**	P11,975
Reversal of provision during the year	*19*	**(11,975)**	-
Balances at end of year		**P -**	P11,975

No provision for probable losses was recognized by the Group for the years ended December 31, 2022 and 2021.

24. Earnings Per Share

Basic/diluted EPS of the Group is computed as follows:

(In thousands, except per share data)	**2022**	2021	2020
Net income (a)	**P2,235,013**	P1,584,383	P1,178,756
Weighted average number of common shares outstanding for the period* (b)	**14,508,750**	11,883,750	11,508,750
Basic EPS (a/b)	**P0.15**	P0.13	P0.10

**after share swap transaction and change in par value of common shares (Note 5)*

Weighted average number of common shares in 2022, 2021 and 2020 used for the purposes of basic earnings per share were computed as follows:

	2022		
	Number of Common Shares	**Proportion to Period**	**Weighted Average**
Outstanding shares at the beginning and end	**14,508,750,313**	**12/12**	**14,508,750,313**

	2021		
	Number of Ordinary Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and November 19	11,508,750,313	10.5/12	10,070,156,524
Shares outstanding as of December 31, 2021	14,508,750,313	1.5/12	1,813,593,789
			11,883,750,313

	2020		
	Number of Ordinary Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end	11,508,750,313	12/12	11,508,750,313

The Group has no potential dilutive instruments as at December 31, 2022 and 2021, 2020 hence, diluted EPS is the same as the basic EPS.

25. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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

- Credit risk
- Liquidity risk
- Market risk

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

The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. There were no changes in the exposures to each of the above risks and to the Group'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 Group would incur if credit customers and counterparties fail to perform their contractual obligations. The Group's credit risk arises from the Group'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	**2022**	2021
Cash in banks	*6*	**P1,833,732**	P1,274,488
Cash equivalents	*6*	**2,948,667**	6,424,694
Trade and other receivables	*7*	**2,227,178**	2,042,263
Refundable deposits	*12*	**16,519**	16,565
		P7,026,096	P9,758,010

The Group'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 Group.

As at December 31, 2022 and 2021, the Group does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant. On the other hand, the Group believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Group 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 Group.

The Group assessed the credit quality of the following financial assets as follows:

a. Cash in banks and cash equivalents 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 standard grade since these include receivables that are collected on their due dates even without an effort from the Group to follow them up.

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.

ECL Assessment
The Group 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, 2022 and 2021:

	December 31, 2022		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P1,471,732**	**P -**	**No**
1 - 30 days past due	**648,740**	**-**	**No**
31 - 120 days past due	**101,575**	**-**	**No**
More than 120 days past due	**7,752**	**2,621**	**Yes**
Balance at December 31, 2022	**P2,229,799**	**P2,621**	

	December 31, 2021		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,638,334	P -	No
1 - 30 days past due	389,204	-	No
31 - 120 days past due	17,346	2,621	Yes
Balance at December 31, 2021	P2,044,884	P2,621	

The Group 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 Group'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 Group considered both historical loss rate and forward-looking assumption. The Group assessed that the impact of forward-looking assumption is immaterial.

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

The allowance for impairment in respect of trade and other receivables of the Group as a result of the expected credit loss assessment amounted to P2,621 as at December 31, 2022 and 2021.

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

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in reputable banks. Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The credit risk for security deposit is assessed to have not increased significantly since initial recognition as the counterparties have strong financial position and there are no past due amounts. The Group uses similar approach for assessment of ECLs for security deposit to those used for cash in banks. The Group has assessed that the impact of providing ECL for security deposit is immaterial, thus did not recognize loss allowance.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities as at December 31, 2022 and 2021:

	December 31, 2022			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P3,934,819**	**P3,934,412**	**P3,934,412**	**P -**
Due to related parties	**846,700**	**846,700**	**846,700**	**-**
Loans payable**	**130,000**	**131,075**	**131,075**	**-**
Dividends payable	**783,473**	**783,473**	**783,473**	**-**
Lease liabilities	**131,173**	**137,480**	**67,996**	**69,484**
Total	**P5,826,165**	**P5,833,140**	**P5,763,656**	**P69,484**

**Excluding statutory obligations amounting to P85,868 and accrued interest payable amounting to P407.*
***Including accrued interest payable amounting to P407 and remaining interest due until maturity amounting to P668.*

	December 31, 2021			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P1,197,667	P1,197,667	P1,197,667	P -
Due to related parties	106,700	106,700	106,700	-
Dividends payable	348,210	348,210	348,210	-
Lease liabilities	186,858	200,129	65,082	135,047
Total	P1,839,435	P1,852,706	P1,717,659	P135,047

**Excluding statutory obligations amounting to P89,172.*

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

<u>Market Risk</u>
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Group'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 Group 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.

Accordingly, management believes that the Group 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 Group's exposure to foreign currency risk relates primarily to the Group'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), Euro (EUR), Australian Dollar (AUD) and British Pound Sterling (GBP).

The following table shows the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31, 2022 and 2021:

	December 31, 2022					
	USD	**SGD**	**EUR**	**AUD**	**GBP**	**PHP Equivalent**
Foreign currency - denominated monetary assets:						
Cash	**1,244**	**-**	**14,491**	**-**	**-**	**932,844**
Trade and other receivables	**933**	**-**	**214**	**35**	**-**	**66,432**
	2,177	**-**	**14,705**	**35**	**-**	**999,276**
Foreign currency - denominated monetary liabilities:						
Trade payables	**(810)**	**(38)**	**(55,982)**	**(314)**	**-**	**(3,392,844)**
Net foreign currency - denominated monetary asset (liabilities)	**1,367**	**(38)**	**(41,277)**	**(279)**	**-**	**(2,393,568)**

	December 31, 2021					
	USD	SGD	EUR	AUD	GBP	PHP Equivalent
Foreign currency - denominated monetary assets:						
Cash	784	-	-	-	-	39,674
Trade and other receivables	2	-	30	6	1	2,075
	786	-	30	6	1	41,749
Foreign currency - denominated monetary liabilities:						
Trade payables	(173)	-	(14,536)	-	-	(852,879)
Net foreign currency - denominated monetary asset (liabilities)	613	-	(14,506)	6	1	(811,130)

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

	2022	2021
USD	**56.12**	50.56
SGD	**41.58**	-
EUR	**59.55**	58.07
AUD	**37.80**	36.18
GBP	**-**	66.19

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

	December 31, 2022	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**11.00%**	**P6,331**
EUR	**2.56%**	**(47,132)**
AUD	**4.48%**	**(354)**
SGD	**16.34%**	**(255)**

	December 31, 2021	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	5.24%	P1,219
EUR	(2.76%)	17,128
AUD	(0.62%)	(1)
GBP	3.97%	2

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 remain constant.

Capital Risk Management

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

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

There were no changes in the Group'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 Group's external environment and the risks underlying the Group's business operations and industry.

The Group's BODs review the capital structure of the Group on an annual basis. As part of this review, the BODs consider the cost of capital and the risks associated with each class of capital.

The debt-to-equity ratio at the end of reporting periods is as follows:

	2022	2021
Debt	**P6,140,725**	P2,107,152
Equity	**13,493,109**	12,042,182
Debt to equity ratio	**0.46:1**	0.17:1

The Group is not subject to externally imposed capital requirements.

26. Fair Values of Financial Instruments

Cash in Banks, Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Due to Related Parties, Loans payable and Dividends Payable

The carrying amounts of the Group's cash in banks, cash equivalents, 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 deposits approximates its fair values as the impact of discounting is not significant.

Loans Payable and Lease Liabilities

The estimated fair values of loans payable and lease liabilities are based on the present value of expected future cash flows using the applicable market rates for similar types of instruments at reporting date.

As at December 31, 2022 and 2021, the Group has no financial instruments carried at fair value. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary.

	December 31, 2022	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P1,833,732**	**P1,833,732**
Cash equivalents	**2,948,667**	**2,948,667**
Trade and other receivables - net	**2,227,178**	**2,227,178**
Refundable deposits	**16,519**	**16,519**
	P7,026,096	**P7,026,096**
Other Financial Liabilities		
Trade and other payables	**P3,934,819**	**P3,934,819**
Due to related parties	**846,700**	**846,700**
Loans payable	**130,000**	**130,000**
Dividends payable	**783,473**	**783,473**
Lease liabilities	**131,173**	**131,173**
	P5,826,165	**P5,826,165**

	December 31, 2021	
	Carrying Amount	Fair Value
Financial Assets at Amortized Cost		
Cash in banks	P1,274,488	P1,274,488
Cash equivalents	6,424,694	6,424,694
Trade and other receivables - net	2,042,263	2,042,263
Refundable deposits	16,565	16,549
	P9,758,010	P9,757,994
Other Financial Liabilities		
Trade and other payables	P1,197,667	P1,197,667
Due to related parties	106,700	106,700
Dividends payable	348,210	348,210
Lease liabilities	186,858	186,858
	P1,839,435	P1,839,435

27. 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, 2022					
	Loan Payable	**Accrued Interests**	**Dividends Payable**	**Lease Liabilities**	**Due to Related Parties**	**Total**
Balances at beginning of year	**P -**	**P -**	**P348,210**	**P186,858**	**P106,700**	**P641,768**
Changes from Financing Cash Flows						
Proceed from (payments of):						
Dividends payable	**-**	**-**	**(348,210)**	**-**	**-**	**(348,210)**
Loans payable	**130,000**	**-**	**-**	**-**	**-**	**130,000**
Lease liabilities - principal portion	**-**	**-**	**-**	**(58,543)**	**-**	**(58,543)**
Due to related parties	**-**	**-**	**-**	**-**	**10,000**	**10,000**
Interest	**-**	**(1,739)**	**-**	**(7,027)**	**-**	**(8,766)**
Total Changes from Financing Cash Flows	**130,000**	**(1,739)**	**(348,210)**	**(65,570)**	**10,000**	**(275,519)**
Liability-related Other Changes						
Additions in investment in a joint venture	**-**	**-**	**-**	**-**	**730,000**	**730,000**
Additions from new lease agreements entered during the year	**-**	**-**	**-**	**2,858**	**-**	**2,858**
Interest expense	**-**	**2,146**	**-**	**7,027**	**-**	**9,173**
Dividends declared	**-**		**783,473**	**-**	**-**	**783,473**
Total liability-related other changes	**-**	**2,146**	**783,473**	**9,885**	**730,000**	**1,525,504**
Balances at end of year	**P130,000**	**P407**	**P783,473**	**P131,173**	**P846,700**	**P1,891,753**

	December 31, 2021					
	Loan Payable	Accrued Interests	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P42,000	P2,564	P300,000	P201,960	P200,553	P747,077
Changes from Financing Cash Flows						
Payments of:						
Dividends payable	-	-	(300,000)	-	-	(300,000)
Loans payable	(42,000)	-	-	-	-	(42,000)
Lease liabilities - principal portion	-	-	-	(65,541)	-	(65,541)
Due to related parties	-	-	-	-	(93,853)	(93,853)
Interest	-	(2,634)	-	(9,031)	-	(11,665)
Total Changes from Financing Cash Flows	(42,000)	(2,634)	(300,000)	(74,572)	(93,853)	(513,059)
Liability-related Other Changes						
Additions from new lease agreements entered during the year	-	-	-	50,439	-	50,439
Interest expense	-	70	-	9,031	-	9,101
Dividends declared	-	-	348,210	-	-	348,210
Total liability-related other changes	-	70	348,210	59,470	-	407,750
Balances at end of year	P -	P -	P348,210	P186,858	P106,700	P641,768

	December 31, 2020						
	Loans Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P729,000	P1,542	P659,500	P150,000	P37,167	P199,614	P1,776,823
Changes from Financing Cash Flows							
Payments of:							
Loans payable	(784,000)	-	-	-	-	-	(784,000)
Interest	(15,896)	(7,117)	-	-	-	-	(23,013)
Advances from a stockholder	-	-	(659,500)	-	-	(152)	(659,652)
Dividends payable	-	-	-	(50,000)	-	-	(50,000)
Lease liabilities	-	-	-	-	(47,853)	-	(47,853)
Proceeds from availment of loans payable	97,000	-	-	-	-	-	97,000
Advances received from related parties and from a stockholder	-	-	-	-	-	1,091	1,091
Total changes from financing cash flows	(702,896)	(7,117)	(659,500)	(50,000)	(47,853)	939	(1,466,427)
Liability-related Other Changes							
Additions from new lease agreements entered during the year	-	-	-	-	205,289	-	205,289
Interest expense	15,896	8,139	-	-	7,357	-	31,392
Dividends declared	-	-	-	200,000	-	-	200,000
Total liability-related other changes	15,896	8,139	-	200,000	212,646	-	436,681
Balances at end of year	P42,000	P2,564	P -	P300,000	P201,960	P200,553	P747,077

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INDEPENDENT AUDITORS' REPORT ON COMPONENTS OF FINANCAL SOUNDNESS INDICATORS

The Stockholders and Board of Directors
The Keepers Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of The Keepers Holdings, Inc. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated April 17, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of three years in the period ended December 31, 2022 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 88825-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-036-2021
Issued June 29, 2021; valid until June 28, 2024
PTR No. MKT 9563846
Issued January 3, 2023 at Makati City

April 17, 2023
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 Stockholders and Board of Directors
The Keepers Holdings, Inc.
No. 900 Romualdez Street
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of The Keepers Holdings, Inc. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 included in this Form 17-A, and have issued our report thereon dated April 17, 2023.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components are the responsibility of the Group's management. Such additional components include:

- Supplementary Schedules of Annex 68-J
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Parent Company

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

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
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Makati City, Metro Manila

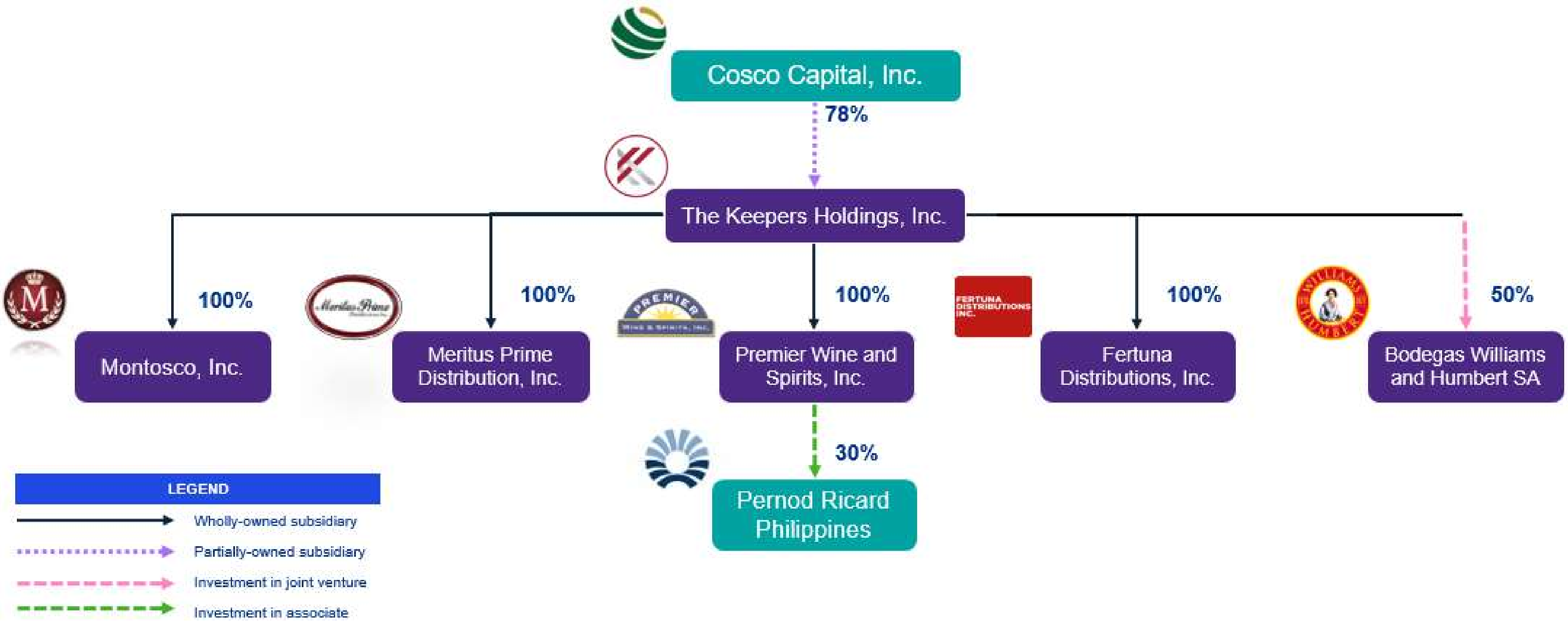
THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
(Amounts in Thousands)

