CR03137-2021

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 17.1(b) OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
   - ○ Preliminary Information Statement
   - ◉ Definitive Information Statement
2. Name of Registrant as specified in its charter
   Da Vinci Capital Holdings, Inc.
3. Province, country or other jurisdiction of incorporation or organization
   Manila, Philippines
4. SEC Identification Number
   24015
5. BIR Tax Identification Code
   000-282-553
6. Address of principal office
   No. 900 Romualdez St., Paco, Manila
   Postal Code
   1007
7. Registrant's telephone number, including area code
   (632) 8522-8801 to 04
8. Date, time and place of the meeting of security holders
   May 28, 2021, 10:00am, via live stream
9. Approximate date on which the Information Statement is first to be sent or given to security holders
   May 6, 2021
10. In case of Proxy Solicitations:

    Name of Person Filing the Statement/Solicitor
    We are not asking for Proxy Solicitations
    Address and Telephone No.
    N/A

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	1,124,999,969

13. Are any or all of registrant's securities listed on a Stock Exchange?
    ◉ Yes ○ No
    If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange, Inc. , common shares

Da Vinci Capital Holdings, Inc.
DAVIN

PSE Disclosure Form 17-5 - Information Statement for Annual or Special Stockholders' Meeting
References: SRC Rule 20 and Section 17.10 of the Revised Disclosure Rules

Date of Stockholders' Meeting	May 28, 2021
Type (Annual or Special)	Annual
Time	10:00am
Venue	via live stream
Record Date	May 3, 2021

Inclusive Dates of Closing of Stock Transfer Books

Start Date	May 4, 2021
End date	May 28, 2021

Other Relevant Information
Please see attached Definitive Information Statement of Da Vinci Capital Holdings, Inc.

Filed on behalf by:

Name	Candy Dacanay-Datuon
Designation	Corporate Secretary

May 6, 2021

Securities and Exchange Commission
G/F Secretariat Bldg., PICC Complex
Roxas Blvd., Pasay City 1307

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

Ms. Rachel Esther J. Gumtang-Remalante
Head, Corporate Governance and Finance Department

Philippine Stock Exchange
9th Floor, PSE Tower
28th Street corner 5th Avenue,
Bonifacio Global City, Taguig City

Attention: **Ms. Janet A. Encarnacion**
Head, Disclosure Department

Gentlemen:

We are submitting the Definitive Information Statement of Da Vinci Capital Holdings, Inc. with the following attachments:

Annex "A"	2020 Audited Financial Statements
Annex "A-1"	2020 Management Discussion and Analysis
Annex "A-2"	1Q – 2021 Financial Statement
Annex "B"	Guidelines to Participate in the Meeting
Annex "C"	Amended Corporate Comprehensive Disclosure dated March 31, 2021
Annex "D"	Valuation Report and Fairness Opinion dated April 8, 2021
Annex "E"	2019 Audited Financial Statements of Cosco Capital, Inc.
Annex "F"	List of Trademarks
Annex "G"	2020 Audited Financial Statements of Montosco, Inc.
Annex "H"	2020 Audited Financial Statements of Meritus Prime Distributions Inc.
Annex "I"	2020 Audited Financial Statements of Premier Wine & Spirits, Inc.
Annex "J"	Certificate of Independent Director – Mr. Enrico Cruz
Annex "K"	Certificate of Independent Director – Mr. Bienvenido Laguesma
Annex "L"	Proxy Form

The Annual Stockholders' Meeting of the Company will be on May 28, 2021, 10 am via live-stream.

Thank you,

Candy H. Dacanay – Datuon
Compliance Officer

COVER SHEET

0 0 0 0 0 2 4 0 1 5

SEC Registration Number

DA VINCI CAPITAL HOLDINGS, INC.

(Company's Full Name)

NO. 900 ROMUALDEZ ST., PACO, MANILA

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

CANDY H. DACANAY-DATUON	(02) 8522-8801
(Contact Person)	(Company Telephone Number)

1 2	3 1	SEC FORM 20-IS	0 5 2 8
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 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

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

2. Name of Registrant as specified in its charter: **DA VINCI CAPITAL HOLDINGS, INC.**

3. **City of Manila**, **Metro Manila, Philippines**
Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number: **24015**

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

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

7. Registrant's telephone number, including area code: **02-8523-3055**

8. **May 28, 2021, 10:00 a.m. via live-stream**
Date, time and place of the meeting of security holders

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **May 6, 2021**

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Share	**1,124,999,969**

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

Yes [x] No [ ]

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

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

To our stockholders:

Please be informed that the Annual Stockholders' Meeting of **DA VINCI CAPITAL HOLDINGS, INC. ("DAVIN")** will be on May 28, 2021, 10:00 am, via Zoom or any secured online platform.

