November 14, 2024

Securities and Exchange Commission
7907 Makati Avenue, Salcedo Village,
Bel-Air, Makati City, 1209

Attention: **Mr. Oliver O. Leonardo**
Director, Markets and Securities Regulation Department

Philippine Stock Exchange
PSE Tower, 28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

Attention: **Ms. Stefanie Ann B. Go**
OIC, Disclosure Department

Gentlemen:

On behalf of The Keepers Holdings, Inc., I am submitting herewith the Company's Third Quarterly Report for the year 2024 (SEC Form 17-Q).

Sincerely yours,

JEWELYN A. JUMALON
Assistant Corporate Secretary and
Compliance Officer

COVER SHEET

0 0 0 0 0 2 4 0 1 5

SEC Registration Number

THE KEEPERS HOLDINGS, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

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

JEWELYN A. JUMALON

(Contact Person)

(63) 917 861 2459

(Company Telephone Number)

1 2	3 1	SEC FORM 17-Q	0 5	1 3
Month	**Day**	(Form Type)	(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 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 **SEPTEMBER 30, 2024**

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 6. 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 September 30, 2024 and December 2023 and for the nine-month periods ended September 30, 2024 and 2023:

	September 30 2024	December 31 2023
Current Ratio (1)	**4.51:1**	3.71:1
Asset to Equity Ratio (2)	**1.21:1**	1.24:1
Debt to Equity Ratio (3)	**0.21:1**	0.24:1
Debt to Total Assets Ratio (4)	**0.17:1**	0.20:1
Book Value per Share (5)	**P1.10**	P1.05

	September 30 2024	September 30 2023
Earnings per Share (6)	**P0.15**	P0.12
Return on Assets (7)	**11.29%**	9.43%
Return on Equity (8)	**13.86%**	12.55%

(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 nine-month periods ended September 30, 2024 and 2023:

(In thousands)	**2024**	**% to Sales**	2023	% to Sales	**% Change**
Net Sales	**P11,705,093**	**100.0%**	P10,213,677	100.0%	14.6%
Cost of Sales	**8,408,067**	**71.8%**	7,381,221	72.3%	13.9%
Gross Profit	**3,297,026**	**28.2%**	2,832,456	27.7%	16.4%
Operating Expenses	**900,353**	**7.7%**	764,805	7.5%	17.7%
Income from Operations	**2,396,673**	**20.5%**	2,067,651	20.2%	15.9%
Share in the net income of an associate and a joint venture	**185,681**	**1.6%**	68,459	0.7%	171.2%
Other income (charges) – net	**71,374**	**0.6%**	86,680	0.8%	(17.7%)
Net Income before tax	**2,653,728**	**22.7%**	2,222,790	21.7%	19.4%
Provision for income tax	**484,064**	**4.1%**	415,876	4.1%	16.4%
Net Income after tax	**P2,169,664**	**18.6%**	P1,806,914	17.6%	20.1%

Net Sales

The Group's consolidated net sales for the nine-month period ended September 30, 2024, amounting to P11.7 billion grew by 14.6% from the ₱10.2 billion consolidated net sales for the first nine months of 2023. The growth was driven by the 18% increase in total cases sold during the first nine months of 2024. Brandy category posted a strong growth of 25% in value and volume in the nine-month period ended September 30, 2024 as compared to the same period of last year.

Cost of Sales

The Group's cost of sales increased by 13.9% for the nine-month period ended September 30, 2024, and is parallel to the increase in sales of 14.6%. The minimal increase in the gross profit is the result of the product sales mix. There is also an offsetting effect on the increased cost in some of the brands and reduction of negotiated discounts and promo supports extended to customers.

Operating Expenses

Operating expenses amounting to P900.4 million for the nine-month period ended September 30, 2024, increased by 17.7% as compared to the operating expenses in the same period of 2023 which amounted to P764.8 million. The increase is attributable to corresponding logistics and promotional expenses in the increased sales volume. Other operating expenses increased due to additional headcount of employees, repairs and maintenance, and other inventory handling related charges such as rentals and insurance.

Share in the Net Income (Losses) of an Associate and a Joint Venture

This is mainly attributable to the share in the net income of investees. The increase resulted from the improvements and efficiency in the investee's operations.

Net Income

The Group's net income for the nine-month period ended September 30, 2024 amounted to P2.2 billion which is 20.1% higher than the net income of P1.8 billion for the first nine months of 2024.

II. Consolidated Financial Position

The Group's audited consolidated financial position as at September 30, 2024 and December 31, 2023 are shown below:

(in thousands)	**September 30, 2024**	**% to Total Assets**	December 31, 2023	% to Total Assets	**% Change**
Cash and cash equivalents	**P 2,518,791**	**13.0%**	P2,897,269	15.2%	**(13.1%)**
Trade and other receivables – net	**1,476,301**	**7.6%**	2,461,436	12.9%	**(40.0%)**
Inventories	**8,336,180**	**42.9%**	7,658,757	40.3%	**8.8%**
Prepaid expenses and other current assets	**1,494,504**	**7.7%**	616,872	3.3%	**142.3%**
Total Current Assets	**13,825,776**	**71.2%**	13,634,334	71.7%	**1.4%**
Right-of-use assets – net	**52,437**	**0.3%**	65,787	0.3%	**(20.3%)**
Property and equipment – net	**26,652**	**0.1%**	28,961	0.2%	**(8.0%)**
Deferred income tax assets – net	**6,408**	**0.0%**	5,241	0.0%	**22.3%**
Investments in an associate and a joint venture	**5,452,370**	**28.1%**	5,214,533	27.5%	**4.6%**
Other noncurrent assets	**56,017**	**0.3%**	65,561	0.3%	**(16.3%)**
Total Noncurrent Assets	**5,593,884**	**28.8%**	5,380,083	28.3%	**4.0%**
Total Assets	**P19,419,660**	**100.0%**	P19,014,417	100.0%	**2.1%**
Trade and other payables	**P2,770,159**	**14.3%**	P2,196,725	11.6%	**26.1%**
Dividends payable	**-**	**-**	1,117,174	5.9%	**(100.0%)**
Income tax payable	**258,234**	**1.3%**	309,342	1.6%	**(16.5%)**
Lease liabilities – current	**38,004**	**0.2%**	55,635	0.3%	**(31.7%)**
Total Current Liabilities	**3,066,397**	**15.8%**	3,678,876	19.4%	**(16.6%)**
Loans payable	**280,000**	**1.5%**	-	0.0%	**100%**
Lease liabilities - net of current portion	**19,414**	**0.1%**	19,646	0.1%	**(1.2%)**
Retirement benefits liability	**27,566**	**0.1%**	25,247	0.1%	**9.2%**
Total Noncurrent Liabilities	**326,980**	**1.7%**	44,893	0.2%	**628.3%**
Total Liabilities	**3,393,377**	**17.5%**	3,723,769	19.6%	**(8.9%)**
Capital stock	**1,450,875**	**7.5%**	1,450,875	7.6%	**-**
Additional paid in capital	**25,447,900**	**131.0%**	25,447,900	133.8%	**-**
Retained earnings	**9,958,218**	**51.3%**	9,239,428	48.6%	**7.8%)**
Equity adjustments from common control Transactions	**(20,848,500)**	**(107.4%)**	(20,848,500)	(109.6%)	**-**
Accumulated remeasurements on retirement benefits	**428**	**0.0%**	428	0.0%	**-**
Cumulative translation adjustment	**18,754**	**0.1%**	2,323	0.0%	**707.4%**
Other reserves	**(1,392)**	**0.0%**	(1,806)	0.0%	**(23.0%)**
Total Equity	**16,026,283**	**82.5%**	15,290,648	80.4%	**4.8%**
	P19,419,660	**100.0%**	P19,014,417	100.0%	**2.1%**