AS AT DECEMBER 31, 2022

Ratio	Formula	2022	2021
Current ratio	Total Current Assets divided by Total Current Liabilities Total current assets P14,183,866 Divide by: Total current liabilities 6,052,754 2.34	**2.34**	7.05
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Prepaid Expenses and Other Current Assets) divided by Total Current Liabilities Total current assets P14,183,866 Less: Inventories 6,100,767 Prepaid expenses other current assets 1,071,480 Quick assets 7,011,619 Divide by: Total current liabilities 6,052,754 Acid-test ratio 1.16	**1.16**	4.97
Debt-to-equity ratio	Debt-to-equity ratio (Total liabilities over total equity) Total liabilities P6,140,725 Divide by: Total equity 13,493,074 0.46	**0.46**	0.17
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity) Total assets P19,633,799 Divide by: Total equity 13,493,074 1.46	**1.46**	1.17

Ratio	**Formula**	**2022**	2021
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities) Net income P2,235,013 Add: Depreciation and amortization 75,382 Total 2,310,395 Divide by: Total liabilities 6,140,725 Solvency ratio 0.38	**0.38**	0.79
Interest rate coverage ratio	Interest rate coverage ratio (Income from operations before depreciation and amortization over interest expense on loans) Operating profit before depreciation and amortization P2,310,395 Divide by: Interest expense on loans 2,146 1,077	**1,077**	23,685
Return on equity	Return on Equity (Net Income by Average Total Equity) Net income P2,235,013 Divide by: Average total equity 12,767,646 0.18	**0.18**	0.17
Return on assets	Return on Assets (Net Income by Average Total Assets) Net income P2,235,013 Divide by: Average total assets 16,891,567 0.13	**0.13**	0.14
Net profit margin	Net profit margin (Profit over net sales) Net income P2,235,013 Divide by: Net sales 13,957,192 0.16	**0.16**	0.14

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
Map of Group of Companies Within which the Company Belongs
As at December 31, 2022



THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE A. FINANCIAL ASSETS

(Amount in Thousands)

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
Various banks - Cash and cash equivalents	N/A	P4,782,399	P4,782,399	P112,794
Various customers - Trade and other receivables - net	N/A	2,227,178	2,227,178	-
Various lessors - Refundable deposits	N/A	P16,519	P16,519	P -

**Pertains to interest income earned, net of final tax*

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
The Keepers Holdings, Inc.	P79,204	P -	(P79,204)	P -	P -	P -	P -

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE D. LONG TERM DEBT

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOTHING TO REPORT

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Common Shares	20,000,000,000	14,508,750,313	-	11,469,926,768	313	3,038,823,232

Annex A

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE H. PROCEEDS FROM FOLLOW-ON OFFERING

1. Gross and net proceeds as disclosed in the final prospectus

Estimated Gross Proceeds	P4,500,000,000
Estimated Net Proceeds	4,357,000,000

2. Actual gross and net proceeds

Gross Proceeds	P4,500,000,000
Net Proceeds	4,354,481,374

3. Expenditure where the proceeds were used:

Payments for the acquisition of Bodegas	P4,354,481,374
Underwriting fees for the offer	97,578,947
Selling fees paid to the PSE Trading Participants	9,000,000
Documentary stamp taxes	3,000,000
SEC registration, research and listing fees	2,464,430
PSE listing fee	8,400,000
Professional fees	24,700,306
Other expenses (including printing costs, logistics and miscellaneous expenses)	374,943
Total Offering Expenses	**P4,500,000,000**

4. Balance of the proceeds as of end of reporting period

Gross Proceeds	P4,500,000,000
Offering expenses for the year ended December 31, 2021	(145,518,626)
Unused Proceeds as at December 31, 2021	4,354,481,374
Disbursement from January 1 to March 31, 2022	-
Unused Proceeds as at March 31, 2022	4,354,481,374
Disbursement from April 1 to June 30, 2022	-
Unused Proceeds as at June 30, 2022	4,354,481,374
Disbursement from July 1 to September 30, 2022	(2,044,835,000)
Unused Proceeds as at September 30, 2022	2,309,646,374
Disbursement from October 1 to December 31, 2022	(2,309,646,374)
Unused Proceeds as at December 31, 2022	**P -**

RECONCILATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
AS AT DECEMBER 31, 2022
(Amounts in Thousands)

THE KEEPERS HOLDINGS, INC.
No. 900 Romualdez Street, Paco, Manila

Deficit, January 1, 2022		**(P89,518)**
Adjustments in previous year's reconciliation		**-**
Deficit, as adjusted, January 1, 2022		**(89,518)**
Net income during the year closed to Retained Earnings		**862,362**
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	P -	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalent)	-	
Unrealized actuarial gain	-	
Fair value adjustment (M2M gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS/GAAP gain	-	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	-	
Add: Non-actual losses		
Deferred income tax benefit for the year	-	
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalent)	-	
Adjustment due to deviation from PFRS/GAAP - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	
Net income actually incurred during the period		**862,362**
Add (Less):		
Dividend declarations during the period		**(783,473)**
Appropriations of Retained Earnings during the period		**-**
Reversals of appropriations		**-**
Treasury shares		**-**
Deficit, as adjusted, December 31, 2022		**(P10,629)**

ANNEX "E"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ENRICO S. CRUZ**, Filipino, of legal age and a resident of No. 37 Radish Street, Valle Verde V, Pasig, Metro Manila, after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am a nominee as an Independent Director of **THE KEEPERS HOLDINGS, INC.,** and have been its Independent Director since November 20, 2020.

2. I am affiliated with the following companies:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
Security Bank Corporation	Independent Director	August 2019 – Present
DITO CME Holdings, Corp.	Independent Director	December 2021 – Present
Robinsons Retail Holdings, Inc.	Independent Director	April 2022 - Present
SB Capital Investment Corporation	Vice-Chairman	May 2020 - Present
AREIT, Inc.	Independent Director	February 2020 - Present
Maxicare Corporation	Independent Director	August 2019 - Present
Maxilife Insurance Corporation	Independent Director	July 2022 - Present
Robinsons Retail Holdings, Inc.	Independent Director	April 2022 - Present
CIBI Information, Inc.	Independent Director	July 2020 - Present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of The Keepers Holdings, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of The Keepers Holdings, Inc.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not involved or employed in any government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules is necessary.

7. I shall faithfully and diligently comply with my duties and responsibilities as an Independent Director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Corporate Secretary of The Keepers Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

SIGNED this 20th day of April 2023, Manila, Philippines.

ENRICO S. CRUZ
Nominee for Independent Director
The Keepers Holdings, Inc.

APR 20 2023

SUBSCRIBED AND SWORN to before me this _____________ in the City of Manila. Affiant exhibited to me competent proof of his Driver's License No. NII-75-001060 valid until September 9, 2023.

Doc. No. 356
Page No. 73
Book No. 9
Series of 2023.

Roxanne G. Domingo-Maur
Notary Public for the City of Manila
Commission No. 2023-113 until Dec. 31, 2024
Roll No. 69156
IBP Lifetime Member No. 018547
PTR No. MLA 0842252 / 01-03-2023
MCLE Compliance No. VII-0011920 / 03-02-2027
No. 900 Romualdez st., Paco, Manila

ANNEX "F"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **EDGARDO G. LACSON**, Filipino, of legal age and a resident of 102 Molave St., Ayala Alabang Village, Muntinlupa City, after having been duly sworn to in accordance with the law, do hereby declare that:

1. I am a nominee for Independent Director of **THE KEEPERS HOLDINGS, INC.** (*the "Company"*) for 2023 – 2024.

2. I am presently affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
MIS Maritime Corporation	President	1992 – present
MIL Export Philippines, Inc.	Chairman	1987 – present
Metrostores, Inc.	Chairman	2002 – present
Marine Industry Supply Corp.	President	1985 – present
Safe Seas Shipping Agency Co., Inc.	President	1992 – present
Link Edge	Director	2006 – present
Global Ferronickel Holdings, Inc.	Independent Director	2016 – present
Employers Confederation of the Philippines	Chairman	2016 – present
Management Association of the Philippines	Member	2011 – present
Double Dragon Meridian Park - REIT	Independent Director	2021 – present
University of Makati	Member, Board of Trustee	2020 – present
Kareila Management Corporation	Independent Director	2022 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of the Company as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations, and other SEC issuances.

4. I am not related to any of the directors/officers/substantial shareholders of the Company.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I am not involved or employed in government service, government agency, or GOCC. Thus, no required permission per Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rule is necessary.

7. I shall faithfully and diligently comply with my duties and responsibilities as an independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

8. I shall inform the Company's Corporate Secretary of any changes in the abovementioned information within five days of its occurrence.

SIGNED this 08 MAY 2023 day of May 2023 at Manila City.

EDGARDO G. LACSON
Nominee for Independent Director
The Keepers Holdings, Inc.

SUBSCRIBED AND SWORN to before me this 08 MAY 2023 day of May 2023 in Manila, Philippines, affiant personally appeared before me and exhibited to me competent proof of his identity.

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Page No. 89
Book No. XIX
Series of 2023.

EMMA RHEA B. SADURAL-CAPISTRANO
Notary Public for the City of Manila
Commission No. 2023-102 until Dec. 31, 2024
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 0862254/01-03-2023/Manila
MCLE No. VII-0007124/11-22-2021
No. 900 Romualdez St., Paco, Manila

ANNEX "G"

CERTIFICATION

I, **CANDY H. DACANAY-DATUON**, Filipino, of legal age, am the Assistant Corporate Secretary and Compliance Officer of the **THE KEEPERS HOLDINGS, INC.** hereby certify that ***none*** of the directors and officers of the Company works for the Philippine Government as of date hereof.

I am issuing this Certification as a requirement of the Securities and Exchange Commission for the issuance of the Definitive Information Statement of the Company.

SIGNED this 10th day of May 2023 in the City of Manila, Philippines.

CANDY H. DACANAY-DATUON
Assistant Corporate Secretary and Compliance Officer

SUBSCRIBED AND SWORN to before me this 10th day of May 2023 in the City of Manila. Affiant exhibited her Integrated Bar of the Philippine Lifetime ID No. 09872.

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Page No. 90
Book No. XIX
Series of 2023.

EMMA RHEA B. SADURAL-CAPISTRANO
Notary Public for the City of Manila
Commission No. 2023-102 until Dec. 31, 2024
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 0862254/01-03-2023/Manila
MCLE No. VII-0007124/11-22-2021
No. 900 Romualdez St., Paco, Manila

Minutes of the Annual Stockholders' Meeting of
THE KEEPERS HOLDINGS, INC.
May 30, 2022, 10 am, via Zoom Meeting

The Chairman of the Board and the Annual Stockholders' Meeting, Mr. Lucio L. Co, welcomed the stockholders, directors, and officers of The Keepers Holdings, Inc. He thanked them for attending the annual meeting.

A. Call to Order and Proof of Notice and Quorum

Mr. Co called the meeting to order. He asked the Assistant Secretary, Atty. Candy H. Dacanay – Datuon if there is a quorum in the annual stockholders' meeting. Atty. Candy H. Dacanay – Datuon replied that notices of the Annual Stockholders' Meeting were disseminated to all stockholders of record of the Company following the provisions of the By-Laws and the Memorandum Circular of the Securities and Exchange Commission dated February 16, 2022.

Atty. Candy H. Dacanay – Datuon submitted the notice of the meeting, together with the Information Statement to the Securities and Exchange Commission and the Philippine Stock Exchange, through the EDGE submission system, where the PSE approved it as a Company Announcement. The Company also posted the notice on its website and published it, both in the physical paper and the online platform of the Philippine Daily Inquirer and the Philippine Star on May 4 and 5, 2022.

She also mentioned that the members of the board, who are at the same time nominees for re-election, the executive officers of the Company, and the representatives from the External Auditor R.G. Manabat & Co. and BDO Trust, Stock Transfer Agent, were present in the meeting.

Atty. Candy H. Dacanay - Datuon certified that there was a quorum for valid transaction of business in the meeting because out of 14,508,750,313 common shares issued and outstanding of the Company, there were present in the meeting, in person, *in absentia*, and by proxy, stockholders representing a total of 12,674,387,952 common shares, or equivalent to 87.36% of the Company's outstanding capital stock.

B. Approval of the Minutes and Ratification of all acts of the Board of Directors and Management

Mr. Lucio Co proceeded with the next item on the agenda, the approval of the minutes of the previous stockholders' meeting and ratification of all acts of the Board of Directors and officers of the Company since the last Annual Stockholders' Meeting held on May 28, 2021.

A motion was made to approve the minutes of the previous stockholders' meeting, together with all acts, proceedings, contracts, or deeds performed, entered into, or executed by the Company's Board of Directors and officers, be approved, confirmed, and ratified as if such acts, proceedings, contracts, or deeds had been performed, entered into, or executed with specific and special authorization of the stockholders in a meeting duly convened and held.

The motion was duly seconded and carried out.

Mr. Lucio Co called upon the Assistant Secretary to present the votes garnered in the particular item in the agenda.

Atty. Candy H. Dacanay - Datuon presented the following result:

	Yes	No	Abstain
Approval of the Minutes and Ratification of all acts of the Board of Directors and Management	12,674,387,952	0	0

C. Approval of 2021 Annual Report and Audited Financial Statements

Mr. Lucio Co moved to the next item on the agenda, the presentation of the Annual Report and the approval of the Consolidated Audited Financial Statements of the Company as of December 31, 2021.

The Joint Chairman and President's Report to the Stockholders is attached in the Minutes as *Annex "A"*.

During the reading of the said letter, the Company played a video presentation[1].

Ms. Imelda Lacap, the Company's Comptroller, presented the 2021 Consolidated Audited Financial Statements of the Company by presenting a video[2].

Another video about the Sustainability Initiatives[3] of the Company was presented after the presentation of 2021 Consolidated Audited Financial Statements.

Mr. Lucio Co asked the stockholders if they had any questions regarding the Company's Annual Report. The Chairman heard none.

After that, a motion to approve the Annual Report and the Consolidated Audited Financial Statements of the Company were duly seconded. There being no objection, the motion was approved.

Mr. Lucio Co called upon the Assistant Secretary to present the votes garnered in the particular item in the agenda.

Atty. Candy H. Dacanay - Datuon presented the following result:

	Yes	No	Abstain
Approval of 2021 Annual Report and Audited Financial Statements	12,674,387,952	0	0

D. Election of Directors

Mr. Lucio Co moved to the next item on the agenda, the election of the members of the Board of Directors for the year 2022-2023.