AGENDA

a. Call to Order

b. Certification of Notice and Quorum

c. Review and Approval of the Minutes of the Previous Meeting held on November 20, 2020

d. Annual Report of Management and Approval of the Audited Financial Statements for 2020

e. Ratification of Acts of the Board of Directors and Management since the Last Annual Meeting of Stockholders

f. Approval of Amendment of the Company's Articles of Incorporation and By-Laws

   - Amendment of Corporate Name
   - Amendment of Primary and Secondary Purposes
   - Amendment of Corporate term
   - Change in Par Value of Common shares
   - Increase of Authorized Capital Stock, and Delegation to the Company's Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock.

g. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital stock

h. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated

i. Issuance of up to 11,250,000,000 Common Shares of Da Vinci Capital Holdings, Inc. pursuant to the Share Swap Transaction with Cosco Capital Inc.

j. Waiver of Requirement to Conduct a Rights Offering on the Issuance of up to 11,250,000,000 Da Vinci Common Shares to Cosco Capital, Inc. for the Share Swap Transaction

k. Issuance of up to 3,000,000,000 Da Vinci Common Shares pursuant to DAVIN's Follow-on Public Offering ("FOO") Program

l. Election of Directors Including Independent Directors

m. Re-Appointment of External Auditor and Fixing its Remuneration

n. Other Matters

o. Adjournment

Each agenda item for approval is explained in the Information Statement, with brief description in the attached ***"Explanation of Agenda Items"*** *and the "**Amended Comprehensive Corporate Disclosure**"* as published on the PSE website on March 31, 2021, copy of which is hereto attached as ***Annex "C"***. Only stockholders on record as of May 3, 2021 are entitled to notice and vote in the meeting.

Considering the COVID 19 pandemic, the stockholders may only participate in the meeting by remote communication, *in absentia* or by appointing the Chairman of the meeting as their proxy. Stockholders of record who wish to participate in the meeting via remote communication and cast their votes *in absentia* shall notify the office of the Corporate Secretary at http://corporate.governance.davinci@gmail.com, and submit the requirements no later than May 24, 2021. For the detailed instructions and procedures to be followed in participating *in absentia* or by remote communication in the meeting, please see ***Annex "B" (Guidelines in Participating via Remote Communication and Voting in Absentia)*** of the Information Statement.

The Information Statement will be accessible on the Company Disclosure in the company's website at www.davincicapital.com.ph starting May 3, 2021.

The stockholders who are attending by proxies should e-mail their duly accomplished proxies to http://corporate.governance.davinci@gmail.com on or before May 24, 2021, 5:00 pm. Stockholders of record may download and print the proxy form from the Company Disclosures in DAVIN's website at http://www.davincicapital.com.ph. Successfully registered stockholders can cast their votes and will be provided access to the live streaming of the meeting. The company's stock transfer agent will validate the votes on May 25, 2021, 1:00 pm, at the office of the Assistant Corporate Secretary, Tabacalera Building, No. 900 Romualdez St., Paco, Manila, 1007.

Candy H. Dacanay - Datuon
Assistant Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. Call to Order

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

2. Certification of Notice and Quorum

The Assistant Corporate Secretary, Ms. Candy H. Dacanay - Datuon, will certify that notices to stockholders were duly sent, and there is a quorum to transact business.

3. Review and Approval of the Minutes of the Previous Meeting held on November 20, 2020

The minutes of the meeting held on November 20, 2020 are available at the Corporation's website, www.davincicapital.com.ph

4. Annual Report of Management and Approval of the Audited Financial Statements for 2020

The President, Mr. Jose Paulino L. Santamarina, will report on the performance of DAVIN in 2020 and the outlook for 2021.

5. Ratification of Acts of the Board of Directors and Management since the Last Annual Meeting of Stockholders

The actions of the Board and its Committees were those taken and adopted since the annual stockholders' meeting on November 20, 2020 until May 28, 2021. They include the approval of agreements, projects, investments, and other matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange. The acts of the officers were those taken to implement the resolutions of the Board or its Committees or made in the general conduct of business.