Working Capital
As at September 30, 2024 the Group's working capital amounted to P10.7 billion. Current ratios are at 4.51x and 3.71x as of September 30, 2024 and December 31, 2023, respectively.

Current Assets
As at September 30, 2024, total current assets amounted to P13.8 billion which represents 71.2% of total assets.

Cash and cash equivalents amounted to about P2.5 billion as of September 30, 2024 or 13.0% of total assets. The balance decreased by about 13.1% as compared to December 2023.

Trade and other receivables amounted to P1.5 billion as of September 30, 2024. Average collection period is at 41 days and 46 days for the nine-month periods ended September 30, 2024 and 2023, respectively. Average credit terms offered to customers is from 30-60 days.

Inventories amounted to P8.3 billion or 42.9% of total assets as of September 30, 2024. This amount increased minimally by 8.8% from the balance at the close of December 31, 2023.

Prepaid expenses and other current assets amounted to P1.5 billion as at September 30, 2024. The increase of 142.3% is due mainly to the advance payments for excise tax pertaining to 2024 purchase orders.

Noncurrent Assets

As at September 30, 2024, total noncurrent assets amounted to P5.6 billion, representing 28.8% of total assets.

Right-of-use assets represent the values recognized from long-term lease contracts covering office and warehouse facilities. As of September 30, 2024, net book value amounted to P52.4 million. The decrease of 20.3% was due the amortizations recognized during the period.

Property and equipment-net book values amounted to P26.7 million as of September 30, 2024. This account mainly consists of the office and delivery equipment as well as leasehold improvements on leased office premises and warehouses.

Investments in an associate and a joint venture amounted to P5.5 billion as of September 30, 2024 or 28.1% of the total assets. This includes the group's 30% acquired equity interest in Pernod Ricard Philippines (Pernod) in February 2019. Pernod increased its capitalization in September 2024 which requires the additional capital investment from the Group. Investment in a joint venture as of September 30, 2024, pertains to acquisition of 50% equity interest in Bodegas Williams & Humbert SA. Both investments are accounted using the equity method.

Current Liabilities

As at September 30, 2024 total current liabilities amounted to P3.1 billion equivalent to 15.8% of total assets.

Trade and other payables amounted to P2.8 billion. This amount pertains to amounts due to trade and non-trade suppliers, both local and foreign.

Loans payable amounting to P280 million pertain to loans availed by its subsidiary, Premier Wine and Spirits. The proceeds were used primarily to fund the additional investment to Pernod due to increase in capitalization in September 2024.

Dividends payable as at December 31, 2023 amounting to P1.1 billion were paid on January 18, 2024. On May 13, 2024, dividends for 2024 at P0.10/share was declared and paid on June 20, 2024.

Income tax payable amounted to P258 million as of September 30, 2024. Income tax payable as at December 31, 2023 was paid in April 11, 2024.

Lease liabilities due within the year amounted to P38 million representing lease payable for the use of warehouses and offices.

Noncurrent Liabilities

As of September 30, 2024, total non-current liabilities amounted to P327 million.

Lease liabilities net of current portion payable for the succeeding year until the end of the lease agreements on the use of warehouses and offices amounted to P19.4 million.

Retirement benefit liability represents the present value of the defined benefits retirement obligations amounting to P27.6 million as of September 30, 2024 covering all regular employees.

Equity

As of September 30, 2024, total equity amounted to P16.0 billion or equivalent to 82.5% of total assets.

Capital stock amounted to P1.45 billion as of September 30, 2024 and December 31, 2023.

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 P10.0 billion representing the aggregated retained earnings of the Company and the subsidiaries as of September 30, 2024, net of cash dividend 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.

III. Sources and Uses of Cash

The Group's primary sources of liquidity are basically its net operating cash inflows augmented by the 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 nine-month periods ended September 30	
(In thousands)	**2024**	2023
Net cash from (used) in operating activities	**P2,194,517**	(P1,979,736)
Net cash used in investing activities	**(225,473)**	(743,546)
Net cash used in financing activities	**(2,340,508)**	(975,970)
Effect of exchange rate changes	**(7,014)**	706
Net decrease in cash and cash equivalents	**(P378,478)**	(P3,698,546)

Net cash from the 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 additional investments to Pernod and the funds used for additional office equipment, transportation equipment and computer licenses.

Net cash used in financing activities in the current period is primarily due to payments of 2023 dividends on January 18, 2024, and 2024 dividends on June 20, 2024, with total amount of about P2.56 billion.

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 Third Quarterly Financial Statement of The Keepers Holdings, Inc. and its subsidiaries for the year 2024 to be signed on its behalf by the undersigned thereunto duly authorized.