He mentioned that the Corporate Governance Committee pre-screened the

[1] *Available on the Company website.*
[2] *Available on the Company website*
[3] *Available on the Company website.*

qualifications of all nominees and prepared a final list of all candidates for directors and that such a definitive list of candidates was made available to all stockholders through the information statements released to the public.

Atty. Candy H. Dacanay - Datuon announced the candidates for the 2022 Board of Directors:

1. Mr. Lucio Co
2. Mr. Jose Paulino L. Santamarina
3. Ms. Camille Clarisse P. Co
4. Ms. Jannelle O. Uy
5. Mr. Robin Derrick C. Chua
6. Mr. Enrico S. Cruz as Independent Director
7. Mr. Bienvenido E. Laguesma as Independent Director

Mr. Lucio Co requested the Assistant Secretary to present the results of the *in absentia* voting for this particular item on the agenda.

Atty. Candy H. Dacanay - Datuon presented the following result:

	In Favor	Against	Abstain
Election of Lucio L. Co	12,674,387,952	0	0
Election of Jose Paulino L. Santamarina	12,674,387,952	0	0
Election of Camille Clarisse P. Co	12,674,387,952	0	0
Election of Jannelle O. Uy	12,674,387,952	0	0
Election of Robin Derrick C. Chua	12,674,387,952	0	0
Election of Enrico S. Cruz	12,674,387,952	0	0
Election of Bienvenido E. Laguesma	12,674,387,952	0	0

After that, Mr. Lucio L. Co declared himself, Mr. Jose Paulino L. Santamarina, Ms. Camille Clarisse P. Co, Ms. Jannelle O. Uy, and Mr. Robin Derrick C. Chua as regular directors of the Company for 2022 – 2023 and Mr. Enrico S. Cruz and Mr. Bienvenido E. Laguesma as independent directors for 2022 – 2023.

E. Amendment of Bylaws

Mr. Lucio Co moved to the next item on the agenda, the Bylaws Amendment. He called on the Assistant Corporate Secretary to discuss the proposed revisions in the Bylaws.

The Assistant Corporate Secretary presented on the screen the original and proposed revisions in the bylaws, as follows:

From	*To*
Section 2 Article 1 (2) The Stock and Transfer Book shall be closed for transfer during five (5) days before the annual general elections, and likewise during five (5) days immediately preceding the declaration of dividends; but it shall continue to be subject to the inspection of the stockholders during office	*Section 2 Article 1 (2)* The stock and transfer book shall be closed for transfer at least <u>twenty (20) days</u> for regular meetings and <u>seven (7) days</u> for special meetings before the scheduled date of the stockholders meeting.

hours even if the books is closed for transfer in the two cases above-mentioned.	
Section 1 Article II The annual meeting of the Stockholders, whether regular or special, shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the office of the corporation on any day of May of each year.	*Section 1 Article II* The annual meeting of the Stockholders, whether regular or special, shall be held in the city or municipality where the principal office of the corporation is located, and if practicable in the office of the corporation on any day of May of each year. <u>The Corporation may conduct physical or entirely virtual meetings subject to the applicable guidelines of the Securities and Exchange Commission.</u>
Section 3 Article II Notice of the time and place of annual as well as special meeting of the stockholders shall be given either personally or by registered mail to those having addresses in the Philippines, and by registered air mail to those having addresses outside the Philippines, addressed to each stockholder of record entitled to vote and to notice of such meeting, at the address left by such stockholder with the Secretary of the Corporation or at his last known post office address at least 30 days before the date set for such meeting. The notice of every special meeting shall state briefly the purpose of the meeting. No other business shall be acted upon at such meeting except by the consent of all stockholders of the Corporation entitled to vote and be present at such meeting. Notices of meeting need not be published in the newspaper except when necessary to comply with the special requirements of the Corporation Law.	*Section 3 Article II* <u>Notices for regular or special meetings of stockholders shall be sent to stockholders by electronic transmission or by such other means the Securities and Exchange Commission shall allow under its guidelines. The notice shall be sent to stockholders on record twenty-one (21) days before the regular meeting and seven (7) days before the special meeting.</u> <u>The notice shall state the date, hour, place, and purposes for which the meeting is called.</u> <u>Electronic transmission means the delivery or transfer of data, information, or document by electronic email, posting on the company website and the Philippine Stock Exchange disclosure system, or such other means of electronic transfer of data or information</u>. Notices of meeting need not be published in the newspaper except when necessary to comply with the special requirements of the Corporation Law.
Section 6 Article II (1) At every stockholders' meeting, every stockholder is entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Corporation; provided, however, that in the case of the election of directors, every stockholder entitled to vote shall be entitled to cast his vote at his option in accordance with the provision of the Corporation Law in such case made and provided.	*Section 6 Article II (1)* A stockholder may vote in person, by proxy, <u>through remote communication, or in absentia</u> subject to the applicable guidelines of the Securities and Exchange Commission. Every stockholder is entitled to vote shall be entitled to one (1) vote for each share of stock registered in his name in the books of the Corporation; provided, however, that in the case of the election of directors, every stockholder

	entitled to vote shall be entitled to cast his vote at his option in accordance with the provision of the Corporation Law in such case made and provided.
Section 1 Article III (2) The Board of Directors shall hold regular quarterly meetings, to be attended by the Directors either in person or through teleconference, subject to compliance with the appropriate guidelines set forth in SEC Memorandum Circular No. 15, Series of 2001, and/or such other rules, directives or guidelines to be issued by the SEC governing the attendance of directors in board meetings through teleconferencing, at such time and place as the Board of Directors may prescribe. Special meeting may be called by the Chairman of the Board or by written requests of two (2) Directors to be attended by the Directors either in person or through teleconference, subject to compliance with the appropriate guidelines set forth in SEC Memorandum Circular No. 15, Series of 2001, and/or such other rules, directives or guidelines to be issued by the SEC governing the attendance of directors in board meetings through teleconferencing. Notices of all special meetings of the Board of Directors shall be mailed to each director at his last known address, or be delivered to him personally or by facsimile at least seven (7) days previous to the date fixed for the meeting. No notice need be given of regular meetings of the Board of Directors held at the time and the place previously fixed by the Board.	*Section 1 Article III* The Board of Directors shall meet at least six (6) times per calendar year. The dates of which shall be set at the beginning of the year. The Board of Directors may hold special meetings upon the request of the Chairman, President, or majority of the Directors. Meetings of the Board of Directors shall be presided over by the Chairman or, in his absence, by any other director chosen by the Board. Meetings of the Board of Directors may be conducted in person or through remote communications such as videoconferencing, teleconferencing, or other alternative modes of communication allowed by the Securities and Exchange Commission. Notice of the regular or special meetings of the Board, specifying the date, time, and place of the meeting, shall be communicated by the Secretary to each director personally, by electronic mail, or any other suitable means of sending notice. A director may waive this requirement, either expressly or impliedly.

A motion was made to approve the proposed revisions in the bylaws. The same was duly seconded. The Chairman declared the motion as carried and requested the Assistant Secretary to present the results of the *in absentia* voting for this particular item on the agenda.

Atty. Candy H. Dacanay - Datuon presented the following result:

	Yes	No	Abstain
Amendment of Bylaws	12,674,387,952	0	0

As shown in the tally of votes, stockholders representing 12,674,387,952 (87.36%), or more than 2/3 of the Company's total issued and outstanding shares approved the revisions in the Company's bylaws.

F. Re-appointment of R.G. Manabat & Company as External Auditor

The Chairman moved to the next item on the agenda, the re-appointment of R.G. Manabat & Company as External Auditor. Mr. Lucio Co mentioned that the Audit Committee of the Company recommended that RG Manabat & Co., (KPMG), with Mr. Dindo Dioso, as the handling partner, be re-appointed as the External Auditor of the Company and its subsidiaries for the year 2022 with auditors fee of up to P1million.

A motion to re-appoint R.G. Manabat & Co. (KPMG) as the company's external auditor and its subsidiaries for the year ending December 31, 2022, with an audit fee of up to P1 million was made and duly seconded.

Mr. Lucio Co requested the Assistant Secretary to present the results of the *in absentia* voting for this particular item on the agenda.

Atty. Candy H. Dacanay - Datuon presented the following result:

	Yes	No	Abstain
Re-Appointment of External Auditor	12,674,387,952	0	0

G. Other Matters

Mr. Lucio Co asked the stockholders present in the meeting if they had any questions for the board or the management. No stockholder raised any question.

H. Adjournment

There being no other business to transact, the Chairman asked for a motion to adjourn the meeting. A motion was made and duly seconded. There being no objection, the meeting was adjourned.

Mr. Lucio Co thanked the stockholders and participants in the Annual Stockholders' Meeting.

Prepared by:

Atty. Candy H. Dacanay – Datuon
Assistant Corporate Secretary

Approved by:

Mr. Lucio L. Co
Chairman of the Board

THE KEEPERS STOCKHOLDERS' ANNUAL REPORT

Since the start of the pandemic back at the end of the first quarter of 2020, many corporations' resilience and true strength were continually tested, most especially those engaged in the premium alcohol beverage industry.

A crisis of this magnitude and intensity, where distribution channels were shut down, movement of goods stopped, social gatherings banned, consumption disallowed, travel and tourism restricted, would bring any company to its knees.

Amid this backdrop, management began the process of restructuring a non-operational listed shell company called Da Vinci Capital or Davin, into a commercially operating business, thru the spin-off of the liquor distribution business of Cosco Capital to Davin thru a share swap transaction.

On November 19, 2021 and after all regulatory clearances and approvals were received, your company successfully implemented a follow-on offering and listing of additional new shares from its expanded capital stock at the PSE that raised P4.5 pesos in fresh equity and brought the public float to 20.5% in compliance with existing listing regulations.

2021 however continued to test us with the effects of the pandemic still lingering.

On-premise and travel retail are still 50% at best, of their pre-pandemic levels and the second half of the year brought us supply issues, creeping costs and shipping line disruptions.

Through sheer grit and commitment your company closed 2021 on a high note, toplining P11b pesos and delivering a bottom line of P1.6b pesos. A significant 35% growth in the top line and 34% in the bottom line.

The 35 % growth over the previous year, was a result of the 32% growth in volume of cases sold, totaling more than 4.46 million cases, driven by the continued robust performance of Alfonso, the leading imported brandy in the market, which has already surpassed its pre-pandemic levels.

Keepers all-time-high consolidated net income of P1.6b pesos or an increase of 34% over prior years net is a result of strong sales and strategic cost control.

The industry is on the uptrend, with bans lifted and social protocols softened, more consumers are going out and enjoying our products.

The general consumer trend is premiumization, which offers a strategic fit with our product portfolio.

And this premium segment is at a nascent stage and growing faster than the industry rate.

The business model and agile operating units thrive and continue to deliver strong results in the face of the pandemic and disruptions.

Our portfolio of leading world-class brands, though affected by the restrictions is very much attractive to consumers.

With extensive and long-standing relationships with multinational brand owners, high potential for sustained long-term growth is evident in this segment of ours.

Keepers being the largest aggregator and distributor of imported spirits in the Philippines holding a leading position in the market with a share of 74% of imported spirits based on volume according to International Wine and Spirit Record.

The synergy and seamless relationship with Puregold and S&R present a strong competitive advantage for Keepers.. Puregold and S&R have a vast nationwide network of 452 retail stores as of end-2021, providing us with extensive retail touchpoints covering practically all market segments.

Our employees have shown tremendous resilience and dedication, that is why our first priority has been their health, safety, and wellbeing. We make sure that health standards and protocols are properly practiced and observed in the work environment.

Moving forward, as the on-trade and travel retail channels reach their pre-pandemic levels and consumers go out as frequently as they did.

We see further growth coming from revenue streams that took a pause because of the pandemic.

And with the momentum of our biggest category…the brandy category…and the strong fundamentals of the company.

Your company, Keepers, has been and will continue to deliver stronger numbers in the years to come.

ANNEX "I"

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **MARCH 31, 2023**

2. Commission identification number **24015**   3. BIR Tax Identification No. **000-282-553**

4. Exact name of issuer as specified in its charter **THE KEEPERS HOLDINGS, INC.**

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

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

7. Address of issuer's principal office **No. 900 Romualdez St., Paco, Manila**

8. Issuer's telephone number, including area code **(02) 523-3055**

9. Former name, former address and former fiscal year, if changed since last report ______________________.

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common Stock, ₱0.10	**14,508,750,313**

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

    Yes [**X**]   No [ ]

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

    Philippine Stock Exchange   **Common Stock**

12. Indicate by check mark whether the registrant:

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

    Yes [**X**]   No [ ]

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

    Yes [**X**]   No [ ]

FINANCIAL INFORMATION

Item 1. Financial Statements – (Please see Annex "A")

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

The following should be read in conjunction with the accompanying unaudited interim consolidated financial statements and notes thereto which form part of this Quarterly Report. These interim consolidated financial statements and notes thereto have been prepared in accordance with Philippine Financial Reporting Standards particularly PAS 34, Interim Financial Statements

Top Key Performance Indicators

The following are the financial soundness indicators used by the Group as at March 31, 2023 and December 2022 and for the three-month periods ended March 31, 2023 and 2022:

	March 31 2023	December 2022
Current Ratio (1)	**3.26:1**	**2.34:1**
Asset to Equity Ratio (2)	**1.28:1**	**1.46:1**
Debt to Equity Ratio (3)	**0.28:1**	**0.46:1**
Debt to Total Assets Ratio (4)	**0.22:1**	**0.31:1**
Book Value per Share (5)	**P0.96**	**P0.93**

	March 31 2023	March 31 2022
Earnings per Share (6)	**P0.03**	**P0.02**
Return on Assets (7)	**2.3%**	**2.4%**
Return on Equity (8)	**3.1%**	**2.7%**

(1) Current Assets over Current Liabilities
(2) Total Assets over Total Equity
(3) Total Liabilities over Total Equity
(4) Total Liabilities over Total Assets
(5) Total Equity over Total Common Shares Outstanding
(6) Net income after tax over Weighted Average Common Shares Outstanding
(7) Net income after tax over Average Total Assets
(8) Net income after tax over Average Total Equity

I. Financial Performance

The following table shows the unaudited consolidated statements of comprehensive income for the three-month periods ended March 31, 2023 and 2022:

(In thousands)	**March 31 2023**	**% to Sales**	March 31 2022	% to Sales	**% Change**
Net Sales	**P2,897,377**	**100.0%**	**P2,169,352**	**100.0%**	**33.6%**
Cost of Sales	**2,112,754**	**73.0%**	**1,587,325**	**73.2%**	**33.1%**
Gross Profit	**784,623**	**27.0%**	**582,027**	**26.8%**	**34.8%**
Operating Expenses	**233,210**	**8.0%**	**159,385**	**7.3%**	**46.3%**
Income from Operations	**551,413**	**19.0%**	**422,642**	**19.5%**	**30.5%**
Other charges – net	**(16,953)**	**(0.6%)**	**(183)**	**(0.0%)**	**9177%**
Net Income before tax	**534,460**	**18.4%**	**422,459**	**19.5%**	**26.5%**
Provision for income tax	**113,875**	**3.9%**	**89,955**	**4.2%**	**26.6%**
Net Income after tax	**P420,585**	**14.5%**	**P332,504**	**15.3%**	**26.5%**

Net Sales

The Group's consolidated net sales during the first quarter of 2023 amounting to P2.9 billion grew by 33.6% from ₱2.2 billion for the same period in 2022. The increase was driven primarily by the group's 30% growth in sales volume. Growth is across all categories. The roll out of price increases which ranges from 4% to 7% on the major brands including Alfonso portfolio in January 2023 contributed to the growth in sale value.