6. Approval of Amendment of DAVIN's Articles of Incorporation and By-Laws

A resolution on the amendments of Articles of Incorporation and By-laws, particularly on the changes in name, purpose, term, and the par value of common shares to PhP 0.10 per share, as well as, the reclassification of the authorized preferred shares to common shares, and the increase of authorized capital stock- common shares of the Company to PhP 2 billion divided into Twenty (20) billion common shares, will be presented for the approval by the stockholders representing at least two thirds (2/3) of the outstanding capital stock of the company.

The delegation to the Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase of authorized capital stock-common shares will also be presented for the approval of the stockholders, including majority of the minority of the stockholders.

7. Top-up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital Stock

Approval by the stockholders of the: (a) offer by Cosco Capital, Inc. to settle, on behalf of the affected stockholders holding fractional shares, the difference between the par value of one (1) full share and the value of a fractional share (the "**Top-Up Plan**"); (b) delegation of authority to the board of directors or management to formulate necessary guidelines for the implementation of the Top-up Plan including the terms and conditions of the transaction documents, as well as the issuance of corresponding common shares out of DAVIN's authorized capital stock; and (c) authority to apply for listing with the Philippine Stock Exchange all the common shares to be issued by DAVIN pursuant to the Top-up Plan.

8. Ratification of Rescission of Subscription Contract between DAVIN and Invescap Incorporated

On March 29, 2021, the Board of Directors of DAVIN approved the rescission of the Subscription Contract which was mutually agreed by the parties. The Board of Directors, after evaluating the transaction structure and discussing with its advisers, found that rescinding the Invescap subscription will streamline the process by eliminating unnecessary steps, create better efficiencies and optimize the structure that will: (1) facilitate the implementation and early completion of the share swap transaction; (2) allow DAVIN to create better value for all of its shareholders, including its public shareholders, that is less dilutive to the minority; and (3) provide DAVIN sufficient available unissued shares that will allow it to immediately act on capital raising opportunities when market conditions are optimal.

The rescission of the Subscription Contract will be presented by DAVIN to the stockholders for approval.

9. Issuance of up to 11,250,000,000 Common Shares of DAVIN Pursuant to the Share Swap Transaction with Cosco Capital Inc.

Authority for DAVIN to enter into a Deed of Exchange of Shares with and issue up to 11,250,000,000 common shares of stock to Cosco Capital, Inc. ("**Cosco Capital**") at PhP2.00 per share, and in exchange and as consideration thereof, Cosco Capital shall assign 100% of its shares in the following unlisted companies in favor of DAVIN, for the purpose of supporting the increase in authorized capital stock of the company:

(1) Montosco, Inc.
(2) Meritus Prime Distributions, Inc. and
(3) Premier Wine and Spirits, Inc.

The details of the issuance are discussed in the Amended Comprehensive Corporate Disclosure ("CCD") filed by DAVIN pursuant to the transaction.

10. Waiver of Requirement to Conduct a Rights Offering on the Issuance of up to 11,250,000,000 DAVIN Common Shares to Cosco Capital, Inc. for the Share Swap Transaction

Approval by the minority stockholders of the waiver to conduct a rights offering on the 11,250,000,000 common shares subject of the proposed Share Swap Transaction with Cosco Capital.

Considering that the subscribers to the aforementioned transactions are classified as related parties, the aforementioned waiver must be confirmed by a majority vote representing the outstanding shares held by the minority stockholders present or represented in the meeting (Article V, Section 5 of the Consolidated Listing and Disclosure Rules of the Philippine Stock Exchange).

11. Issuance of up to Three (3) Billion DAVIN Common Shares Pursuant to DAVIN's Follow-on Public Offering ("FOO") Program

Approval by the stockholders representing at least a majority of the outstanding capital stock will be sought to issue up to three (3) billion common shares pursuant to the planned FOO of DAVIN shares.

12. Election of Directors Including Independent Directors

The Chairman of the meeting will announce the names of the nominees for the election of directors and will open the floor for stockholders' voting.

13. Re-Appointment of External Auditor and Fixing its Remuneration

A resolution for the appointment of R.G. Manabat & Company (KPMG) and its proposed remuneration as External Auditor of the company for year 2021 will be presented to the stockholders.

14. Other Matters

The Chairman will open the floor for any question from the stockholders.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

(a) May 28, 2021, 10:00 AM, via Zoom or any secured online platform
Principal Office: No. 900 Romualdez St., Paco, Manila 1007

(b) The Information Statement will be available on the company's website www.davincicapital.com.ph beginning on May 6, 2021.