November 13, 2024 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
September 30, 2024 and December 31, 2023

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

	Note	**September 30, 2024 (Unaudited)**	December 31, 2023 (Audited)
ASSETS			
Current Assets			
Cash and cash equivalents	*6,24,25*	**P 2,518,791**	P2,897,269
Trade and other receivables - net	*7,24,25*	**1,476,301**	2,461,436
Inventories	*8,17*	**8,336,180**	7,658,757
Prepaid expenses and other current assets	*9*	**1,494,504**	616,872
Total Current Assets		**13,825,776**	13,634,334
Noncurrent Assets			
Right-of-use assets - net	*20*	**52,437**	65,787
Property and equipment - net	*10*	**26,652**	28,961
Deferred income tax assets - net	*22*	**6,408**	5,241
Investment in an associate and joint venture	*11*	**5,452,370**	5,214,533
Other noncurrent assets	*12*	**56,017**	65,561
Total Noncurrent Assets		**5,593,884**	5,380,083
		P 19,419,660	P19,014,417
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*13,24,25*	**2,770,159**	P2,196,725
Dividends payable	*16,24,25*	**-**	1,117,174
Income tax payable		**258,234**	309,342
Lease liabilities - current	*20, 25*	**38,004**	55,635
Total Current Liabilities		**3,066,397**	3,678,876
Noncurrent Liabilities			
Loans payable	*14*	**280,000**	-
Lease liabilities - net of current portion	*20,25*	**19,414**	19,646
Retirement benefits liability	*21*	**27,566**	25,247
Total Noncurrent Liabilities		**326,980**	44,893
Total Liabilities		**3,393,377**	3,723,769
Equity	*16*		
Capital stock		**1,450,875**	1,450,875
Additional paid-in capital		**25,447,900**	25,447,900
Retained earnings			
Unappropriated		**9,958,218**	9,239,428
Appropriated		**-**	-
Equity adjustments from common control transactions		**(20,848,500)**	(20,848,500)
Accumulated remeasurements on retirement benefits	*21*	**428**	428
Cumulative translation adjustment	*11*	**18,754**	2,323
Other reserves		**(1,392)**	(1,806)
Total Equity		**16,026,283**	15,290,648
		P 19,419,660	P19,014,417

See Notes to Interim Consolidated Financial Statements.

THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands, Except Per Share Data)

		Three- Month Period Ended		Nine-Month Period Ended	
	Note	**September 30, 2024**	September 30, 2023	**September 30, 2024**	September 30, 2023
NET SALES		**P3,986,463**	P3,713,348	**P 11,705,093**	P 10,213,677
COST OF GOODS SOLD	*17*	**2,844,454**	2,685,522	**8,408,067**	7,381,221
GROSS PROFIT		**1,142,009**	1,027,826	**3,297,026**	2,832,456
OPERATING EXPENSES	*18*	**332,904**	307,636	**900,353**	764,805
INCOME FROM OPERATIONS		**809,105**	720,190	**2,396,673**	2,067,651
SHARE IN NET INCOME OF AN ASSOCIATE AND A JOINT VENTURE	*11*	**77,359**	23,414	**185,681**	68,459
OTHER INCOME (CHARGES) – Net	*19*	**21,255**	54,795	**71,374**	86,680
INCOME BEFORE INCOME TAX		**907,719**	798,399	**2,653,728**	2,222,790
PROVISION FOR INCOME TAX	*22*	**164,273**	149,224	**484,064**	415,876
NET INCOME/TOTAL COMPREHENSIVE INCOME		**P743,446**	P649,175	**P 2,169,664**	P 1,806,914
BASIC EARNINGS PER SHARE	*23*	**P0.05**	P0.04	**P0.15**	P0.12

See Notes to Consolidated Financial Statements

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THE KEEPERS HOLDINGS, INC. AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

		Nine-Month Period Ended	
	Note	**September 30, 2024**	September 30, 2023
CAPITAL STOCK (Beginning and end of the nine-month period)	*16*	**P1,450,875**	P1,450,875
ADDITIONAL PAID-IN CAPITAL (Beginning and end of the nine-month period)	*16*	**25,447,900**	25,447,900
RETAINED EARNINGS			
Unappropriated:			
Balance at beginning of the nine-month period		**9,239,428**	6,490,352
Net income for the nine-month period		**2,169,664**	1,806,914
Dividend declaration during the nine-month period		**(1,450,874)**	-
Reversal of appropriation during the nine-month period			950,000
		9,958,218	9,247,266
Appropriated			
Balance at beginning of the nine-month period		**-**	950,000
Reversal of appropriation during the nine-month period		**-**	(950,000)
		-	-
Balance at end of nine-month period	*16*	**9,958,218**	9,247,266
EQUITY ADJUSTMENTS FROM COMMON CONTROL TRANSACTIONS (Beginning and end of the nine-month period)		**(20,848,500)**	(20,848,500)
ACCUMULATED REMEASUREMENTS ON RETIREMENT BENEFITS (Beginning and end of nine-month period)	*21*	**428**	P3,071
CUMULATIVE TRANSLATION ADJUSTMENT			
Balance at beginning of the nine-month period		**2,323**	1,683
Foreign currency translation adjustment during the nine-month period		**16,431**	4,916
		18,754	6,599
OTHER RESERVES			
Balance at beginning of the nine-month period		**(1,806)**	(2,272)
Share in other comprehensive income of an associate during the nine-month period		**414**	-
		(1,392)	(2,272)
		P16,026,283	P15,304,939