Gross Profit

The Group's cost of sales increased by 33.1% for the period ended March 31, 2023 which is relative to the increase in sales and is basically varies due to sales mix. Gross profit increased by 34.8% in the first quarter of 2023. The price increase rolled out and the effect of sales mix even out increases in costs.

Operating Expenses

Operating expenses in the first quarter of 2023 increased significantly by 46.3% primarily to due to increase in variable expenses such as distribution cost which increased by 36%. The increase in distribution cost was due to the growing sales volume and value and the increased service fees. Other operating expenses such advertising and promotions, local government taxes and insurance also posted increase during the period.

Other Charges- Net

Other charges include interest income earned on short-term cash placements and the net foreign exchange gain realized during the period. It also includes the share in the results of operations of the investees, Pernod Ricard Philippines and Bodegas Williams & Humbert SA.

Net Income

The Group's net income for the first quarter of 2023 increased by 26.5%, at P420.5 million compared to the net income of P332.5 million in the same period of 2022 due to significant increase in sales and managed costs and operations.

II. Consolidated Financial Position

The Group's unaudited consolidated financial position as at March 31, 2023 are shown below together with the comparative figures of audited consolidated financial position as of December 31, 2022:

(in thousands)	December 31, 2022	% to Total Assets	December 31, 2022	% to Total Assets	% Change
Cash and cash equivalents	**P3,426,244**	**19.3%**	**P4,784,441**	**24.4%**	(28.4%)
Trade and other receivables – net	**938,413**	**5.3%**	**2,227,178**	**11.3%**	(57.9%)
Inventories	**7,255,723**	**40.8%**	**6,100,767**	**31.0%**	18.9%
Prepaid expenses and other current assets	**781,436**	**4.4%**	**1,071,480**	**5.5%**	(27.1%)
Total Current Assets	**12,401,816**	**69.8%**	**14,183,866**	**72.2%**	(12.6%)
Right-of-use assets – net	**112,457**	**0.6%**	**118,625**	**0.6%**	(5.2%)
Property and equipment – net	**32,919**	**0.2%**	**28,788**	**0.1%**	14.3%
Deferred income tax assets – net	**5,652**	**0.0%**	**6,123**	**0.0%**	(7.1%)
Investments in associate and joint venture	**5,197,283**	**29.2%**	**5,246,928**	**26.7%**	(0.9%)
Other noncurrent assets	**48,113**	**0.2%**	**49,505**	**0.3%**	(2.8%)
Total Noncurrent Assets	**5,396,424**	**30.2%**	**5,449,968**	**27.8%**	(1.0%)
Total Assets	**P17,798,240**	**100%**	**P19,633,834**	**100.0%**	(9.3%)
Trade and other payables	**P2,618,788**	**14.7%**	**P4,020,687**	**20.5%**	(34.9%)
Due to related parties	**814,731**	**4.6%**	**846,700**	**4.3%**	(3.8%)
Loan payable	**-**	**0.0%**	**130,000**	**0.7%**	(100%)
Dividends payable	**-**	**0.0%**	**783,473**	**4.0%**	(100%)
Income tax payable	**306,074**	**1.7%**	**208,240**	**1.1%**	47.0%
Lease liabilities – current	**62,862**	**0.4%**	**63,654**	**0.3%**	(1.2%)
Total Current Liabilities	**3,802,455**	**21.4%**	**6,052,754**	**30.8%**	(37.2%)
Lease liabilities - net of current portion	**61,786**	**0.3%**	**67,519**	**0.3%**	(8.5%)
Retirement benefits liability	**20,428**	**0.1%**	**20,452**	**0.1%**	(0.1%)
Total Noncurrent Liabilities	**82,214**	**0.4%**	**87,971**	**0.4%**	(6.5%)
Total Liabilities	**3,884,669**	**21.8%**	**6,140,725**	**31.3%**	(36.7%)
Capital stock	**1,450,875**	**8.2%**	**1,450,875**	**7.4%**	0.0%
Additional paid in capital	**25,447,900**	**143.0%**	**25,447,900**	**129.6%**	0.0%
Retained earnings	**7,860,938**	**44.1%**	**7,440,353**	**37.9%**	5.7%
Equity adjustments from common control Transactions	**(20,848,500)**	**(117.1%)**	**(20,848,500)**	**-106.2%**	0.0%
Accumulated remeasurements on retirement benefits	**3,071**	**0.0%**	**3,071**	**0.0%**	0.0%
Cumulative translation adjustment	**1,559**	**0.0%**	**1,683**	**0.0%**	(7.3%)
Other reserves	**(2,272)**	**0.0%**	**(2,272)**	**0.0%**	0.0%
Total Equity	**13,913,571**	**78.2%**	**13,493,110**	**68.7%**	3.1%
	P17,798,240	**100%**	**P19,633,835**	**100.0%**	(9.3%)

Working Capital
As at March 31, 2023 the Group's working capital increased to P8.6 billion from P8.1 billion as at December 31, 2022. Current ratios stood at 3.26x and 2.34x as of March 31, 2023 and December 31, 2022, respectively.

Current Assets
Cash and cash equivalents amounted to about P3.4 billion as of March 31, 2023 or 19.3% of total assets. The net decrease of 28.4% from the P4.8 billion balance at the close of December 31, 2022 pertains primarily to the sales collections, payments to trade suppliers and payment of dividends.

Trade and other receivables significantly decreased by 57.9%, from the December 31, 2022 balance of P2.2 billion to P983 million as of March 31, 2023, due to continues improvements in credit and collection process and accounts receivable management as well.

Inventories amounted to P7.2 billion or 40.8% of total assets as of March 31, 2023. It increased by 18.9% from the December 31, 2022 balance of P6.1 billion due to the net effect of importations received and the cost of sales during the first quarter of 2023. Inventories in-transit amounted to P536.7 million and P1.9 billion on March 31, 2023 and December 31, 2022, respectively.

Prepaid expenses and other current assets amounted to P781.4 million as of March 31, 2023. The decrease of 27.1% from the P1.1 billion balance as of December 31, 2022 is the net effect of additional payments for new orders to trade suppliers and applications of advances against shipments received during first quarter of 2023.

Noncurrent Assets
As at March 31, 2023, total noncurrent assets amounted to P5.4 billion or 30.2% of total assets.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering office and warehouse facilities. As of March 31, 2023, net book value amounted to P112.4 million. The net decrease of 5.2% was due the net effect of new lease agreement covering the use of office spaces, renewal of lease contract on the use of warehouse and the amortizations recognized during the period.

Property and equipment-net book values amounted to P32.9 million as of March 31, 2023. This account mainly consists of the leasehold improvements on offices and warehouses. The net increase of P4.1 million from the December 31, 2022 net book value of P28.8 million was due to purchase of office equipment and transportation and delivery equipment, and the depreciation during the period.

Investment in an associate and joint venture amounted to P5.2 billion as of March 31, 2023. This includes the group's 30% equity interest in Pernod Ricard Philippines which was made in February 2019, net of accumulated share in net income. Investment in joint venture pertains to The Keepers Holdings, Inc. acquisition of 50% equity interest in Bodegas Williams & Humbert SA. Movement from the December 31, 2022 balance pertains to the recognized share in the results of operations of said investees.

Other non-current assets amounted to P48.1 million as of March 31, 2023. It consists of excess tax credits carried over from previous years and the refundable deposits from the lease contracts.

Current Liabilities
As at March 31, 2023 total current liabilities amounted to P3.8 billion equivalent to 21.4% of total assets.

Trade and other payables amounted to P2.6 billion or14.7% of total assets. The decrease of 34.9% from the December 31, 2022 balance of P4.0 billion was due to the settlements to trade suppliers, both local and foreign.

Due to related parties amounting to P814.7 million includes the amount payable to related parties relative to the equity investment in Bodegas Williams & Humbert SA which was settled in April 2023.

Dividends payable as of December 31, 2022 amounting to P783.4 million pertains to the cash dividend declared in December 2022 at P0.54 per share or about 50% of the consolidated net income for the year ended December 31, 2021 in line with the company's existing dividend policy and subsequently paid on January 20, 2023.

Income tax payable amounted to P306.0 million as of March 31, 2023. It also includes Income tax payable as of December 31, 2022 amounting to P208.2 million.

Lease liabilities due within the year amounted to P62.9 million representing lease payable for the use of warehouses and offices.

Noncurrent Liabilities

As at March 31, 2023, total non-current liabilities amounted to P82.2 million and consists of the following:

Lease liabilities payable for the succeeding year until the end of the lease agreements on the use of warehouses and offices amounted to P61.8 million.

Retirement benefit liability which represents the present value of the defined benefits retirement obligations amounted to P20.4 million.

Equity

As at March 31, 2023 total equity amounted to P13.9 billion or 78.2% of total assets.

Capital stock amounted to P1.4 billion as of March 31, 2023 and December 31, 2022.

Additional paid in capital amounted to P25.4 billion of which, P21.3 billion resulted from the recognition of the difference between the fair market values of the three liquor distribution companies based on an independent valuation and the par value of the 11.250 billion new shares issued by the Company in favor of Cosco Capital pursuant to the share swap transaction between the Company and Cosco net of P46.8 million pertaining to shares issuance costs.

The balance also includes additional paid in capital from the follow on offering of 3,000,000,000 primary shares amounting to P4.1 billion, net of the share issuance cost of P126.3 million.

Retained earnings amounted to P7.8 billion representing the aggregated retained earnings of the Company and the subsidiaries as of March 31, 2023.

Equity adjustments from common control transactions amounting to P20.8 billion represents the difference between the fair market values and the carrying values of the net assets of the three liquor distribution companies recognized in accordance with existing standards and guidance on consolidation of companies under common control.

Accumulated remeasurements on retirement benefits which pertains to accruals and adjustments made in compliance with the accounting standard covering employee benefits amounted to P3.1 million as of March 31, 2023 and December 31, 2022.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by availment from bank loan facilities as and when required.

A brief summary of the consolidated cash flows during the comparative periods are shown below:

	For the three-month period ended March 31	
(In thousands)	**2023**	2022
Net cash from (used in) operating activities	**(P391,535)**	P665,223
Net cash used in investing activities	**(28,484)**	(3,879)
Net cash used in financing activities	**(940,893)**	(364,469)
Effect of exchange rate changes	**2,715**	35
Net increase (decrease) in cash and cash equivalents	**(P1,358,197)**	P297,010

Net cash used in operating activities during the current period is basically attributable to net effect of increase in sales, further improvement of collection process, and settlement of trade payable accounts, purchase of inventory requirements and other related current operating requirements.

Net cash used in investing activities mainly pertains to the funds used for additional assets acquisitions used in the operation.

Net cash used in financing activities in the current period is primarily due to payment of dividends, bank loans and lease liabilities.

IV. Material Events and Uncertainties

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the year.

There are no material commitments for capital expenditures other than those performed in the ordinary course of trade of business in line with the Group's expansion program.

There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations.

There are no significant elements of income not arising from continuing operations.

The Group experiences the fourth quarter of the year as the peak season relating to increased sales resulting from Christmas and New Year holidays.

SIGNATURES

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this First Quarterly Financial Statement of The Keepers Holdings, Inc. and its subsidiaries for the year 2023 to be signed on its behalf by the undersigned thereunto duly authorized.

May 12, 2023 in the City of Manila

THE KEEPERS HOLDINGS, INC.

By:

JOSE PAULINO L. SANTAMARINA
President

IMELDA D. LACAP
Comptroller

THE KEEPERS HOLDINGS, INC.
AND SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2023 and December 31, 2022

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands)

	Note	**March 31, 2023 (Unaudited)**	December 31, 2022 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6,25,26*	**P3,426,244**	P4,784,441
Trade and other receivables - net	*7,25,26*	**938,413**	2,227,178
Inventories	*8,17*	**7,255,723**	6,100,767
Prepaid expenses and other current assets	*9*	**781,436**	1,071,480
Total Current Assets		**12,401,816**	14,183,866
Noncurrent Assets			
Right-of-use assets - net	*20*	**112,457**	118,625
Property and equipment - net	*10*	**32,919**	28,788
Deferred income tax assets - net	*22*	**5,652**	6,122
Investment in an associate and joint venture	*11*	**5,197,283**	5,246,928
Other noncurrent assets	*12*	**48,113**	49,505
Total Noncurrent Assets		**5,396,424**	5,449,968
		P17,798,240	P19,633,834
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*13,25,26*	**P2,618,788**	P4,020,687
Loan payable	*14*	**-**	846,700
Due to related parties	*15,25,26*	**814,731**	130,000
Dividends payable	*16,25*	**-**	783,473
Income tax payable		**306,074**	208,240
Lease liabilities - current	*20, 26*	**62,862**	63,654
Total Current Liabilities		**3,802,455**	6,052,754
Noncurrent Liabilities			
Lease liabilities - net of current portion	*20,25,26*	**61,786**	67,519
Retirement benefits liability	*21*	**20,428**	20,452
Total Noncurrent Liabilities		**82,214**	87,971
Total Liabilities		**3,884,669**	6,140,725
Equity	*16*		
Capital stock		**P1,450,875**	P1,450,875
Additional paid-in capital		**25,447,900**	25,447,900
Retained earnings			
Unappropriated		**7,860,938**	6,490,352
Appropriated		**-**	950,000
Equity adjustments from common control transactions		**(20,848,500)**	(20,848,500)
Accumulated remeasurements on retirement benefits	*21*	**3,071**	3,071
Cumulative translation adjustment	*11*	**1,559**	1,683
Other reserves		**(2,272)**	(2,272)
Total Equity		**13,913,571**	13,493,109
		P17,798,240	P19,633,834

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in Thousands, Except Per Share Data)

		Three-Month Period Ended	
	Note	March 31, 2023	March 31, 2022
NET SALES		**P2,897,377**	P2,169,352
COST OF GOODS SOLD	*8,17*	**2,112,754**	1,587,325
GROSS PROFIT		**784,623**	582,027
OPERATING EXPENSES	*18*	**233,210**	159,385
INCOME FROM OPERATIONS		**551,413**	422,642
OTHER CHARGES – Net	*19*	**(16,953)**	(183)
INCOME BEFORE INCOME TAX		**534,460**	422,459
PROVISION FOR INCOME TAX	*22*	**113,875**	89,955
NET INCOME		**420,585**	332,504
BASIC AND DILUTED EARNINGS PER SHARE	*24*	**P0.03**	P0.02

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands)

		Three-Month Period Ended	
	Note	**March 31, 2023**	March 31, 2022
CAPITAL STOCK (Beginning and end of the three-month period)	*16*	**P1,450,875**	P1,450,875
ADDITIONAL PAID-IN CAPITAL (Beginning and end of the three-month period)	*16*	**25,447,900**	25,447,900
RETAINED EARNINGS			
Unappropriated:			
Balance at beginning of the three-month period		**6,490,352**	5,038,772
Net income for the three-month period		**420,585**	332,504
Reversal of appropriation during the three-month period		**950,0000**	-
		7,860,937	5,371276
Appropriated:			
Balance at beginning of the three-month period		**950,000**	950,000
Reversal of appropriation during the three-month period		**(950,000)**	-
		-	950,000
Balance at end of three-month period	*16*	**7,860,937**	6,321,276
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS (Beginning and end of the three-month period)	*16*	**(20,848,500)**	(20,848,500)
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS (Beginning and end of three-month period)	*21*	**P3,071**	P3,552
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of the three-month period		**1,683**	-
Foreign currency translation adjustment during the three-month period		**(124)**	-
		1,559	-
OTHER RESERVES (Beginning and end of the three-month period		**(2,272)**	(457)
		P13,913,570	P12,374,646