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

Item 2.Dissenters' Right of Appraisal

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

(a) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening term of corporate existence;

(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Revised Corporation Code;

(c) In case of merger or consolidation; and

(d) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

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

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

(a) The following have substantial interest, direct or indirect, by security holdings or otherwise, in the share swap transaction:

(1) Mr. Lucio L. Co, Chairman of the company's Board of Directors, is likewise the Chairman of the Board of Cosco Capital, Inc. ("Cosco"), with ownership of 33% of Cosco's outstanding capital stock. He is also the spouse of Ms. Susan P. Co, who is the Vice Chairman of Cosco's Board of Directors, who owns 24.73% of Cosco's outstanding capital stock.

(2) Ms. Camille Clarisse P. Co, who is a director of the company, owns 1.48% of Cosco's outstanding capital stock.

(3) Atty. Bienvenido E. Laguesma is an Independent Director of both the company and Cosco.

(b) No director, officer, nominee or any associate of the foregoing person has informed the company in writing that he intends to oppose any action to be taken by the company at the meeting and indicate the action which he intends to oppose.

B. CONTROL AND COMPENSATION INFORMATION

Item 4.Voting Securities and Principal Holders Thereof

(a) Number of outstanding shares as of the date of this report: 1,124,999,969 common shares.

Number of votes entitled: one (1) vote per share

(b) All stockholders on record as of May 3, 2021 shall be entitled to vote in the meeting.

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

During the April 16, 2021 special board meeting of the company, the Board of Directors allowed the stockholders to attend and vote *in absentia*, details of which are provided in the notice of the meeting.

(d) There has been no change in control of the company in the last fiscal period. Nevertheless, we provide below the security ownership of certain beneficial owner and management of more than 5% of the stock of the company as of May 3, 2021:

Title of Class	Name, address of record owner, and relationship with the Company	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	Percent
Common	Invescap Incorporated Address: 1343 Merced St., Paco, Manila Relationship: Stockholder	Lucio L. Co Relationship: Indirect	Filipino	956,203,336	85.00%

2. Security Ownership of Management

The following are the number of shares of common stock owned of record and beneficially by the directors and executive officers of the company and the percentage of shareholdings of each, as of as of May 3, 2021:

Title of Class	Name of Beneficial Owner	Amount and Nature of beneficial ownership	Citizenship	Percent of Outstanding Voting Shares
Common	Lucio L. Co	Amount: 956,203,3367 shares Nature: Direct and Indirect	Filipino	0.00%
Common	Camille Clarisse P. Co	Amount: 100 shares Nature: Direct	Filipino	0.00%
Common	Robin Derrick C. Chua	Amount: 100 shares Nature: Direct	Filipino	0.00%
Jose Paulino Santamarina	Amount:100 shares Nature: Direct	Filipino	0.00%	
Common	Janelle O. Uy	Amount: 1,000 shares Nature: Direct	Filipino	0.00%
Common	Enrico S	Amount: 1 share Nature: Direct	Filipino	0.00%

Common	Bienvenido Laguesma	Amount: 1 share Nature: Direct	Filipino	0.00%
Common	Imelda Lacap	None	Filipino	N/A
Common	Ma. Editha D. Alcantara	None	Filipino	N/A
Common	Baby Gerlie I. Sacro	None	Filipino	N/A
Common	Candy H. Dacanay-Datuon	None	Filipino	N/A

3. None of the directors has any voting trust agreement for their ownership of more than 5% of the stock of the company.

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

5. Foreign ownership level as of March 31, 2021:

3,870,604 or 0.34% of the outstanding capital stock

Item 5. Directors and Executive Officers

(A) Directors and Executive/Key Officers

Presented below are the company's Directors, Executive Officers and Key Officers:

Name	Age	Position	Citizenship
Lucio L. Co	66	Chairman of the Board	Filipino
Jose Paulino L. Santamarina	57	President and Director	Filipino
Camille Clarisse P. Co	32	Director	Filipino
Janelle O. Uy	32	Director	Filipino
Robin Derrick C. Chua	31	Director	Filipino
Enrico S. Cruz	63	Independent Director	Filipino
Bienvenido E. Laguesma	70	Independent Director	Filipino
Baby Gerlie I. Sacro	43	Corporate Secretary	Filipino
Candy H. Dacanay – Datuon	42	Compliance Officer	Filipino
Imelda Lacap	43	Comptroller	Filipino
Ma. Editha D. Alcantara	49	Treasurer	Filipino

The Board of Directors of the company is composed of seven (7) members, three (3) are male, and four (4) are female. No director of the company concurrently serves as a director in five or more listed companies.