See Notes to Interim Consolidated Financial Statements

THE KEEPERS HOLDINGS, INC.AND SUBSIDIARIES

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

		Nine-Month Period Ended	
	Note	**September 30, 2024**	September 30, 2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P 2,653,728**	P 2,222,790
Adjustments for:			
Depreciation and amortization	*10, 18, 20*	**57,251**	58,947
Share in net income of an associate and a joint venture	*11*	**(185,681)**	(68,459)
Interest income	*6,19*	**(72,155)**	(67,931)
Interest expense	*19, 20*	**3,022**	4,228
Retirement benefits costs	*21*	**2,686**	2,173
Gain on disposal of property and equipment	*19*	**-**	(388)
Unrealized foreign exchange loss (gain)		**6,851**	(29,478)
Operating income before working capital changes		**2,465,702**	2,121,882
Decrease (increase) in:			
Trade and other receivables		**1,172,753**	587,615
Inventories		**(677,423)**	(3,132,673)
Prepaid expenses and other current assets		**(877,632)**	(188,498)
Increase in trade and other payables		**575,669**	(1,023,046)
Cash generated from (used in) operations		**2,659,069**	(1,634,720)
Income taxes paid		**(536,340)**	(412,199)
Interest received	*6,19*	**72,155**	67,931
Retirement benefits paid	*21*	**(367)**	(748)
Net cash from (used in) operating activities		**2,194,517**	(1,979,736)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*10*	**(10,018)**	(14,824)
Acquisition of investment in an associate and a joint venture	*11*	**(225,000)**	(730,000)
Decrease in other noncurrent assets		**9,545**	890
Proceeds from disposals of property and equipment	*19*	**-**	388
Cash used in investing activities		**(225,473)**	(743,546)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from (payments of):			
Loans payable	*14*	**280,000**	(130,000)
Dividends	*16*	**(2,568,049)**	(783,472)
Lease liabilities	*20*	**(49,437)**	(48,270)
Interest	*20*	**(3,022)**	(4,228)
Due to related parties		**-**	(10,000)
Net cash used in financing activities		**(2,340,508)**	(975,970)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(7,014)**	706
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(378,478)**	(3,698,546)
CASH AND CASH EQUIVALENTS AT BEGINNING OF NINE-MONTH PERIOD		**2,897,269**	4,784,441
CASH AND CASH EQUIVALENTS AT END OF NINE-MONTH PERIOD	*6*	**P 2,518,791**	P 1,085,895

See Notes to Interim Consolidated Financial Statements.

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except 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 separate publicly 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.

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 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, 2023 and 2022, 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
Upfront Distributions Corp	701 Federal Tower, Dasmarianz 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	
	2024	2023
Liquor Distribution		
Montosco, Inc.	**100%**	100%
Meritus Prime Distributions, Inc.	**100%**	100%
Premier Wine and Spirits, Inc.	**100%**	100%
Fertuna Distributions, Inc.	**100%**	100%
Upfront Distributions Corp.	**100%**	-

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 September 30, 2024 and December 31, 2023 and for the nine-month periods ended September 30, 2024 and 2023 were approved and authorized for issuance by the Group's BOD on November 11, 2024.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods 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, 2023 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements. These are as follows:

- PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates (Amendments).* To clarify 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 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)* 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 includes guidance and additional examples on the application of materiality to accounting policy disclosures, assisting companies to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Company reviewed the accounting policies and although the amendments did not result in any changes to the accounting policies themselves, updates were made to the accounting policy information disclosed in Note 3 - Material Accounting Policies in certain instances in line with the amendments.

- PAS 12, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments)* clarify 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.

  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.

<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.

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.

<u>Financial Instruments</u>

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.

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 of September 30, 2024 and December 31, 2023.

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.

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 of September 30, 2024 and December 31, 2023, 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.

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.

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.

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 are 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.

Cost and Expense Recognition
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.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

Leases
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.

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, 2023. 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.

Deferral of the Local Implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) addresses an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

  The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

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.

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.

<u>Accounting Estimates and Assumptions</u>
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 P1,495,274 and P2,480,030 as at September 30, 2024 and December 31, 2023, respectively (see Notes 7, 12 and 25). The allowance for ECLs amounted to P2,621 as at September 30, 2024 and December 31, 2023.

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 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 September 30, 2024 and December 31, 2023 amounted to P8,336,180 and P7,658,757, respectively (see Notes 8 and 17). No allowance to reduce inventory to NRV was recognized for the nine-month periods ended September 30, 2024 and 2023.

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 nine-month periods ended September 30, 2024 and 2023.

The carrying amounts of property and equipment as at September 30, 2024 and December 31, 2023 amounted to P26,652 and P28,961, 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 investments in an associate and a 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 nine-month periods ended September 30, 2024 and 2023, 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 investments in an associate and a joint venture amounted to P5,531,459 and P5,309,281 as at September 30, 2024 and December 31, 2023, 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 P27,566 and P25,247 as at September 30, 2024 and December 31, 2023, 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 P6,408 and P5,241 as at September 30, 2024 and December 31, 2023, respectively (see Note 22).

For the nine-month periods ended September 30, 2024 and 2023, 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 nine-month period ended September 30, 2024, MPDI has reverted back to itemized deduction in the calculation of its provision for income tax.

As at September 30, 2024 and December 31, 2023, the Group has not recognized deferred income tax assets arising from temporary differences amounting to a total of P13,805 and P32,454, 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 as at September 30, 2024 and December 31, 2023.

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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 follow:

	% 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

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	**September 30, 2024**	December 31, 2023
Cash on hand		**P2,323**	P2,206
Cash in banks	*24,25*	**783,050**	1,440,247
Cash equivalents	*24,25*	**1,733,418**	1,454,816
		P2,518,791	P2,897,269

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 P579 and P514 for the nine-month periods ended September 30, 2024 and 2023, 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 P71,576 and P67,417 for the nine-month periods ended September 30, 2024 and 2023, respectively (see Note19).

7. Trade and Other Receivables

This account consists of:

	Note	**September 30, 2024**	December 31, 2023
Trade:			
Third parties		**P 554,104**	P1,483,859
Related parties	*15*	**731,748**	897,394
Less allowance for ECLs		**(2,621)**	(2,621)
		1,283,231	2,378,632
Nontrade:			
Third parties		**5,267**	81,086
Related parties	*15*	**187,803**	1,718
	24,25	**P 1,476,301**	P2,461,436

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. This also includes dividend receivable from investment in a joint venture which is expected to be received in December 2024.

Movements in the allowance for ECLs on third party trade receivables are as follows:

	September 30, 2024	December 31, 2023
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	**September 30, 2024**	December 31, 2023
At landed cost (on hand):			
Spirits		**P 6,750,601**	P6,853,463
Wines		**388,918**	356,617
Specialty beverages		**126,901**	73,353
Others		**39**	
At invoice cost (in-transit):			
Spirits		**1,055,541**	370,512
Others		**14,180**	4,812
	17	**P 8,336,180**	P7,658,757

Cost of inventories charged to "Cost of goods sold" amounted to P8,408,067 and P7,381,221, for the nine-month periods ended September 30, 2024 and 2023, respectively (see Note 17).