See Notes to Interim Consolidated Financial Statements

THE KEEPERS HOLDINGS, INC.AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

		Three-Month Period Ended	
	Note	**March 31, 2023**	March 31, 2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P534,460**	P422,459
Adjustments for:			
Depreciation and amortization	*9, 17, 19*	**19,367**	18,506
Depreciation of excess in fair value	*11,19*	**7,459**	
Share in net loss of an associate	*11,19*	**8,618**	14,387
Share in net income in a joint venture	*11,19*	**(6,226)**	-
Elimination of unrealized gross profit on upstream sales	*11,19*	**39,671**	
Interest income	*6,19*	**(15,019)**	(8,835)
Interest expense	*19, 20*	**1,810**	1,979
Retirement benefits costs	*21*	**724**	554
Gain on disposal of property and equipment	*19*	**(337)**	-
Provision on probable liabilities	*23*	**-**	(3,991)
Unrealized foreign exchange gains -net		**12,794**	(35)
Operating income before working capital changes		**603,321**	445,024
Decrease (increase) in:			
Trade and other receivables		**1,287,907**	874,932
Inventories		**(1,154,956)**	(284,916)
Prepaid expenses and other current assets		**290,044**	(118,130)
Increase in trade and other payables		**(1,416,550)**	(253,098)
Cash generated from (used in) operations		**(390,234)**	663,812
Income taxes paid		**(15,572)**	(6,791)
Interest received	*6,18,19*	**15,019**	8,835
Retirement benefits paid	*21*	**(748)**	(533)
Net cash from (used in) operating activities		**(391,535)**	665,323
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*10*	**(8,244)**	(2,187)
Acquisition of investment in joint venture	*11*	**(21,969)**	-
Additions to other noncurrent assets		**1,392**	(1,692))
Proceeds from disposals of property and equipment	*19*	**337**	-
Cash used in investing activities		**(28,484)**	(3,879)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Loans payable		**(130,000)**	
Dividends	*15*	**(783,473)**	(348,210)
Lease liabilities	*20*	**(15,611)**	(14,280)
Interest		**(1,809)**	(1,979)
Due to related parties		**(10,000)**	-
Net cash used in financing activities		**(940,893)**	(364,469)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**2,715**	35
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,358,197)**	297,010
CASH AND CASH EQUIVALENTS AT BEGINNING OF THREE-MONTH PERIOD		**4,784,441**	7,700,929
CASH AND CASH EQUIVALENTS AT END OF THREE-MONTH PERIOD	*6*	**3,426,244**	P7,997,939

See Notes to Interim Consolidated Financial Statements.

1. Reporting Entity

The Keepers Holdings, Inc. (the “Parent Company” or “TKHI”) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 5, 1963, and its shares are listed in the Philippine Stock Exchange (PSE) on September 3, 1991. On June 30, 2021, the SEC approved the amendments to certain sections of the Parent Company’s Articles of Incorporation which include the extension of its corporate life into perpetual existence.

The principal activities of the Parent Company are to invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose of real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefore in money or by exchanging shares of stocks of the Parent Company or any other corporation, while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property; and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

On February 19, 2021, the BOD approved the issuance of common shares of TKHI, which will be created and issued out of an increase in its authorized capital stock, in exchange for Cosco Capital, Inc.’s (Cosco) investments in Montosco, Inc. (MI), Meritus Prime Distributions, Inc. (MPDI) and Premier Wine and Spirits, Inc. (PWSI) (collectively referred to as “Subsidiaries” or “Liquor Entities”), under a Share Swap Arrangement as discussed in Note 5 to consolidated financial statements.

MI, MPDI and PWSI are incorporated and registered with the Philippine SEC on August 13, 2008, February 17, 2010 and June 19, 1996, respectively. The subsidiaries engage primarily in buying, selling, importing, 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 share swap transaction between TKHI and Cosco resulted into the strategic spin-off of the three (3) liquor subsidiaries of Cosco. Cosco has acquired a controlling interest to TKHI, a separately public listed company, as a result of the injection of these companies to TKHI.

The stockholders of TKHI approved the foregoing corporate actions in its annual stockholders meeting on May 28, 2021. On June 18, 2021, TKHI and Cosco signed a Deed of Exchange whereby Cosco Capital, Inc. shall transfer 100% of its shares in MI, MPDI and PWSI in exchange of 11,250,000,000 common shares at P2.00 per share.

On June 30, 2021, the SEC approved the increase in the Parent Company’s authorized capital stock by virtue of the issuance to the Company of the Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of

Incorporation. The SEC also approved the other amendments to the Articles of Incorporation on the same date. As a result of the approval of the increase in the Parent Company's authorized capital stock, the issuance of the new shares to Cosco in exchange of 100% of the outstanding shares of MI, MPDI and PWSI (the "Share Swap Transaction") was completed. Consequently, the Parent Company became the legal and beneficial owner of the 100% outstanding shares each of MI, MPDI and PWSI, while Cosco obtained controlling interest in the Parent Company with an equity ownership of almost 98%. The acquisition of MI, MPDI and PWSI under a share swap transaction is considered to be a business combination of entities under common control as they are all under the common control of Mr. Lucio Co. before and after the acquisition.

Prior to June 30, 2021, TKHI was 85% owned by Invescap Incorporated ("Invescap"), a company that is incorporated in the Philippines. Cosco and Invescap are also companies controlled by Mr. Lucio Co before and after the acquisition.

With the approval of the increase in the Parent Company's authorized capital stock, the SEC consequently accepted and approved the transfer value of the shares of MI, MPDI and PWSI amounting to P22,500,000, the investment value of the Company in MI, MPDI and PWSI.

As the issuance of new shares to Cosco resulted in the Company's public ownership level falling below the minimum twenty (20%) requirement under the SEC Memorandum Circular No. 13 Series of 2017 on the rules and regulations on minimum public ownership on initial public offering, the PSE suspended the trading of the Company's shares commencing July 8, 2021.

On September 8, 2021, the BIR issued the Electronic Certificate Authorizing Registration covering the Share Swap Transaction which confirms that the said transaction is exempt from capital gains tax.

Additional Listing of the Shares and Follow-on Public Offering
Following the increase in the capital stock of the Parent Company and the Share Swap Transaction, the Parent Company's public ownership was reduced to 0.34%. On April 29, 2021, the Parent Company filed a request with the PSE for the grant of MPO Exemption Period for the minimum public float requirements of the PSE and the SEC (the "minimum public ownership (MPO) Rule") to commence from subscription by Cosco up to the completion of this Offer in order to comply with the minimum public ownership requirement of at least 20% public float upon and after listing. In its letter dated May 26, 2021, the PSE informed the Company that it can only provide a relaxation of the MPO Rule to the end that the trading of the Company's shares will continue notwithstanding the public float being lower than the minimum public ownership required during the MPO Exemption Period if the following conditions concur: (i) the prior approval of the SEC on the grant of the exemption from the MPO Rule shall be first obtained by the PSE; and (ii) the Company secures a ruling/opinion from the Bureau of Internal Revenue ("BIR") for confirmation that Revenue Regulations No. 16-2012 will not apply during the MPO Exemption Period.

However, if subsequently the Company's public ownership level decreases to below the MPO Rule minimum, then trading in the Company's shares may be suspended. Listed companies that become non-compliant with the minimum public ownership rules may be suspended from trading for a period of not more than six months and will automatically be delisted if they remain non-compliant after the lapse of the suspension period.

On July 14, 2021, the Company filed a Registration Statement (“RS”) with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the “SRC”) for the registration of the Offer Shares. On July 19, 2021, the Company filed its application for the listing and trading of offer shares with the PSE. On September 20, 2021, the Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell (“PTS”) of the Company’s Offer Shares was issued by SEC on November 3, 2021.

In compliance with Section 3 of the 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, on August 19, 2021, the Company filed the application for listing with the PSE for additional shares of stock issued in connection with the increase of the 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 was approved by the stockholders on May 28, 2021.

Under BIR Revenue Regulations No. 16-2012, the sale, barter, transfer, and/or assignment of shares of listed companies that fail to meet the MPO Rule will be subject to capital gains tax and documentary stamp tax, unless temporary relief is granted and the trading suspension is not lifted. In line with the said ruling, any sale of the Offer Shares will be subject to capital gains tax and documentary stamp tax unless covered by a granted MPO exemption period, including the aforementioned confirmation by the BIR.

After the effectivity of the share swap transaction and follow-on offering on November 19, 2021, the Parent Company became 77.54% owned by Cosco, a company incorporated in the Philippines. The follow-on offering also increased the Parent Company’s public ownership to 20.94% in compliance with the MPO rule. The remaining 1.52% is owned by Invescap. As at December 31, 2021, Cosco is the immediate and ultimate parent of TKHI and its Subsidiaries (collectively referred to as the “Group”).

The Group’s respective registered office address and principal place of business are presented below:

	Registered Office and Principal Place of Business
The Keepers Holdings, Inc.	No. 900 Romualdez Street, Paco, Manila
Montosco, Inc.	1501 Federal Tower, Dasmariñas Street, Binondo, Manila
Meritus Prime Distribution, Inc.	704 Federal Tower, Dasmariñas Street, Binondo, Manila
Premier Wine and Spirits, Inc.	Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila
Fertuna Distributions, Inc.	1204 Federal Tower, Dasmariñas Street, San Nicolas, Manila

2. Basis of Preparation

Statement of Compliance

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

Basis of Measurement
The interim consolidated financial statements have been prepared on a 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 interim consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial information is presented in Philippine peso, which is also the Group's functional currency. All amounts are rounded to the nearest thousands, except par value, per share data, number of shares and when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Parent Company, the Group's interests in a joint venture and an associate accounted for under the equity method of accounting, and the following subsidiaries which are all incorporated in the Philippines:

	Effective Percentage of Ownership	
	2022	2021
Liquor Distribution		
Montosco, Inc.	**100%**	100%
Meritus Prime Distributions, Inc.	**100%**	100%
Premier Wine and Spirits, Inc.	**100%**	100%
Fertuna Distributions, Inc.	**100%**	-

The comparative financial information for the years ended December 31, 2021 and 2020 pertain to the combined financial information of the Parent Company and its subsidiaries. The Parent Company was only required to present consolidated financial statements as at and for the year ended December 31, 2021, when the Parent Company and Cosco Capital, Inc. entered into a share swap transaction resulting to the Parent Company's acquisition of its subsidiaries. The comparative financial information was presented as if the entities had always been combined in accordance with the retrospective approach for presentation taken by the Group in applying the pooling of interest method for the business combination involving entities under common control.

Subsidiaries
A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that such control ceases.

The financial statements of the liquor entities are prepared for the same financial reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income, and expenses resulting from intra-group transactions are eliminated in full.

Functional and Presentation Currency
The consolidated financial statements are measured using the currency of the primary economic environment in which the Group operates. The financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All amounts are rounded to the nearest thousands, except par value, per share data, number of shares and when otherwise indicated.

Authorization for Issuance of the Interim Consolidated Financial Statements
The accompanying interim consolidated financial statements of the Group as at March 31, 2023 and December 31, 2022 and for the Three-month periods ended March 31, 2023 and 2022 were approved and authorized for issue by the Group's Board of Directors (BOD) on May 9, 2023.

3. Summary of Significant Accounting Policies

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

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on Group's consolidated financial statements. These are as follows:

- PFRS 16*, Leases - COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment)* extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendments is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

- PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendment)* clarifies that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* The following are the amendments that are relevant to the Group:

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment*) clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - PFRS 16, *Leases - Lease Incentives (Amendment to Illustrative Examples)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- PFRS 3, *Business Combinations - Reference to the Conceptual Framework.* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

  - added a requirement that, for transactions and other events within the scope of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 Levies, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022.

Consolidation
The consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group transactions, balances, income, and expenses are eliminated upon consolidation. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses on intragroup transactions are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Statements of Cash Flows
The Group has chosen to prepare the consolidated statements of cash flows using the indirect method, which presents cash flows from operating activities as the income from operations adjusted for non-cash transactions, deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows. Interest paid on loans is presented as a financing activity. The Group has chosen to present dividends paid to its stockholders as a financing activity cash flow. In the cash flow statements, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities.

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations using the pooling of interest method.

In applying the pooling of interest method, the Group follows Philippine Interpretations Committee Question and Answer No. 2012-01, *PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements,* which provides the following guidance:

- The assets and liabilities of the acquired company for the reporting period in which the common control business combinations occur, are included in the Group's consolidated financial statements at their carrying amounts. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination that otherwise would have been done under the acquisition method. The only adjustments that are made are those adjustments to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. Any difference between the consideration paid or transferred and the equity 'acquired' is presented as "Equity adjustments from common control transactions" account in the consolidated statement of financial position;

- The consolidated statements of comprehensive income reflect the results of the combining entities for the full year, irrespective of when the combination took place; and

- Comparatives are presented as if the entities had always been combined.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, which is subject to insignificant risk of changes in value and is used by the Group in managing its short-term commitments. Cash equivalents are short-term placements for varying periods of up to three months from its original maturity depending on the immediate cash requirements of the Group. Cash in banks and cash equivalents earn interest at the respective prevailing bank rates.

Financial Instruments

Date of Recognition

The Group recognizes a financial asset or a financial liability in the consolidated 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 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. Trade receivables without a significant financing component is initially measured at the transaction price.

Classification and Measurement of Financial Instruments

On initial recognition, the Group 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 Group classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Group classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Group 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 Group 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 Group 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 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 Group'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 (f) 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 Group 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 Group 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 Group's claim to cash flows from specified assets (e.g., non-recourse features).

The Group has no financial assets classified as financial assets at FVTPL and FVOCI as at March 31, 2023 and December 31, 2022.

Financial assets are not reclassified subsequent to their initial recognition unless the Group 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 Group's cash in banks, 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 Group's trade and other payables (excluding statutory obligations), due to related parties, loans payable, dividends payable and lease liabilities as at March 31, 2023 and December 31, 2022.

Impairment of Financial Assets
The Group 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 Group 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 Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group.

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 Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group 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 Group on terms that the Group 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 Group 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 Group 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 Group 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 Group 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 Group 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 Group’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 Group 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 consolidated 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 consolidated 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 Group.

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 Group 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 are measured or disclosed in the consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group 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 March 31, 2023 and December 31, 2022, no financial asset or financial liability was carried at fair value. The Group has no other assets or liabilities with recurring and non-recurring fair value measurements.

'Day 1' Profit
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, 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 Group determines the appropriate method of recognizing the 'Day 1' profit amount.

<u>Inventories</u>
Inventories, which consist of spirits, wines, 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 Group 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

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 consolidated 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.

Advances to Suppliers

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 consolidated statement of financial position.

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 consolidated statement of financial position.

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	3 - 5
Leasehold improvements	3 - 5 or lease term, whichever is shorter
Office equipment	2 - 3
Furniture and fixtures	2 - 3
Computer software license	2
Machinery and equipment	3

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.

Any change in the estimated useful lives and methods of depreciation and amortization are adjusted prospectively from the time the change was determined necessary.

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 arising from retirement or disposal of property and equipment (calculated as the difference between the net proceeds and the carrying amount of the item) is recognized in the consolidated statements of 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.

Investments in an Associate and Joint Arrangements

An associate is an entity over which the Group 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. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has rather than the legal structure of the joint arrangement. Joint operations arise where the Group has both rights to the assets and obligations for the liabilities relating to the arrangement and, therefore, the Group accounts for its share of assets, liabilities, revenue and expenses. Joint ventures arise where the Group has rights to the net assets of the arrangement.