The business experience of the Directors and Executive Officers are as follows:

(1) Lucio L. Co, Filipino, 66 years old, Chairman of the Board of Directors

Mr. Co is the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc.

He is the Chairman of the Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.

He is one of the Directors of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Gripal Power Corporation.

Mr. Co is holding the following positions in other Philippine listed companies: Director of Philippine Bank of Communications, Chairman of Puregold Price Club, Inc. and Chairman of Da Vinci Capital Holdings, Inc.

He is a member of the Board of Trustees of Luis Co Chi Kiat Foundation, Inc.

Mr. Co has been an entrepreneur for the past 40 years.

(2) Jose Paulino L. Santamarina, Filipino, 57 years old, Director and President.

Jose Paulino Santamarina or JP, Filipino, is currently the President of Premier Wines and Spirits, Inc. - one of the leading companies in the imported wine and spirits industry - and a company he helped co-found in 1996.

Prior to Premier, JP was the Chief Financial Officer (1988 - 96) of CMG Marketing, Inc., a subsidiary of United Distillers Ltd., the precursor of what is now known as Diageo. CMG was a pioneer in the imported wine and spirits industry, established during the early stages of market liberalization in 1986.

Before CMG, he was an auditor of the professional firm SGV from 1984 to 1988, right after college.

He holds directorship and/or officer positions in the following companies: Booze On-line, Inc., Cleangreen Energy Corporation; Karayan Hydropower Corporation, Liquorph Distributors Corp., Pamana Consortium, Inc., Pamana Water Corporation, Premier Wine and Spirits, Inc. (Chairman and President), San Jose City I Power Corp., Southern Utility Management and Services Incorporation, Technowater Corporation, and VS Gripal Power Corporation.

JP graduated at Ateneo de Davao University, Bachelor Of Science in Accountancy. He is a Certified Public Accountant.

(3) Camille Clarisse P. Co, Filipino, 32 years old, Director.

Ms. Co is currently the Chairman and President of Meritus Prime Distributions, Inc. She is also a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc.

Ms. Co is a graduate of De La Salle University with a degree of Bachelor of Arts in Psychology in 2009.

(4) Janelle O. Uy, Filipino, 32 years old, Director.

Ms. Uy is the Chairman and President of Montosco, Inc. Her previous experience includes working as a Key Account Manager in Unilever Philippines from 2009 to 2013.

She graduated from the De La Salle University with a degree in Applied Corporate Management in 2009.

(5) Robin Derrick C. Chua, Filipino, 31 years old, Director.

Mr. Chua is the Managing Director of Premier Wine and Spirits, Inc. from 2018 up to the present. He also worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018.

He is a graduate of Ateneo de Manila University with a degree of Bachelor in Management and a Minor in Entrepreneurship in 2012.

(6) Enrico S. Cruz, Filipino, 63 years old, Independent Director.

Mr. Cruz is currently an Independent Director of Security Bank Corporation, where he is also the Chairman of Risk Oversight Committee and Vice Chairman of the Audit Committee, Member Nominations and Renumeration Committee and Finance Committee. He is the incumbent Vice Chairman and a member of Engagement and Underwriting Committee of SB Capital Investment Corporation.

He is also an Independent Director of AREIT, Inc (Ayala Land REIT Company), where he chairs the Audit Committee, and is a member of the Related Party Transactions, Corporate Governance and Nominations, Compensation and Benefit and Risk

Oversight Committees. Mr. Cruz is also an Independent Director of Maxicare Corporation and a member Audit and Related Party Transactions Committees.

He is part of the Board of Directors of CIBI Information Inc,

Mr. Cruz previous experience includes being the Chief Country Officer (CCO) of Deutsche Bank AG Manila Branch from 2003 until his retirement in 2019. Before he joined Deutsche Bank, he was a Senior Vice President at Citytrust Banking Corporation (CTBC), an affiliate of Citibank N.A.

He was a Director of the Bankers Association of the Philippines (BAP) from 2003 to 2007, and from 2011 to 2015. He was again elected to the Board of the BAP and was appointed 2nd Vice President and Secretary from 2017 to 2020. Ås a BAP Director, he was likewise the Chairman of the Capital Markets Committee (2017-2019) and Open Market Committee (2019-2020).