9. Prepaid Expenses and Other Current Assets

This account consists of:

	September 30, 2024	December 31, 2023
Prepaid duties and taxes	**P 1,279,313**	P451,042
Advances to suppliers	**85,382**	127,529
Prepaid import charges	**3,451**	30,013
Input VAT	**11,843**	2,327
Other prepaid expenses	**114,515**	5,961
	P1,494,504	P616,872

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, 2023	P51,929	P30,760	P10,268	P3,996	P4,621	P1,299	P102,873
Additions	9,574	335	1,846	-	4,961	18	16,734
Disposals	(3,684)	-	(109)	-	-	-	(3,793)
December 31, 2023	57,819	31,095	12,005	3,996	9,582	1,317	115,814
Additions	7,113	-	1,580	-	1,292	33	10,018
Disposals	(50)	-	-	-		-	(50)
September 30, 2024	**P 64,882**	**P31,095**	**P 13,585**	**P3,996**	**P 10,874**	**P 1,350**	**P 125,782**
Accumulated Depreciation and Amortization							
January 1, 2023	35,264	21,837	8,850	3,970	2,923	1,241	74,085
Depreciation and amortization	7,048	5,458	1,525	16	2,476	38	16,561
Disposals	(3,684)	-	(109)	-	-	-	(3,793)
December 31, 2023	**P38,628**	**P27,295**	**P10,266**	**P3,986**	**P5,399**	**P1,279**	**P86,853**
Depreciation and amortization	5,498	2,606	1,469	10	2,722	22	12,327
Disposals	(50)						(50)
September 30, 2024	**P44,076**	**P29,901**	**P11,735**	**P3,996**	**P8,121**	**P1,301**	**P99,130**
Net Book Value							
December 31, 2023	P19,189	P3,801	P1,691	P11	P4,231	P37	P28,961
September 30, 2024	**P20,804**	**P1,195**	**P1,850**	**P0**	**P2,755**	**P48**	**P26,652**

Depreciation and amortization expense for the nine-month periods ended September 30, 2024 and 2023 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:

	September 30, 2024	December 31, 2023
Joint venture	**P 5,090,750**	P5,070,846
Associate	**361,620**	143,687
	P 5,452,370	P5,214,533

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 had initially prepared a provisional purchase price allocation in 2022. In 2023, the Group had finalized the amounts disclosed for the fair value of the purchased assets of Bodegas as well as the goodwill amount as noted below.

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 September 30, 2024 and December 31, 2023:

	September 30, 2024	**December 31, 2023**
Balance at beginning of year	**P5,070,846**	P4,981,845
Share in net income	**271,214**	288,530
Depreciation of excess fair value	**(33,496)**	(46,482)
Unrealized gross profit on unsold inventories	**(44,556)**	(89,079)
Dividends	**(189,690)**	(64,608)
Foreign currency translation adjustment	**16,432**	640
Balance at end of period	**P5,090,750**	P5,070,846

Percentage Ownership Interest	50%	50%
Current assets	**P 6,893,814**	P5,677,671
Noncurrent assets	**2,056,329**	2,101,254
Current liabilities	**(3,021,372)**	(2,015,551)
Noncurrent liabilities	**(246,126)**	(220,894)
Net Assets	**5,682,645**	5,542,480
TKHI's share of net assets	**2,841,322**	2,771,240
Goodwill	**1,996,128**	1,996,128
Fair value adjustment	**526,137**	559,633
Unrealized gross profit on unsold inventories	**(412,905)**	(265,123)
Translation adjustment	**18,754**	2,323
Foreign exchange differences	**121,314**	6,645
Carrying amount of investment in joint venture	**P5,090,750**	P5,070,846

The following table shows the Group's share in net income of investee for the nine-month periods ended September 30, 2024 and 2023:

	2024	2023
Revenue	**P 6,991,471**	P6,673,738
Depreciation	**(140,528)**	(120,843)
Interest income	**6,958**	363
Interest expense	**(8,381)**	(10,422)
Income tax expense	**(178,554)**	(99,201)
Net income	**542,429**	437,715
The Group's share in net income at 50%	**271,215**	P218,857
Unrealized gross profit on unsold inventories	**(44,556)**	(151,295)
Depreciation of excess fair value at 50%	**(33,496)**	(22,854)
	P193,163	P 44,708

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.

On September 11, 2024, The Board of Directors of Pernod approved the increase on its capital stock from P500,000 to P1,250,000. PWSI subscribed and paid P225,000 and retains its ownership at 30%.

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 September 30, 2024 and December 31, 2023:

	2024	2023
Balance at beginning of year	**P143,687**	P89,039
Additional investment	**225,000**	
Share in net income (loss)	**(7,482)**	54,182
Share in other comprehensive income	**415**	466
Balance at end of period	**P361,620**	P143,687

	2024	2023
Percentage Ownership Interest	**30%**	30%
Current assets	**P 2,175,474**	P1,732,900
Noncurrent assets	**230,957**	227,489
Current liabilities	**(1,207,586)**	(1,492,281)
Noncurrent liabilities	**(38,348)**	(34,055)
Net Assets	**1,160,497**	434,053
PWSI's share of net assets	**348,149**	130,216
Goodwill	**13,471**	13,471
Carrying Amount of Investment in Associate	**P361,620**	P143,687

The following table shows the Group's share in net income (loss) of investee for the nine-month periods ended September 30, 2024 and 2023:

	September 30, 2024	September 30, 2023
Revenue	**P1,119,394**	P946,304
Net income (loss) for the nine-month period	**(24,939)**	79,172
The Group's share in net income (loss) at 30%	**(P7,482)**	P23,751

12. Other Noncurrent Assets

This account consists of:

	Note	**September 30, 2024**	December 31, 2023
Excess tax credits		**P29,695**	P29,695
Refundable deposits	*25*	**18,973**	18,594
Input VAT		**-**	9,595
Others		**7,349**	677
		P56,017	P65,561

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

13. Trade and Other Payables

This account consists of:

	Note	September 30, 2024	December 31, 2023
Trade payables:			
Related parties	*15*	**P 1,945,708**	P1,177,848
Third parties		**245,901**	180,129
Non-trade payables:			
Third parties		**195,502**	245,602
Related parties	*15*	**9,599**	9,611
Advances from customers		**62,921**	278,910
Statutory obligations		**197,128**	238,011
Accrued expenses		**113,400**	66,614
	24,25	**P2,770,159**	P2,196,725

Trade payables are non-interest-bearing and are generally on 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 expenses.