Investment in associate and joint venture are accounted for using the equity method. The investment in associate and joint venture are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of the associate and joint venture, until the date on which significant influence or joint control ceases.

Unrealized gains arising from transactions with associate and joint venture are eliminated to the extent of the Group'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. Distributions and dividends from the investee reduce the carrying amount of the investment.

The Group discontinues applying the equity method when its investment in the investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share in net income equals the share in net losses not recognized during the period when the equity method was suspended.

The accounting policies of the associate and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Noncurrent Nonfinancial Assets

The Group assesses at the end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which include right-of-use assets, property and equipment and investment in associate and joint venture 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 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 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 systematic basis over its remaining useful life.

Other Noncurrent Assets

Excess Tax Credits

Excess tax credits pertain to overpayment of income taxes in prior years. Excess tax credits are initially recognized based on the amount withheld by the payee in accordance with the local tax rules and regulations. These are accumulated and are reduced when deducted against income tax payable. Excess tax credits that are expected to be realized within 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

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.

Capital Stock
Common shares are classified as equity. The proceeds from the issuance of 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. Incremental costs incurred that are directly related to a probable future equity transaction is presented as “Costs of anticipated equity transaction” under “Prepaid expenses and other current assets account” in the consolidated statements of financial position. Transaction costs that related jointly to more than one transaction are allocated to those transactions using a basis of allocation that is rational and consistent with similar transactions.

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.

Appropriated retained earnings are accumulated earnings set aside by the BOD for a specific purpose. Unappropriated retained earnings are the residual amount of retained earnings after appropriation.

Equity Adjustment from Common Control Transactions
Equity adjustment from common control transactions is the difference between the acquisition cost of an entity under common control and the Parent Company’s proportionate share in the net assets of the entity acquired as a result of a business combination accounted for using the pooling-of-interest method. Equity reserve is derecognized when the subsidiary is deconsolidated, which is the date on which the control ceases.

Dividends on Common Shares
Dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Group. 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 Group expects to be entitled in exchange for those goods. The Group concluded that it is acting as principal for the revenue arrangement below.

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

Sale of Spirits, Wines and Specialty Beverages
Revenue from sale of spirits, wines and specialty beverages 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 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. Invoices are generated at the time of delivery and are usually due within 30 to 60 days.

Receivable is recognized by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of the time is required before payment is due.

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

Other Income
Other income is recognized as earned.

<u>Cost and Expense Recognition</u>
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are used or the expenses are incurred.

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 to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

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

<u>Employee Benefits</u>
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 Group 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 Group has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Group'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 Group 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 Group recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

<u>Leases</u>
At inception of a contract, the Group 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 Group 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 Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and,

- the Group has the right to direct the use of the asset. The Group 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 Group has the right to direct the use of the asset if either:

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

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

Group as Lessee
The Group 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 of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case, the right-of-use 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 right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is presented as a separate line item in the consolidated 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 Group's incremental borrowing rate. Generally, the Group 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 Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group 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 Group's estimate of the amount expected to be payable under a residual value guarantee; or, if the Group 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 Group 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 income(charges) - net" in profit or loss.

<u>Income Taxes</u>

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 current income tax 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.

Uncertainties related to taxes that are not income taxes are recognized and measured in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* unless they are dealt with specifically in another standard.

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 and carryforward benefits of unused net operating loss carryover (NOLCO) to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences and the carryforward benefits of unused NOLCO 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 future taxable profits will allow the deferred income tax assets 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.

Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

The Group determines and presents operating segments based on the information that is internally provided to the Chairman and President, collectively as the Group's chief operating decision maker. The Group has single segment, which is the sale of sale of spirits, wines and specialty beverages to customers.

The measurement policies of the Group used for segment reporting under PFRS 8, *Operating Segments* are the same as those used in the consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing the net income for the period by the weighted average number of common shares outstanding during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

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.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Philippine peso at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Philippine peso at the exchange rates at the date of transactions.

Foreign currency differences are recognized in OCI and accumulated in the cumulative translation adjustments.

When a foreign operation is disposed of in its entirety or partially such that significant influence or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative translation adjustments is reclassified to profit or loss.

Provisions

Provisions are recognized when the Group 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 Group 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 consolidated financial statements but are disclosed in the notes to consolidated financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated 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 Group's financial position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to consolidated 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, 2022. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2023

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments)* clarifies the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- PAS 1, *Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements - Disclosure of Accounting Policies (Amendments).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies.

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- PAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)* clarifies that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Effective January 1, 2024

- PFRS 16, *Leases - Lease Liability in a Sale and Leaseback (Amendments) confirm the following:*

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted. Under PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period.

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

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

The preparation of the interim consolidated financial statements 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 consolidated 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 Group'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 consolidated financial statements of the Group.

Determination of the Group*'s Functional Currency*
The Group 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 Group, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Group's operations.

Identifying a Lease
The Group 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 Group 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 Group reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Group has entered into various contracts for the lease of warehouse space. The Group has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 20).

Determining the Term and Discount Rate of Lease Arrangements
Where the Group 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 Group as lessee, management uses the incremental borrowing rate, being the rate that the Group 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 Group uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group and makes adjustments specific to the lease. The weighted average rate applied ranges from 4.11% to 4.69%.

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 Group is typically reasonably certain to extend (or not terminate).

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

- Otherwise, the Group 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 Group 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 warehouse and office space is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Group uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Group determined that the control is transferred for sale of goods when the Group 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.

Determination of whether the Group is acting as a Principal or an Agent
The Group is a principal if it controls the specified good before it is transferred to a customer. The Group is an agent if its performance obligation is to arrange for the provision of the specified good by another party and the Group does not control the good before it is transferred to the customer. The Group concluded that it is acting as principal in its revenue arrangements.

Classification of Joint Arrangements
The Group classifies a joint arrangement as a joint operation or a joint venture depending on the rights and obligations of the parties in the arrangement. A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement (joint operators). A joint venture is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement (joint venturers).

The Group classifies its joint arrangement as joint venture and assessed that it has the rights to the net assets of the arrangement.

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 ECLs on Trade and Other Receivables and Refundable Deposits
The Group 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 Group in accordance with the contract and the cash flows that the Group expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the trade and other receivables. The maturity of the Group's trade and other 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 as at the reporting date is low, therefore the Group did not have to assess whether a significant increase in credit risk has occurred.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Group considers the counterparties' financial condition and their capacity to return the amounts due. The Group 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.

An increase in the allowance for ECLs would increase the recorded operating expenses and decrease current assets.

The combined carrying amounts of trade and other receivables and refundable deposits amounted to P955,609 and P2,243,697 as at March 31, 2023 and December 31, 2022, respectively (see Notes 7, 12 and 25). The allowance for ECLs amounted to P2,621 as at March 31, 2023 and December 31, 2022.

Determination of NRV of Inventories
The Group'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 March 31, 2023 and December 31, 2022 amounted to P7,255,723 and P6,100,767, respectively (see Note 8). No allowance to reduce inventory to NRV was recognized for the three-month periods ended March 31, 2023 and 2022.

Estimation of Useful Lives of Property and Equipment
The Group 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 consolidated financial statements. There is no change in the estimated useful lives of property and equipment for the three-month periods ended March 31, 2023 and 2022.

The carrying amounts of property and equipment as at March 31, 2023 and December 31, 2022 to P32,919 and P28,788, respectively (see Note 10).

Impairment of Noncurrent Nonfinancial Assets
The Group assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to right-of-use assets, property and equipment and investment in associate and joint venture are impaired. If any such indication exists, the Group 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 Group to make estimates and assumptions that can materially affect the consolidated 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 Group’s consolidated financial position and consolidated 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.

For the three-month periods ended March 31, 2023 and 2022, no impairment loss was recognized on the Group's right-of-use assets, property and equipment and investments in an associate and a joint venture.

The combined carrying values of right-of-use assets, property and equipment and investment in an associate and a joint venture amounted to P5,342,659 and P5,394,341 as at March 31, 2023 and December 31, 2022, respectively (see Notes 10,11,and 20).

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 Group has retirement benefits liability amounting to P20,428 and P20,452 as at March 31, 2023 and December 31, 2022, respectively (see Note 21).

Recognition of Deferred Income Tax Assets
The Group 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 Group also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Group'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 Group's past results and future expectations on revenues and expenses. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Group has recognized deferred income tax assets amounting to P5,652 and P6,122 as at March 31, 2023 and December 31, 2022, respectively (see Note 22).

For the three-month periods ended March 31, 2023 and 2022, MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. MI intends to continue its availment of the optional standard deduction in the subsequent years.

For the three-month periods ended March 31, 2023, MPDI, likewise elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. MPDI intends to continue its availment of the optional standard deduction in the subsequent years.

As at March 31, 2023 and December 31, 2022, the Group has not recognized deferred income tax assets arising from temporary differences amounting to a total of P7,835 and P26,753, respectively (see Note 22).

Provisions and Contingencies
The Group, 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 Group has no provision for probable losses was as at March 31, 2023 and December 31, 2022 (see Note 23).

5. Business Combinations under Common Control

As discussed in Note 1, the acquisition of MI, MPDI and PWSI is considered to be a business combination of entities under common control as they are all controlled by Mr. Lucio Co before and after the acquisition.

The Group recognized assets acquired and liabilities assumed at their carrying amounts in the individual financial statements of MI, MPDI and PWSI. No new goodwill was recognized in the consolidated financial statements. The difference between the consideration paid or transferred and the net assets acquired is recognized under "Equity adjustments from common control transactions" account in the consolidated statement of changes in equity.

Adjustments from the retrospective application of business combination under common control follow:

a. *Share Swap Transaction*

Represents the issuance of 11,250,000,000 common shares of TKHI with a par value of P0.10 at P2.00 per share in exchange for Cosco's investments in MI, MPDI and PWSI, under a Share Swap Transaction as follows:

- 9,488,444,240 common shares of TKHI were swapped with 7,500,000 common shares of Cosco in MI;
- 907,885,074 common shares of TKHI were swapped with 7,500,000 common shares of Cosco in MPDI; and,
- 853,670,686 common shares of TKHI were swapped with 1,500,000 common shares of Cosco in PWSI.

The details of the share swap transaction follows:

	% of Ownership	Amount
Transfer value as approved by SEC (Note 1):		
MI	100%	P18,976,888
MPDI	100%	1,815,771
PWSI	100%	1,707,341
		22,500,000
Less par value of the shares issued by TKHI		1,125,000
Additional paid-in capital		P21,375,000

Related transaction costs from the share swap transaction paid and incurred in 2021 amounting to P46,800 is deducted against additional paid-in capital as at December 31, 2021. Transaction costs is composed of fees for the increase in authorized capital stock and documentary stamp tax.

b. *Elimination of Investments in MI, MPDI and PWSI*

Details of the elimination follows:

	MI	MPDI	PWSI	Total
Capital stock	P750,000	P750,000	P150,000	P1,650,000
Additional paid-in capital	-	-	1,500	1,500
Equity adjustments from common control transactions	18,226,888	1,065,771	1,555,841	20,848,500
Transfer value	(18,976,888)	(1,815,771)	(1,707,341)	(22,500,000)
	P -	P -	P -	P -

c. *Equity Adjustments from Common Control Transactions*

This account represents the excess of transfer value over the paid-in capital of MI, MPDI and PWSI. Details are as follows:

	MI	MPDI	PWSI	Total
Transfer value	(P18,976,888)	(P1,815,771)	(P1,707,341)	(P22,500,000)
Paid-in capital acquired	750,000	750,000	151,500	1,651,500
	(P18,226,888)	(P1,065,771)	(P1,555,841)	(P20,848,500)

6. Cash and Cash Equivalents

This account consists of:

	Note	March 31, 2023	December 31, 2022
Cash on hand		**P2,167**	P2,042
Cash in banks	*25,26*	**1,245,639**	1,833,732
Cash equivalents	*25,26*	**2,178,437**	2,948,667
		P3,426,243	P4,784,441

Cash in banks earns interest at the respective bank deposit rates. Interest income earned from cash in banks which are recognized in profit or loss amounted to P182 and P239 for the three-month periods ended March 3, 2023 and 2022, respectively (see Note 19).

Cash equivalents pertain to short-term placements. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P14,837 and P8,596 for the three-month periods ended March 31, 2023 and 2022, respectively (see Note19).

7. Trade and Other Receivables

This account consists of:

	Note	March 31, 2023	December 31, 2022
Trade:			
Third parties		**510,020**	P1,264,011
Related parties	*15*	**369,968**	928,114
Less allowance for ECLs		**(2,621)**	(2,621)
		877,367	2,189,504
Nontrade:			
Third parties		**55,183**	33,051
Related parties	*15*	**4,747**	2,985
Others		**1,116**	1,638
	25,26	**P938,413**	P2,227,178

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

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

Movements in the allowance for ECLs on third party trade receivables are as follows:

	March 31, 2023	December 31, 2022
Balance at beginning of the period	**P2,621**	P2,621
Write-off	**-**	-
Balance at end of the period	**P2,621**	P2,621

8. Inventories

This account consists of:

	Note	**March 31, 2023**	December 31, 2022
At landed cost (on hand):			
Spirits		**P6,284,001**	**P3,893,864**
Wines		**322,123**	**289,310**
Specialty beverages		**112,907**	**113,184**
At invoice cost (in-transit):			
Spirits		**529,487**	**1,778,219**
Others		**7,205**	**26,190**
	17	**P7,255,723**	**P6,100,767**

Cost of inventories charged to "Cost of goods sold" amounted to P2,112,754, P1,587,325 or the three-month periods ended March 31, 2023 and 2022, respectively (see Note 17).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	March 31, 2022	December 31, 2022
Prepaid duties and taxes	**P304,740**	P616,731
Advances to suppliers	**232,128**	442,021
Prepaid import charges	**83**	3,387
Input VAT	**237,763**	102
Other prepaid expenses	**6,722**	9,239
	P781,436	P1,071,480

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 Group to suppliers which will be applied against future billings.

10. 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	Machinery and Equipment	Total
Cost							
January 1, 2022	P38,701	P30,672	P8,727	P3,969	P2,554	P1,241	P85,864
Additions	14,250	88	1,541	-	2,067	58	18,031
Disposals	(1,022))	-	-	(27)	-	-	(1,022)
December 31, 2022	51,929	30,760	10,268	3,996	4,621	1,299	102,873
Additions	6,017	206	679	-	1,419	16	8,337
Disposals	(384)	-	-	-	-	-	(384)
March 31, 2023	**57,562**	**30,966**	**10,947**	**3,996**	**6,039**	**1,315**	**110,825**
Accumulated Depreciation and Amortization							
January 1, 2022	30,115	14,451	7,748	3,928	1,702	1,180	59,124
Depreciation and amortization	5,225	7,386	1,102	42	1,221	61	15,037
Disposals	(76)	-	-	-	-	-	(76)
December 31, 2022	35,264	21,837	8,850	3,970	2,923	1241	74,085
Depreciation and amortization	1,741	1,798	324	5	280	57	4,205
Disposals	(384)	-	-	-	-		(384)
March 31, 2023	**36,621**	**23,635**	**9,174**	**3,975**	**3,203**	**1,298**	**77,906**
Net Book Value							
December 31, 2022	P16,665	P8,923	P1,418	P26	P1,698	P58	P28,788
March 31, 2023	**P20,941**	**P7,331**	**P1,773**	**P21**	**P2,836**	**P17**	**P32,919**

Depreciation and amortization expense for the three-month periods ended March 31, 2023 and 2022 was charged as part of “Operating Expenses” in profit or loss.