Mr. Cruz was also a Director of Deutsche Knowledge Services RHQ, Deutsche Regis Partners, Philippine Dealing and Exchange Corporation, and Philippines Securities Settlement Corporation. He is also a past President of the Money Market Association.

He obtained his B.S. in Business Economics and MBA from the University of the Philippines. He was named by the UP College of Business as a Distinguished Alumnus in 2008 and also a Distinguished Alumnus Awardee by the UP School of Economics Alumni Association.

(7) Bienvenido E. Laguesma Filipino, Filipino, 70 years old, Independent Director.

Mr. Laguesma is a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of Philippine Bank of Communications and Cosco Capital, Inc., both are listed companies. He is also a Director of Rural Bank of Angeles, Cavite United Rural Bank, Asia United Leasing & Finance Corp., and Asia United Fleet Management Services, Inc.

He served as Secretary of the Department of Labor and Employment from 1998 to 2001, Commissioner of Social Security System from 2011 to 2016. He also became Presidential Assistant of the Office of the President of the Republic of the Philippines from 1996 to 1998, Undersecretary of the Department of Labor and Employment from 1990 to 1996, Administrator in the National Conciliation and Mediation Board from 1987 to 1990, Regional Director of the Department of Labor and Employment from 1982 to 1986, Assistant Regional Director from 1981-1982, and Executive Labor Arbiter, National Labor Relations Commission from 1979 to 1981. Mr. Laguesma started his public service as Labor Arbiter of the National Labor Relations Commission in 1979 and Provincial Director of Bataan Provincial Labor Office 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course from the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, United Kingdom in 1985. Lyceum of the Philippines awarded Atty. Laguesma, with an Outstanding Alumnus award in 1971, Doctor of Humanities, Honoris Causa, by the Adamson University in 1999, and Doctor of Humanities, Honoris Causa, by the Central Colleges of the Philippines in 2016.

He is a member of the Integrated Bar of the Philippines since 1976, the Philippine Bar Association since 2004, and the Rotary Club of Manila since 2002.

Atty. Laguesma graduated from the Lyceum of the Philippines with a degree of Bachelor of Arts major in Political Science in 1971 and Ateneo de Manila University College of Laws with a degree of Bachelor of Laws in 1975.

(8) Ms. Baby Gerlie I. Sacro, Filipino, 43 years old, Corporate Secretary.

Ms. Sacro has been the Corporate Secretary of Puregold Price Club, Inc. since 2000. She is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Science in Entrepreneurial Management. Before joining Puregold Price Club, Inc, she worked as a Compensation and Benefits employee at Plaza Fair, Inc.

(9) Ms. Imelda Lacap, 43 years old, Comptroller.

Ms. Lacap started as Audit Officer of Puregold Price Club, Inc. in 2001 before joining the liquor group in 2006. She is a graduate of Centro Escolar University – Malolos with a degree of Bachelor of Science in Accountancy in 1998. She is a Certified Public Accountant.

(10) Ms. Candy H. Dacanay – Datuon, 42 years old,
Assistant Corporate Secretary and Compliance Officer.

Atty. Dacanay has been the Compliance Officer of the company since 2013.

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of *cum laude*. She finished Bachelor of Laws from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

Atty. Dacanay started her career as Associate Counsel of Puregold Price Club, Inc. from 2004 to 2011. She became the company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012, and Data Privacy Officer in 2018.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Cosco Capital, Inc. (*a listed company*) and Corporate Secretary of Kareila Management Corporation (S&R warehouse) and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "*Sustainable Business Strategy*", in 2020.

(11) Ms. Editha D. Alcantara, 49 years old, Treasurer.

Ms. Alcantara serves as Chairman of Blue Ocean Holdings, Inc. and Jurist Realty, Inc.; President of PSMT Philippines, Inc.; Vice-President and Treasurer of Invescap Incorporated; Treasurer of Blue Ocean Foods, Inc, KB Space Holdings, Inc., Maxents Investments, Inc. and Premier Freeport, Inc., Director of Cosco Price, Inc., Fertuna International Trading, Inc., Subic Freeport Zone Hamburgers Corporation and Corporate Secretary of P.G. Holdings, Inc.

Ms. Alcantara is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Economics and Politics in 1992.