14. Loans Payable

On September 18, 2024, PWSI entered into unsecured 5-year loan with Metro Bank & Trust Co. which shall mature on August 23, 2029, amounting to P280,000 with annual interest rate of 5.5%. Proceeds of the loans were used to fund additional investments to Pernod and for working capital requirements.

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 nine-month periods ended September 30, 2024 and 2023 and account balances with related parties as at September 30, 2024 and December 31, 2023 are as follows:

Category/Transaction	Ref	Year	Transactions During the Period	Outstanding Balance Receivable	Outstanding Balance Payable	Outstanding Balance Due to Related Parties	Terms	Conditions
Ultimate Parent Company								
Dividends	*16*	**2024**	**P 1,125,000**	**P -**	**P -**	**P -**	Due and demandable	Unsecured
	16	2023	**-**	-	-	-		
Management fee		**2024**	**-**	-	-	-	Due and demandable	Unsecured
		2023	**-**	-	-			
Entities under Common Control								
Sales of good	*7, a*	**2024**	**2,610,997**	**731,748**	**-**	**-**	30 days credit term;	Unsecured;
	7, a	2023	1,888,263	897,394	**-**	-	non-interest bearing	no impairment
Lease expense	*20, b*	**2024**	**40,426**	**-**	**(56,365)**	**-**	Payable on a monthly	Unsecured
	20, b	2023	45,319	-	67,519	**-**	basis	
Rent expense	*c*	**2024**	**10,170**		**-**	**-**	Payable on a monthly	
		2023	-	-	473	-	basis	
Purchases of goods and services	*d*	**2024**	**71,096**	**-**	**(8,945)**	**-**	Due and demandable;	
		2023	-	-	10	-	non-interest bearing	
Reimbursement of expenses	*e*	**2024**	**3,118**	**363**	**(654)**	**-**	Payable on demand;	Unsecured;
		2023	-	1,718	9,128	-	non-interest-bearing	no impairment
Joint Venture								
Purchases of goods	*13, d*	**2024**	**5,393,276**	**-**	**(1,945,708)**	**-**	30 days credit term;	
		2023	5,154,814	**-**	1,177,848	**-**	non-interest bearing	
Dividends		**2024**	-	**187,440**	-	**-**		
		2023	-	**-**	-	**-**		
		2024		**P919,5511**	**P2,011,672**	**P -**		
		2023		P899,112	P2,121,223	P -		

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

b. 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).

c. The Group entered into agreement with entities under common control for additional warehouses on a short-term period not exceeding 1 year. The agreement is subject to renewal as needed.

d. The Group purchased inventoriable items and goods and availed services from entities under common control amounting to P71,096 and nil for the nine-month periods ended September 30, 2024 and 2023, respectively. The Group also purchased inventoriable items from its investment in joint venture amounting to P5,393,276 and P5,154,814 for the nine-month periods ended September 30, 2024 and 2023, respectively.

e. This represents cash advances to and from related parties as at September 30, 2024 and December 31, 2023 in the form of reimbursement of expenses and working capital advances.

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

16. Equity

Capital Stock

As at September 30, 2024 and December 31, 2023, 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:

			Number of Shares
Date	Activity	Issue Price	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 September 30, 2024			14,508,750,313

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

As at September 30, 2024 and December 31, 2023, the Parent Company has a total of 484 and 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>
Additional paid-in capital arising from the share swap transaction and issuance of common shares in 2021 amounted to P21,375,000 and P4,200,000, respectively. Related transaction costs paid and incurred in 2021 amounting to P173,333 was deducted against additional paid-in capital. The Parent Company's additional paid-in capital as at September 30, 2024 and December 31, 2023 amounted to P25,447,900.

<u>Retained Earnings</u>
Declaration of Dividends
On May 13, 2024, the Group's BOD approved the declaration of cash dividend equivalent to P0.10 per share or an aggregate amount of P1,450,875. These dividends were paid on June 20, 2024.

On December 11, 2023, the Group's BOD approved the declaration of cash dividend equivalent to P0.077 per share or an aggregate amount of P1,117,174. These dividends were paid on January 18, 2024.

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 P783,472. 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.

<u>Appropriated Retained Earnings</u>
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 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	September 30, 2024	September 30, 2023
Inventories at beginning of year:			
On-hand		**P7,283,433**	P4,296,358
In-transit		**375,324**	1,804,409
		7,658,757	6,100,767
Net purchases		**9,085,490**	10,513,893
Total goods available for sale		**16,744,247**	16,614,660
Inventories at end of period:			
On-hand		**(7,266,459)**	(7,662,387)
In-transit		**(1,069,721)**	(1,571,052)
		(8,336,180)	(9,233,439)
	8	**P8,408,067**	P7,381,221

18. Operating Expenses

This account consists of:

	Note	September 30, 2024	September 30, 2023
Advertisement		**P287,491**	P218,492
Distribution costs		**283,911**	228,233
Salaries and other employee benefits		**115,272**	97,732
Depreciation and amortization	*10, 20*	**57,251**	58,947
Taxes and licenses		**43,782**	55,873
Outside services		**41,014**	36,905
Rent		**21,450**	15,062
Insurance		**17,300**	17,392
Transportation and travel		**15,904**	15,806
Legal and professional fees		**3,541**	7,241
Utilities and communication		**2,706**	3,114
Representation and entertainment		**587**	535
Miscellaneous		**10,144**	9,473
		P900,353	P764,805

19. Other Income (Charges) - net

This account consists of:

	Note	September 30, 2024	September 30, 2023
Interest income	*6*	**P72,155**	P67,931
Interest expense	*14,20*	**(3,022)**	(4,228)
Foreign exchange gain (losses) - net		**3,087**	23,434
Bank charges		**(850)**	(844)
Others		**4**	387
		P71,374	P86,680