11. Investments in a Joint Venture and an Associate

The details of this account are as follows:

	March 31, 2023	December 31, 2022
Joint venture	**P5,116,862**	P5,157,889
Associate	**80,421**	89,039
	P5,197,283	P5,246,928

Investment in Joint Venture
In September 14, 2022, the Parent entered into a Share Purchase Agreement to acquire 50% interest or 646,775 shares of Bodegas Williams & Humbert SA (“Bodegas”) with a par value of €32 at €137.22 per share for €88,750 (equivalent to P5,062,512).

On such date, the Parent entered into a Shareholders' Agreement with Medina Portfolio, S.L.U., the owner of the remaining 50% shares of Bodegas, to regulate the joint ownership of Bodegas and joint participation of its governing bodies.

Bodegas was incorporated on October 11, 1974 under the name Luis Páez, S.A. It adopted its present name at an ordinary and extraordinary General Meeting of Shareholders held on June 22, 2004. Its principal place of business is at Carretera Nacional IV, km. 641.75, Jerez de la Frontera, Cádiz, Spain. Bodegas is engaged in all types of agricultural cultivation and operations, the import, export, acquisition, transformation, storage, packaging, industrialization, representation, sale and exploitation of all types of foodstuff and agricultural product and the manufacture of packaging for such products. It is also engaged in the preparation, production, manipulation, representation and wholesale or retail marketing, in Spain or abroad, of all types of food products, in particular alcoholic or non-alcoholic drinks and the distribution of said products.

The Group has yet to obtain the information necessary to finalize the purchase price allocation. In view of this, the amounts disclosed below for fair value and goodwill are provisional and will be reassessed by the Group within the one-year period permissible by the standards.

For the three-month periods ended March 31, 2023, and for the year ended December 31, 2022, the Parent Company has paid P21,969 and P4,332,512, respectively, and has a remaining payable of P708,031 as at March 31, 2023 to VFC Land Resources, Inc., the other stockholder of Bodegas (see Note 15).

The investment is accounted for using the equity method.

The following table summarizes the financial information of Bodegas, adjusted for fair value adjustments at acquisition and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment as at March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Balance at beginning of year	**P5,157,889**	P -
Acquisition of investment	**-**	5,062,512
Share in net income	**6,226**	101,092
Depreciation of excess fair value	**(7,459)**	(7,398)
Elimination of unrealized gross profit on upstream sales	**(39,671)**	-
Foreign currency translation adjustment	**(123)**	1,683
Balance at end of period	**P5,116,862**	P5,157,889

	March 31, 2023	December 31, 2022
Percentage Ownership Interest	**50%**	**50%**
Current assets	**P6,232,669**	**P7,147,957**
Noncurrent assets	**2,119,970**	**2,120,734**
Current liabilities	**2,912,360**	**3,799,421**
Noncurrent liabilities	**324,314**	**359,972**
Net Assets	**5,115,965**	**5,109,298**
TKHI's share of net assets	**2,557,983**	**2,554,649**
Goodwill	**1,984,514**	**1,984,514**
Fair value adjustment	**610,235**	**617,709**
Elimination of unrealized gross profit on upstream sales	**(39,671)**	**-**
Translation adjustment	**1,559**	**1,683**
Foreign exchange differences	**2,242**	**(666)**
Carrying amount of investment in joint venture	**P5,116,862**	**P5,157,889**

The following table shows the Group's share in net income of investee for the three-month period ended March 31, 2023:

	March 31, 2023
Revenue	**P1,576,409**
Net income	**12,452**
The Group's share in net income at 50%	**P6,226**

Investment in Associate

PWSI entered into a Shareholders' Agreement and a Share Purchase Agreement with Pernod 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 (equivalent to P126,957) in February 2019.

Pernod wholesales and distributes distilled spirits. Pernod 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, 2022 and 2021, PWSI owns 30% of Pernod shares.

The financial year end date of Pernod is June 30. This is the reporting date established on the articles of incorporation of the associate. This is also the reporting date adopted by its parent company, Pernod Ricard Asia S.A.S. and its ultimate parent company, Pernod Ricard S.A.

The following table summarizes the financial information of Pernod and shows the reconciliation of the Group's share in net assets of such investee to the carrying amounts of its investment as at March 31, 2023 and December 31, 2022:

	2023	2022
Balance at beginning of year	**P89,039**	P78,388
Share in net income (loss)	**(8,618)**	12,466
Share in other comprehensive loss	**-**	(1,815)
Balance at end of period	**P80,421**	P89,039

	2023	2022
Percentage Ownership Interest	**30%**	30%
Current assets	**P1,213,478**	P1,200,437
Noncurrent assets	**159,632**	157,547
Current liabilities	**1,138,622**	1,096,923
Noncurrent liabilities	**11,321**	9,167
Net Assets	**223,167**	251,894
PWSI's share of net assets	**66,950**	75,568
Goodwill	**13,471**	13,471
Carrying Amount of Investment in Associate	**P80,421**	P89,039

The following table shows the Group's share in net income (loss) of investee for the three-month period ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Revenue	**P423,154**	P205,038
Net loss for the year	**28,727**	47,956
The Group's share in net loss at 30%	**P8,618**	P14,387

12. Other Noncurrent Assets

This account consists of:

	Note	**March 31, 2023**	December 31, 2022
Excess tax credits		**P23,234**	P23,234
Refundable deposits	*25*	**17,196**	16,519
Others		**683**	9,752
		P41,113	P49,505

Excess tax credits pertain to prepaid taxes carried over from previous taxable years.

13. Trade and Other Payables

This account consists of:

	Note	**March 31, 2023**	December 31, 2022
Trade payables:			
Related parties	*15*	**P1,830,379**	P3,275,472
Third parties		**268,074**	187,033
Non-trade payables:			
Third parties		**411,364**	211,675
Related parties	*15*	**3,653**	25,222
Advances from customers		**29,917**	154,345
Statutory obligations		**5,983**	85,868
Accrued expenses		**69,418**	81,072
	25,26	**P2,618,788**	P4,020,687

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

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 terms.

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

14. Loans Payable

In 2022, MPDI entered into unsecured, short-term loans with maturities of less than one year from Asia United Bank amounting to P60,000 and Metropolitan Bank Trust & Co., amounting to P70,000, both loans with annual interest rate of 3.75%. Proceeds of the loans were used to finance working capital requirements.

MPDI fully settled its loan payable amounting to P130,000 in January 2023.

15. Related Party Transactions

Transactions for the three-month period ended March 31, 2023 and 2022 and account balances with related parties as at March 31, 2022 and December 31, 2022 are as follows:

Category/Transaction	Ref	Year	Three-month period ended March 31	Outstanding Balance Receivable	Outstanding Balance Payable	Outstanding Balance Due to Related Parties	Terms	Conditions
Ultimate Parent Company								
Dividends	*16*	**2023**	**P-**	**P -**	**P-**	**P -**	**Due and demandable**	**Unsecured**
	16	2022	-	-	783,473	-		
Management fee	*a*	**2023**	**-**	**-**	**-**	**106,700**	Due and demandable;	Unsecured
	a	2022	-	-	-	106,700	non-interest-bearing	
Entities under Common Control								
Sales of good	*7, b*	**2023**	**610,730**	**467,747**	**-**	**-**	30 days credit term;	Unsecured;
	7, b	2022	459,515	928,114	-	-	non-interest bearing	no impairment
Lease expense	*20, c*	**2023**	**14,976**	**-**	**7,154**	**-**	Payable on a monthly	Unsecured
	20, c	2022	17,066	-	131,173	-	basis	
Purchases of goods and services	*d*	**2023**	4,692	**-**	**4,871**	**-**	Due and demandable;	
		2022	-	-	-	-	non-interest bearing	
Investment	*11, e*	**2023**	**-**	**-**	**-**	**708,031**	**Due and demandable**	**Unsecured**
		2022	-	-	-	730,000		
Reimbursement of expenses	*f*	**2023**	**-**	**-**	**-**	**-**	Payable on demand;	Unsecured;
		2022	-	2,985	25,222	-	non-interest-bearing	no impairment
Joint Venture								
Purchases of goods and services	*13, d*	**2023**	1,080,286	**-**	**1,818,320**	**-**	30 days credit term;	
		2022	-	-	3,275,472	-	non-interest bearing	
Stockholders								
Investment	*e*	**2023**	**-**	**-**	**-**	**-**	**Due and demandable**	**Unsecured**
		2022	-	-	-	-		
Advances	*g*	**2023**	**-**	**-**	**-**	**-**	**Due and demandable**	**Unsecured**
		2022	-	-	-	10,000		
		2023		**P467,747**	**P1,830,345**	**P814,731**		
		2022		P931,099	P4,215,340	P846,700		

a. This pertains to amount due to the Ultimate Parent Company for corporate services rendered to PWSI in 2017 and 2016. No similar services were rendered subsequently.

b. The Group distributes wines and liquors to entities under common control.

c. The Group entered into lease agreements with entities under common control for its office spaces and warehouses. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 20).

d. The Group purchased inventoriable items from its investment in joint venture amounting to P1,1080,286 and nil for the there-month periods ended March 31, 2023 and 2022, respectively.

e. During 2022, the Parent Company acquired the shares of Bodegas from VFC Land Resources, Inc. and various stockholders. As at March 31, 2023, the outstanding balance from the acquisition amounted to P708,031.

f. This represents cash advances to and from related parties as at March 31, 2023 and December 31, 2022 in the form of reimbursement of expenses and working capital advances.

g. Stockholder's advances represent amounts owed to related parties for working capital requirements of the Parent Company which amounted to nil and P10,000 as at March 31, 2023 and December 31, 2022, respectively.

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

As at March 31, 2023, the Company is still in the process of formalizing its policy framework in relation to its approval requirement and limits on the amount and extent of related party transactions.

16. Equity

Capital Stock

As at March 31, 2023 and December 31, 2022, the Parent Company's capital stock, at P0.10 par value per share consists of the following number of shares:

	Shares	Amount
Authorized P0.10 par value	**20,000,000,000**	**P2,000,000**
Issued and outstanding, as previously reported - P0.023 par value	**1,124,999,969**	**P25,875**
Share swap transaction - P0.10 par value	**11,250,000,000**	**1,125,000**
Effect of changes in par value	**(866,249,656)**	**-**
Issuance of shares (FOO)	**3,000,000,000**	**300,000**
Issued and outstanding, as restated - P0.10 par value	**14,508,750,313**	**P1,450,875**

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

Presented below is the tracking of the Parent Company's registration:

Date	Activity	Issue Price	Number of Shares Common Shares
September 3, 1991	Issuance of capital stocks as of listing date	P2.85	1,124,999,969
June 30, 2021*	Effect of reduction in par value	-	(866,249,656)
June 30, 2021	Issuance of capital stocks via shares swap	P2.00	11,250,000,000
November 19, 2021	Issuance of capital stocks - FOO	P1.50	3,000,000,000
Total outstanding shares as at December 31, 2022			14,508,750,313

**The accounting for the share swap arrangement was applied retrospectively (see Note 5)*

As at March 31, 2023 and December 31, 2022, the Parent Company has a total of 478 common stockholders owning listed shares, respectively. As disclosed in Note 1, the amended Articles of Incorporation of the Parent Company increasing its authorized capital stock was approved by the Stockholders and the BOD on May 28, 2021 and April 29, 2021, respectively. Such corporate action was approved by the SEC on June 30, 2021. The adjustments in the number of issued and outstanding shares of the Company were reflected on the PSE's systems effective on September 13, 2021.

On July 14, 2021, the Parent Company filed a Registration Statement ("RS") with the SEC in accordance with the provisions of the Securities Regulation Code of the Philippines (Republic Act No. 8799, the "SRC") for the registration of the Offer Shares. On July 19, 2021, the Parent Company filed its application for the listing and trading of offer shares with the PSE. On September 20, 2021, the Company filed an amended Registration Statement which was rendered effective by SEC on October 7, 2021. The Permit to Sell ("PTS") of the Company's Offer Shares was issued by SEC on November 3, 2021.

On August 19, 2021, the Parent Company filed the application for listing with the PSE for additional shares of stock issued in connection with the increase of the 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 was approved by the stockholders on May 28, 2021.

<u>Additional Paid-in Capital</u>
Presented below is the Parent Company's additional paid-in capital:

	Note	**2022**	2021
Balance at beginning of year, as previously reported		**P25,447,900**	P46,033
Share swap transaction	*5*	**-**	21,375,000
Balance at beginning of year, as restated		**25,447,900**	21,421,033
Issuance of shares (FOO)		**-**	4,200,000
Share issuance costs		**-**	(173,133)
Balances at end of year		**P25,447,900**	P25,447,900

Related transaction costs from the share swap transaction paid and incurred for the year ended 2021 amounting to P173,133 was deducted against additional paid-in capital as at December 31, 2021. Transaction costs is composed of fees for the increase in authorized capital stock, professional fees, listing fees and documentary stamp taxes.

Retained Earnings

Declaration of Dividends

On December 20, 2022, the Group's BOD approved the declaration of cash dividend equivalent to P0.054 per share or an aggregate amount of P783,473. These dividends were paid on January 20, 2023.

On December 21, 2021, the Group's BOD approved the declaration of cash dividend equivalent to P0.024 per share or an aggregate amount of P348,210. These dividends were paid on January 17, 2022.

MI

On December 18, 2020, MI's BOD approved the declaration of cash dividends of P26.66 per share or an aggregate amount of P200,000, payable to stockholders of record as of the same date. These dividends were paid on April 6, 2021.

PWSI

On December 11, 2015, PWSI's BOD approved the declaration of cash dividends amounting to P100,000, payable to stockholders of record as at the same date. Such amount was paid in 2021.

Appropriated Retained Earnings

On December 13, 2018, the BOD of MI approved the appropriation of P950,000 from MI's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction was expected to be completed in December 2021 but was deferred at a later date because of the pandemic and as of date, it is not completed.

On March 6, 2023, the BOD of MI approved the reversal of the appropriation of P950,000 to MI's unappropriated retained earnings to be declared subsequently as cash dividends.

17. Cost of Goods Sold

This account consists of:

	Note	**March 31, 2023**	March 31, 2022
Inventories at beginning of year:			
On-hand		**P4,296,358**	P3,519,298
In-transit		**1,804,409**	-
		6,100,767	3,519,298
Net purchases		**3,267,710**	1,872,242
Total goods available for sale		**9,368,477**	5,391,540
Inventories at end of year:			
On-hand		**6,719,032**	(3,804,215)
In-transit		**536,691**	-
		(7,255,723)	(3,804,215)
	8	**P2,112,754**	**P1,587,325**

18. Operating Expenses

This account consists of:

	Note	March 31, 2023	Marc 31, 2022
Distribution costs		**P77,983**	P57,269
Advertisement		**53,053**	22,824
Salaries and other employee benefit:		**34,997**	28,446
Taxes and licenses		**21,414**	11,259
Depreciation and amortization	*10, 20*	**19,367**	18,506
Outside services		**10,294**	11,242
Insurance		**8,045**	4,833
Transportation and travel		**1,501**	1,059
Utilities and communication		**961**	820
Legal and professional fees		**779**	177
Representation and entertainment		**116**	62
Miscellaneous		**4,700**	2,888
		P233,210	P159,385

19. Other Income (Charges) - net

This account consists of:

	Note	March 31, 2023	March 31, 2022
Elimination of unrealized gross profit on upstream sales		**(P39,671)**	P-
Foreign exchange losses - net		**19,373**	3,507
Interest income	*6*	**15,019**	8,835
Share in net loss of an associate		**(8,618)**	(14,387)
Depreciation of excess fair value		**(7,459)**	-
Share in net income of joint venture		**6,226**	-
Interest expense	*14, 20*	**(1,810)**	(1,979)
Bank charges		**(350)**	(150)
Others		**337**	3,991
		(P16,953)	(P193)

20. Lease Agreements

The Group entered into lease agreements with entities under common control for its office space and warehouse. These leases have terms ranging from two (2) years to five (5) years, renewable under terms and condition agreed upon by both parties.