Independent Directors

As approved by the Board of Directors, the procedure for the nomination of independent directors shall be as follows:

The nomination of independent directors shall be conducted by the Nominations Committee prior to the Annual Meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the nominees for election. The Nominations Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening policies and parameters to enable it to effectively review the qualifications of the nominees for independent directors.

After the nomination, the Nominations Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required by existing and applicable rules, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the information statement, or in such other reports the Company is required to submit the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relation with the nominee.

Only nominees whose names appear on the final list of candidates shall be eligible for election as independent directors. No other nomination shall be entertained after the final list of candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

All nominees for independent director do not have a relationship with the Company which would interfere with the exercise of independent judgment in carrying out responsibilities of a director. None of them are related to any of the directors or officers of the Company.

Mr. Lucio L. Co, Chairman, has recommended the nominations of Messrs. Cruz and Laguesma as independent directors for the ensuing year. Mr. Lucio L. Co is not related to any of the mentioned nominees.

The Nominations Committee has taken into consideration the qualifications to be an Independent Director. Attached as ***Annexes "J", and "K"*** are the Certificates of the Qualifications of the Nominees for Independent Directors.

(B) Significant Employees

There is no person in the company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business.

(C) Family Relationships

None of the directors/independent directors and executive officers of the company, or nominees for election to such positions has any family relationships up to the fourth civil degree by consanguinity or affinity, except for Mr. Lucio L. Co who is related by consanguinity to Ms. Camille Clarisse P. Co.

(D) Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, the company has no director, executive officer or principal officer who is involved in any of the following:

(1) Bankruptcy case.

(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.

(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

(E) Certain Relationships and Related Transactions

The company has no operation since 2013, and therefore has no related party transactions, other than the Stockholders' Advances for working capital of the company as disclosed in the 2020 Audited Financial Statements attached hereto as ***Annex "A".***

(F) Resignation of directors

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

(G) Election of Directors Including Independent Directors

The nominees for the election of Directors are the same as the incumbent set of Directors, including the Independent Directors.

Item 6. Compensation of Directors and Executive Officers

The Company has no operation or business; thus, it is not paying executive compensation.

No action shall be taken with regard to any of the following:

(a) any bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate;

(b) any pension or retirement plan in which any such person will participate; or

(c) the granting or extension to any such person of any option/s, warrant/s or right/s to purchase any securities, other than warrants or rights issued to security holders as such, on a pro rata basis. However, if the solicitation is made on behalf of persons other than the registrant, the information required need be furnished only the nominees of the persons making the solicitation and associates of such nominees.

Nonetheless, please see relevant discussion below:

(A) Summary of Compensation Table

The company has no operation or business; thus, it is not paying the directors and executive officers compensation.

(B) Standard Arrangements

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

(C) Other Arrangements

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

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

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

(E) Warrants and Options

There are no warrants and options.

Item 7. Independent Public Accountants

(a) The company's external auditor for 2020 is:

Mr. Gregorio I. Sambrano Jr.
Handling Audit Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1 (Group A) valid until December 17, 2021.
BIR Accreditation No. 08-001987-36-2018 valid until September 19, 2021 R.G. Manabat & Co.
The KPMG Center, 9/F 6787 Ayala Avenue, Makati City Philippines
+63 (2) 885 7000

(b) Mr. Gregorio I. Sambrano, Jr. or his representatives are expected to be present at the security holders' meeting; they will have the opportunity to make a statement, if they desire to do so; and they are expected to be available to respond to appropriate questions.

(c) In year 2019, the company's external auditor was R.G. Manabat & Co., and the handling audit partner was Mr. Gregorio I. Sambrano Jr.

(d) In 2019, upon recommendation by the management, the company retained R.G. Manabat & Co. as external auditor with Mr. Gregorio I. Sambrano Jr. as the handling partner.

The company will still recommend to the stockholders the engagement of R.G. Manabat & Co., as the independent public accountant, with the same handling audit partner.

Audit and Audit-Related Fees

The external auditor was engaged primarily to express an opinion on the company's financial statements. The procedures conducted for this engagement included those that are necessary under auditing standards generally accepted in the Philippines but did not include detailed verification of the accuracy and completeness of the reported income and costs and expenses. The audit fees for these services were One Hundred Fifty Thousand Pesos (PhP150,000.00) and Seventy-One Thousand Three Hundred Pesos (PhP71,300.00) for periods ended December 31, 2019 and 2018, respectively.

For the period ended December 31, 2020, the audit fee paid by the company to the external auditor is P150,000.00.