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 P18,595 and P18,215 as at September 30, 2024 and December 31, 2023, 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 September 30, 2024 and December 31, 2023 are as follows:

i. Right-of-Use Assets

	Note	**September 30, 2024**	December 31, 2023
Balance at beginning of period		**P65,787**	P118,625
Additions		**31,574**	9,086
Amortization charge for the period	*18*	**(44,924)**	(61,924)
Balance at end of period		**P52,437**	P65,787

ii. Lease Liabilities

	Note	**September 30, 2024**	December 31, 2023
Balance at beginning of period		**P75,281**	P131,173
Additions		**31,574**	9,086
Interest charge for the period	*19*	**3,022**	4,769
Payments made		**(52,459)**	(69,747)
Balance at end of period		**P57,418**	P75,281

As at September 30, 2024 and December 31, 2023, the Group's lease liabilities are classified in the interim consolidated statements of financial positions as follows:

	September 30, 2024	December 31, 2023
Current	**P38,004**	P55,635
Noncurrent	**19,414**	19,646
	P57,418	P75,281

Maturity analyses of the undiscounted lease liabilities as at September 30, 2024 and December 31, 2023 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P 39,786**	**P1,782**	**P38,004**
Later than one year but not later than five years	**20,231**	**817**	**19,414**
Balance at September 30, 2024	**P60,017**	**P2,599**	**P57,418**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P57,789	P2,154	P55,635
Later than one year but not later than five years	20,331	685	19,646
Balances at December 31, 2023	P78,120	P2,839	P75,281

iii. Amounts recognized in profit or loss for the nine-month periods ended September 30, 2024 and 2023:

	Note	**September 30, 2024**	September 30, 2023
Amortization expense	*18*	**P 44,924**	P46,367
Interest on lease liabilities	*19*	**3,022**	3,827
		P 47,946	P50,194

iv. Amounts recognized in the statements of cash flows for the nine-month periods ended September 30, 2024 and 2023:

	September 30, 2024	September 30, 2023
Total cash outflow for leases	**P 49,437**	P48,270

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, 2023.

The table below shows the present value of the defined benefits retirement obligation or the retirement benefits liability and its components as at September 30, 2024 and December 31, 2023:

	September 30 2024	December 31 2023
Balance at beginning of the nine- month period	**P25,247**	P20,452
Recognized in Profit or Loss		
Current service cost	**2,686**	1,936
Interest cost	**-**	1,476
	2,686	3,412

Recognized in Other Comprehensive Income (Loss)		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	**-**	(298)
Change in financial assumptions	**-**	2,641
Experience adjustments	**-**	(36)
	-	2,307
Benefits paid	**(367)**	(924)
Balance at end of period	**P 27,566**	P25,247

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 September 30, 2024 and December 31, 2023, accumulated remeasurements on retirement benefits amounted to P428, as presented in the interim consolidated statements of financial position.

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

	September 30, 2024	September 30, 2023
Discount rate	**6.12%**	**7.22%**
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 11.60 years and 11.13 years as at September 30, 2024 and December 31, 2023, respectively.

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:

	September 30, 2024	September 30, 2023
Current	**P484,647**	P416,889
Deferred	**(583)**	(1,013)
	P484,064	P415,876

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 nine-month periods ended September 30, 2024 and 2023.

MPDI elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income for the nine-month period ended September 30, 2023. MPDI reverted to itemized deduction in determining its provision for income tax for the nine-month period ended September 30, 2024.

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 nine-month periods ended September 30 is as follows:

	September 30, 2024	September 30, 2023
Income before income tax	**P 2,653,728**	P2,222,790
Provision for income tax at the statutory income tax rate of 25%	**P 663,432**	P555,698
Additions to (reductions from) income taxes resulting to the tax effects of:		
Change in unrecognized deferred income tax asset	**721**	(4,132)
Share in net income of an associate and a joint venture	**(46,420)**	(17,115)
Availment of optional standard deduction	**(119,419)**	(108,072)
Non-deductible expenses	**3,785**	6,480
Interest income subjected to final tax	**(18,035)**	(16,983)
Provision for income tax	**P484,064**	P415,876

The components of the Group's net deferred income tax assets as at September 30, 2024 and December 31, 2023 are as follows:

	September 30, 2024	December 31, 2023
Retirement benefits liability	**P4,870**	P3,965
PFRS 16, *Leases* adjustment	**721**	988
Allowance for expected credit losses on trade receivables	**655**	655
Unrealized foreign exchange gains - net	**162**	(367)
	P6,408	P5,241

TKHI
As at September 30, 2024 and December 31, 2023, TKHI has carryforward benefits of unused NOLCO amounting to P36,909 and P25,714, 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 as at September 30, 2024 are as follows:

Period Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2021	P55,336	(P41,988)	P-	P-	P13,348	2026*
2022	12,366	-	-	-	12,366	2027*
2024	11,195	-	-	-	11,195	2029*
	P78,897	**(P41,988)**	**P -**	**P-**	**P36,909**	

* *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.*

FDI
As at September 30, 2024 and December 31, 2023, FDI has carryforward benefits of unused NOLCO amounting to P6,529 and P4,184, respectively, for which no deferred income tax asset was recognized. NOLCO of P2,345 and P4,184 shall expire in 2029 and 2028, respectively, if remained unutilized.

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:

	September 30, 2024	December 31, 2023
PFRS16, *Leases* adjustment	**P1,768**	P4,654
Unrealized foreign exchange losses (gain) - net	**3,953**	19,058
Retirement benefits liability	**8,084**	7,767
	P13,805	P31,479

MPDI
The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized for the year ended December 31, 2023:

	2023
Retirement benefits liability	P1,623
PFRS16, *Leases* adjustment	(681)
Unrealized foreign exchange losses (gain) - net	33
	P975

MPDI reverted to itemized deduction method in determining its provision for income tax for the nine-month period ended September 30, 2024.