The lease payments provide for, among others, security deposits amounting to P16,254 and P16,505 as at March 31, 2023 and December 31, 2022, respectively, which are shown under "Other noncurrent assets" account in the interim consolidated statements of financial position (see Note 12).

The movements and balances of the right-of-use assets and lease liabilities as at and for the period ending March 31, 2023 and December 31, 2022 are as follows:

i. Right-of-Use Assets

	Note	**March 31, 2023**	December 31, 2022
Balance at beginning of period		**P118,625**	P176,112
Additions		**9,086**	2,858
Amortization charge for the period	*18*	**(15,254)**	(60,345)
Balance at end of period		**P112,457**	P118,625

ii. Lease Liabilities

	Note	**March 31, 2023**	December 31, 2022
Balance at beginning of period		**P131,173**	**P186,858**
Additions		**9,086**	**2,858**
Interest charge for the period	*19*	**1,408**	**7,027**
Payments made		**(17,019)**	**(65,570)**
Balance at end of period		**P124,648**	**P131,173**

As at March 31, 2023 and December 31, 2022, the Group's lease liabilities are classified in the interim consolidated statements of financial positions as follows:

	March 31, 2022	December 31, 2022
Current	**P62,862**	P63,654
Noncurrent	**61,786**	67,519
	P124,648	P131,173

Maturity analyses of the undiscounted lease liabilities as at March 31, 2023 and December 31, 2022 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P67,346**	**P4,012**	**P63,334**
Later than one year but not later than five years	**63,506**	**2,192**	**61,314**
Balance at March 31, 2023	**P130,852**	**P6,204**	**P124,648**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P67,996	P4,342	P63,654
Later than one year but not later than five years	69,484	1,965	67,519
Balances at December 31, 2022	P137,480	P6,307	P131,173

iii. Amounts recognized in profit or loss for the three-month periods ended March 31, 2023 and 2022:

	Note	**March 31, 2023**	March 31, 2022
Amortization expense	*18*	**P15,254**	P15,087
Interest on lease liabilities	*19*	**1,408**	1,979
		P16,662	P17,066

iv. Amounts recognized in the statements of cash flows for the three-month periods ended March 31, 2023 and 2022:

	March 31, 2023	March 31, 2022
Total cash outflow for leases	**P15,611**	P16,259

21. Retirement Benefits Liability

The Group 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.

The succeeding table summarizes the components of the retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the consolidated statements of financial position. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2022.

The table below shows the present value of the defined benefits retirement obligation or the retirement benefits liability and its components as at March 31, 2023 and December 31, 2022:

	March 31 2023	December 31 2022
Balance at beginning of the three- month period	**P20,452**	P**17,972**
Recognized in Profit or Loss		
Current service cost	**724**	1,593
Interest cost	**-**	980
	724	2,573
Recognized in Other Comprehensive Income (Loss)		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	**-**	1,070
Change in financial assumptions	**-**	(4,543)
Experience adjustments	**-**	3,912
	-	439
Benefits paid	**(748)**	(532)
Balance at end of period	**P20,428**	P20,452

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

There are no unusual or significant risks to which the retirement benefits liability exposes the Group. However, it should be noted that in the event a benefit claim arises under the retirement benefits liability, the benefit shall immediately be due and payable from the Group.

As at March 31, 2023 and December 31, 2022, accumulated remeasurements on retirement benefits amounted to P3,071, as presented in the interim consolidated statements of financial position.

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

	March 31, 2023	March 31, 2022
Discount rate	**7.22%**	5.08%
Future salary increases	**8.00% to 10.00%**	8.00% to 10.00%

The valuation results are based on the employee data as of the valuation date. The discount rate assumption is based on the Bankers Association of the Philippines (BAP) PHP Bloomberg BV AL Reference Rates (BVAL) benchmark reference curve for the government securities market (previously the PDEx (PDST-R2) market yields on benchmark government bonds) as of the valuation date and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

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 11.13 years as at March 31, 2023 and December 31, 2022.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement benefits liabilities are paid directly by the Group when they become due.

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the defined benefits obligation.

22. Income Taxes

The provision for income tax consists of:

	March 31, 2023	March 31, 2022
Current	**P113,875**	P90,022
Deferred	**-**	(67)
	P113,875	89,955

The Group’s provision for current income tax represents regular corporate income tax (RCIT) in all periods presented.

MI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income for the three-month periods ended March 31, 2023 and 2022.

MPDI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income for the three-month period ended March 31, 2023.

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 three-month periods ended September 30 is as follows:

	March 31, 2023	March 31, 2022
Income before income tax	**P574,131**	P422,459
Provision for income tax at the statutory income tax rate*	**P143,533**	P105,615
Additions to (reductions from) income taxes resulting to the tax effects of:		
Change in unrecognized deferred income tax asset	**7,835**	612
Share in net loss of an associate	**2,463**	3,597
Availment of optional standard deduction	**(38,566)**	(17,931)
Non-deductible expenses	**2,366**	146
Interest income subjected to final tax	**(3,755)**	(2,084)
Provision for income tax	**P113,876**	P89,955

**Statutory income tax rate for the three-month periods ended March 31, 2023 and 2022 is 25%*

The components of the Group's net deferred income tax assets as at March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023	December 31, 2022
Retirement benefits liability	**P3,228**	P3,429
PFRS 16, *Leases* adjustment	**2,516**	2,768
Allowance for expected credit losses on trade receivables	**655**	655
Unrealized foreign exchange gains - net	**(747)**	(730)
	P5,652	P6,122

TKHI

As at March 31, 2023 and December 31, 2022, TKHI has carryforward benefits of unused NOLCO amounting to P74,045 and P68,791, respectively, for which no deferred income tax asset was recognized. Management believes that it is not probable that future taxable profits will be available to allow all or part of its deferred income tax asset to be utilized prior to its expiration.

Details of the TKHI's NOLCO for the taxable year 2023 are as follows:

Period Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2020	1,089	-	-	-	1,089	2025*
2021	55,336	-	-	-	55,336	2026*
2022	12,366	-	-	-	12,366	2027*
2023	5,254	-	-	-	5,254	2028*
	P74,045	**P -**	**P -**	**P-**	**P74,045**	

* *Pursuant to Section 4 of Republic Act (RA) 11494, Bayanihan to Recover As One Act and as implemented under Revenue Regulations (RR) No. 25-2020, unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.*

MI

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 MI intends to continue its availment of the optional standard deduction in the subsequent years:

	March 31, 2023	December 31, 2022
PFRS16, *Leases* adjustment	**P20,220**	P7,419
Unrealized foreign exchange losses (gain) - net	**(73)**	12,597
Retirement benefits liability	**139**	6,737
	P20,286	P26,753

MPDI

The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized for the three-month period ended March 31, 2023, because management believes that it is not probable that the tax benefits of these temporary differences will be availed of as MPDI intends to continue its availment of the optional standard deduction in the subsequent years:

	March 31, 2023
PFRS16, *Leases* adjustment	**P660**
Unrealized foreign exchange losses (gain) - net	**197**
Retirement benefits liability	**51**
	P908

23. Provision

The Group 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 Group'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 three-month periods ended March 31, 2023 and 2022 are as follows:

	March 31, 2023	March31, 2022
Balances at beginning of year	**P-**	**P11,975**
Provision used during the three-month period	**-**	**(3,991)**
Balances at end of period	**P-**	**P7,984**

24. Earnings Per Share

Basic/diluted EPS of the Group is computed as follows:

(In thousands, except per share data)	**March 31, 2023**	March 31, 2022
Net income (a)	**P420,585**	P332,504
Weighted average number of common shares outstanding for the year (b)	**14,508,750,313**	14,508,750,313
Basic EPS (a/b)	**P0.03**	P0.02

Weighted average number of common shares in 2023 used for the purposes of basic earnings per share were computed as follows:

	Number of Common Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end of period	14,508,750,313	3/3	14,508,750,313

The Group has no potential dilutive instruments as at March 31, 2023 and December 31, 2022, hence, diluted EPS is the same as the basic EPS.

25. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

The Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group's activities. The Group, 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 Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

The Group's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Group. There were no changes in the exposures to each of the above risks and to the Group'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 Group would incur if credit customers and counterparties fail to perform their contractual obligations. The Group's credit risk arises from the Group'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	**March 31, 2023**	December 31, 2022
Cash in banks	*6*	**1,245,639**	**P1,833,732**
Cash equivalents	*6*	**2,178,437**	**2,948,667**
Trade and other receivables	*7*	**938,413**	**2,227,178**
Refundable deposits	*12*	**17,196**	**16,519**
		P4,379,685	**P7,026,096**

The Group'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 Group.

As at March 31, 2023 and December 31, 2022, the Group does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant. On the other hand, the Group believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Group 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 Group.

The Group assessed the credit quality of the following financial assets as follows:

a. Cash in banks and cash equivalents 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 standard grade since these include receivables that are collected on their due dates even without an effort from the Group to follow them up.

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.

ECL Assessment
The Group 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 March 31, 2023 and December 31, 2022:

	March 31, 2023		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P579,460**	**P -**	**No**
1 - 30 days past due	**183,678**	**-**	**No**
31 - 120 days past due	**135,938**		**No**
More than 120 days past due	**39,337**	**2,621**	**Yes**
Balance at March 31, 2022	**P938,413**	**P2,621**	

	December 31, 2022		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,471,732	P -	No
1 - 30 days past due	648,740	-	No
31 - 120 days past due	101,575	-	No
More than 120 days past due	7,752	2,621	Yes
Balance at December 31, 2022	P2,229,799	P2,621	

The Group 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 Group'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 Group considered both historical loss rate and forward-looking assumption. The Group assessed that the impact of forward-looking assumption is immaterial.

The maturity of the Group'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 Group as a result of the expected credit loss assessment amounted to P2,621 as at March 31, 2023 and December 31, 2022.

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

Cash in banks and cash equivalents are considered of good quality as these pertain to deposits in a reputable bank. Impairment on cash has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The credit risk for security deposit is assessed to have not increased significantly since initial recognition as the counterparties have strong financial position and there are no past due amounts. The Group uses similar approach for assessment of ECLs for security deposit to those used for cash in banks. The Group has assessed that the impact of providing ECL for security deposit is immaterial, thus did not recognize loss allowance.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group 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 Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities as at March 31, 2023 and December 31, 2022:

	March 31, 2023			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P2,612,805**	**P2,612,805**	**P2,612,805**	**P -**
Due to related parties	**814,731**	**814,731**	**814,731**	**-**
Lease liabilities	**124,648**	**124,648**	**62,862**	**61,786**
Total	**P3,552,184**	**P3,552,184**	**P3,490,398**	**P61,786**

Excluding statutory obligations amounting to P5,983.

	December 31, 2022			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P3,934,819	P3,934,412	P3,934,412	P -
Due to related parties	846,700	846,700	846,700	-
Loans payable**	130,000	131,075	131,075	-
Dividends payable	783,473	783,473	783,473	-
Lease liabilities	131,173	137,480	67,996	69,484
Total	P5,826,165	P5,833,140	P5,763,656	P69,484

**Excluding statutory obligations amounting to P85,868 and accrued interest payable amounting to P407.*
***Including accrued interest payable amounting to P407 and remaining interest due until maturity amounting to P668.*

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 Group'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 Group 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.

Accordingly, management believes that the Group 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 Group's exposure to foreign currency risk relates primarily to the Group'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), Euro (EUR), Australian Dollar (AUD) and British Pound Sterling (GBP).

The following table shows the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at March 31, 2023 and December 31, 2022:

	March 31, 2023				
	USD	SGD	EUR	AUD	PHP Equivalent
Foreign currency - denominated monetary assets:					
Cash	**2,596**	**-**	**7,070**	**-**	**561,799**
Trade & other receivables	**540**	**-**	**-**	**-**	**29,434**
	3,136		**7,070**	**-**	**591,233**
Foreign currency - denominated monetary liabilities:					
Trade payables		**(37)**	**(30,684)**	**(97)**	**(1,829,882)**
Net foreign currency - denominated monetary asset (liabilities)	**3,136**	**(37)**	**(23,614)**	**(97)**	**(1,238,650)**

	December 31, 2022				
	USD	SGD	EUR	AUD	PHP Equivalent
Foreign currency - denominated monetary assets:					
Cash	1,244	-	14,491	-	932,844
Trade and other receivables	933	-	214	35	66,432
	2,177	-	14,705	35	999,276
Foreign currency - denominated monetary liabilities:					
Trade payables	(810)	(38)	(55,982)	(314)	(3,392,844)
Net foreign currency - denominated monetary asset (liabilities)	1,367	(38)	(41,277)	(279)	(2,393,568)

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

	March 31, 2023	December 31, 2022
USD	**54.46**	**56.12**
SGD	**41.00**	**41.58**
EUR	**59.46**	**59.55**
AUD	**36.53**	**37.80**

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

	March 31, 2023	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**(2.96%)**	**(3,796)**
SGD	**(1.39%)**	**16**
EUR	**(0.14%)**	**1,507**
AUD	**(3.36%)**	**90**

	December 31, 2022	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	11.00%	P6,331
EUR	2.56%	(47,132)
AUD	4.48%	(354)
SGD	16.34%	(255)

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

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

There were no changes in the Group'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 Group's external environment and the risks underlying the Group's business operations and industry.

The Group's BODs review the capital structure of the Group on an annual basis. As part of this review, the BODs consider the cost of capital and the risks associated with each class of capital.

The debt-to-equity ratio at the end of reporting periods is as follows:

	March 31, 2023	December 31, 2022
Debt	**3,884,669**	P6,140,725
Equity	**13,913,571**	13,493,109
Debt to equity ratio	**0.28:1**	0.46:1

26. Fair Values of Financial Instruments

Cash in Banks, Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable
The carrying amounts of the Group's cash in banks, cash equivalents, 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 deposits approximates its fair values as the impact of discounting is not significant.

Notes Payable, Loans 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. The carrying amounts approximate their fair values because the difference between the interest rates of these instruments and the prevailing market rates for similar instruments is not considered significant.

As at March 31, 2023 and December 31, 2022, the Group has no financial instruments carried at fair value. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary.

	March 31, 2022	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P1,245,639**	**P1,245,639**
Cash equivalents	**2,178,437**	**2,178,437**
Trade and other receivables - net	**938,413**	**938,413**
Refundable deposits	**17,196**	**17,196**
	P4,379,685	**P4,379,685**
Other Financial Liabilities		
Trade and other payables	**P2,618,788**	**P2,618,788**
Due to related parties	**814,731**	**814,731**
Lease liabilities	**124,648**	**124,648**
	P3,558,167	**P3,558,167**

	December 31, 2022	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P1,833,732**	**P1,833,732**
Cash equivalents	**2,948,667**	**2,948,667**
Trade and other receivables - net	**2,227,178**	**2,227,178**
Refundable deposits	**16,519**	**16,519**
	P7,026,096	**P7,026,096**
Other Financial Liabilities		
Trade and other payables	**P3,934,819**	**P3,934,819**
Due to related parties	**846,700**	**846,700**
Loans payable	**130,000**	**130,000**
Dividends payable	**783,473**	**783,473**
Lease liabilities	**131,173**	**131,173**
	P5,826,165	**P5,826,165**