23. Earnings Per Share

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

(In thousands, except per share data)	**September 30, 2024**	September 30, 2023
Net income (a)	**P 2,169,664**	P 1,806,914
Weighted average number of common shares outstanding for the year (b)	**14,508,750,313**	14,508,750,313
Basic EPS (a/b)	**P0.15**	P0.12

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	9/9	14,508,750,313

The Group has no potential dilutive instruments as at September 30, 2024 and December 31, 2023; hence, diluted EPS is the same as the basic EPS.

24. Financial Risk and Capital Management

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	**September 30, 2024**	December 31, 2023
Cash in banks	*6*	**P 783,050**	P1,440,247
Cash equivalents	*6*	**1,733,418**	1,454,816
Trade and other receivables	*7*	**1,476,301**	2,461,436
Refundable deposits	*12*	**18,973**	18,594
		P4,011,742	P5,375,093

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 September 30, 2024 and December 31, 2023, 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 September 30, 2024 and December 31, 2023:

	September 30, 2024		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P 1,187,550**	**P -**	**No**
1 - 30 days past due	**208,109**	**-**	**No**
31 - 120 days past due	**66,693**		**No**
More than 120 days past due	**16,570**	**2,621**	**Yes**
Balance at September 30, 2024	**P1,478,922**	**P2,621**	

	December 31, 2023		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,950,289	P -	No
1 - 30 days past due	418,447	-	No
31 - 120 days past due	85,649	-	No
More than 120 days past due	9,672	2,621	Yes
Balance at December 31, 2023	P2,464,057	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.

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 September 30, 2024 and December 31, 2023.

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 September 30, 2024 and December 31, 2023:

	September 30, 2024			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P2,573,031**	**P2,573,031**	**P2,573,031**	**P-**
Lease liabilities	**57,418**	**60,017**	**39,787**	**20,230**
Total	**P2,630,449**	**P2,633,048**	**P2,612,818**	**P20,230**

Excluding statutory obligations amounting to P197,128

	December 31, 2023			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P1,958,714	P1,958,714	P1,958,714	P -
Dividends payable	1,117,174	1,117,174	1,117,174	-
Lease liabilities	75,281	78,120	57,789	20,331
Total	P3,151,169	P3,154,008	P3,133,677	P20,331

**Excluding statutory obligations amounting to P238,011.*

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 September 30, 2024 and December 31, 2023:

	September 30, 2024					
	USD	**SGD**	**GBP**	**EUR**	**AUD**	**PHP Equivalent**
Foreign currency - denominated monetary assets:						
Cash	**3,142**	**-**		**3,505**	**-**	**395,300**
Trade & other receivables	**503**	**-**	**2**	**3,343**	**172**	**244,209**
	3,645	**-**	**2**	**6,848**	**172**	**639,509**
Foreign currency - denominated monetary liabilities:						
Trade payables	**(594)**	**(5)**	**(15)**	**(31,219)**	**2**	**(1,986,871)**
Net foreign currency - denominated monetary asset (liabilities)	**3,051**	**(5)**	**(13)**	**(24,371)**	**174**	**(1,347,362)**

	December 31, 2023				
	USD	**SGD**	**EUR**	**AUD**	**PHP Equivalent**
Foreign currency - denominated monetary assets:					
Cash	**1,652**	**-**	**1,361**	**-**	**175,485**
Trade and other receivables	**845**	**-**	**198**	**60**	**61,419**
	2,497		**1,559**	**60**	**236,904**
Foreign currency - denominated monetary liabilities:					
Trade payables	**(2,545)**	**(5)**	**(19,665)**	**(454)**	**(1,367,580)**
Net foreign currency - denominated monetary liabilities	**(48)**	**(5)**	**(18,106)**	**(394)**	**(1,130,676)**

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

	September 30, 2024	December 31, 2023
USD	**55.57**	**55.57**
SGD	**43.64**	**42.09**
EUR	**62.47**	**61.47**
AUD	**39.12**	**37.95**
GBP	**74.43**	**70.76**

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

	September 30, 2024	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**0.00%**	**4**
SGD	**3.68%**	**(7)**
EUR	**1.63%**	**(18,610)**
AUD	**3.08%**	**157**
GBP	**5.18%**	**(37)**

	December 31, 2023	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	(0.99%)	18
EUR	3.23%	(26,967)
AUD	0.39%	(44)
SGD	1.23%	(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 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:

	September 30, 2024	December 31, 2023
Debt	**P3,393,377**	P3,723,769
Equity	**16,026,283**	15,290,648
Debt to equity ratio	**0.21:1**	0.24:1

25. 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 September 30, 2024 and December 31, 2023, the Group has no financial instruments carried at fair value. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary.

	September 30, 2024	
	Carrying Amount	**Fair Value**
Financial Assets at Amortized Cost		
Cash in banks	**P783,050**	**P783,050**
Cash equivalents	**1,733,418**	**1,733,418**
Trade and other receivables - net	**1,476,301**	**1,476,301**
Refundable deposits	**18,973**	**18,973**
	P4,011,742	**P4,011,742**
Other Financial Liabilities		
Trade and other payables	**P2,770,159**	**P2,770,159**
Lease liabilities	**57,418**	**57,418**
	P2,827,577	**P2,827,577**

	December 31, 2023	
	Carrying Amount	Fair Value
Financial Assets at Amortized Cost		
Cash in banks	P1,440,247	P1,440,247
Cash equivalents	1,454,816	1,454,816
Trade and other receivables - net	2,461,436	2,461,436
Refundable deposits	18,594	18,594
	P5,375,093	P5,375,093
Other Financial Liabilities		
Trade and other payables	P1,958,714	P1,958,714
Dividends payable	1,117,174	1,117,174
Lease liabilities	75,281	75,281
	P3,151,169	P3,151,169

26. Subsequent Events

The Board of Directors of TKHI approved during its Regular Board Meeting held on 11 November 2024 the acquisition of up to 100% Outstanding Shares of Booze On-Line, Inc. The Board likewise authorized the Management to negotiate on the terms of conditions of the said acquisition including the pricing and terms of payment, and to conduct the necessary due diligence; and to authorize the President and/or the Chairman of the Company to take all necessary actions to carry out the intended transaction, including the execution, signing, and submission of all appropriate and pertinent contracts, agreements, notices, and other relevant documents.

TKHI undertakes to submit the necessary notification to the Philippine Competition Commission, as applicable.