Tax Fees

The company did not engage the aforementioned external auditor for any service related to tax accounting, compliance, advice, planning or any other form of tax services for periods ended December 31, 2020 and 2019.

All Other Fees

The company did not engage the external auditor for any other service other than those described in the audit and audit-related fees above for periods ended December 31, 2020 and 2019.

Audit Committee's Approval Policies and Procedures

The company is still in the process of forming its Audit Committee, the functions thereof as well as the policies and procedures for the audit and audit-related services.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in the company's independent accountant or any disagreement with the independent accountant for the past two (2) fiscal years.

The company is also compliant with SRC Rule 68, Part 3(b)(iv)(ix), which provides that, "[t]he independent auditors or in the case of an audit firm, the signing partner, of the aforementioned regulated entities shall be rotated after every five (5) years of engagement. A two-year cooling off period shall be observed in the re-engagement of the same signing partner or individual auditor."

Item 8. Compensation Plans

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

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

The present authorized capital stock of the company is P327,600,000.00, divided into 1,200,000,000 common shares with par value of P0.023 per share, and 3,000,000,000 preferred shares with par value of P0.10 per share.

Increase in the Authorized Capital Stock to Php 2 billion and Issuance of up to 11,250,000,000 Common Shares to Cosco Capital Inc.

The company is seeking approval from the stockholders to increase the authorized capital stock to PhP2 billion divided into Twenty (20) billion common shares, by (i) changing the par value of common shares to PhP 0.10 per share, (ii) converting the authorized preferred shares of Three Hundred Million Pesos (PhP300,000,000) divided into Three Billion (3,000,000,000) shares at PhP0.10 par value per share to common shares, and (iii) ultimately increasing the authorized common shares by One Billion Six Hundred Seventy Two Million Four Hundred Thousand Pesos (PhP1,672,400,000) divided into Sixteen Billion Seven Hundred Twenty Four Million (16,724,000,000) shares.

In relation to the increase in authorized capital stock, the company also seeks approval from the stockholder on the delegation to the Board of Directors of the authority to power and authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock, such as but not limited to, public placement transaction or public offering.

The same features and rights as the existing and current common shares of the company shall apply to the authorized common shares from the converted authorized preferred shares and ultimate increase in authorized capital stock.

The company has accepted Cosco Capital Inc.'s offer to subscribe, at the issue price of PhP2.00 per share, in the proposed increase in the authorized capital stock of the company from PhP327.6 million to PhP2 billion. Upon obtaining regulatory approvals for the capital increase, the company will issue 11,250,000,000 common shares of stock in the name of Cosco Capital, Inc.

The proposed increase in authorized capital stock together with the subscription by Cosco Capital, Inc. will be submitted for stockholders' approval and are subject to the approval of the Securities and Exchange Commission (SEC). In relation to this, DAVIN shall seek confirmation from the SEC that the transaction is exempted from the registration requirement under the pertinent provisions of the Securities Regulation Code and its implementing rules and regulations.

(a) Amount of capital stock of each class issued or included in the shares of stock to be offered.

    A total of 11,250,000,000 common shares of stock to be issued to Cosco Capital, Inc.

(b) If the registrant is offering common equity, describe any dividend, voting and preemption rights.

    Each share is entitled to one (1) vote. No stockholder of the company shall have any pre-emptive or preferential right to subscribe for the remaining portion of the capital stock nor a pre-emptive or preferential right to subscribe for any increase thereof.

    During the November 20, 2020 annual stockholders' meeting, the stockholders approved the delegation to the Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase of authorized capital stock-common shares which will also be presented for the approval of the stockholders, including majority of the minority of the stockholders.

(c) If the registrant is offering preferred stock, describe the dividend, voting, conversion and liquidation rights as well as redemption or sinking fund provisions.

No preferred stock shall be offered.

(d) Describe any other material rights of common or preferred stockholders.

There are no other material rights given to common stockholders considering that there is only one class of share or no preferred stock shall be issued.

(e) Describe any provision in the charter or by-laws that would delay, defer or prevent a change in control of the registrant.

There is no provision in the company's articles of incorporation or by-laws that would delay, defer or prevent change in control of the registrant.

Follow-On Public Offering

The company intends to conduct a follow-on public offering of its shares as soon as possible after the completion of the transaction described herein to comply with the minimum public ownership requirement under SEC and PSE rules.

In this regard, approval from the company's stockholders is requested on: (a) the conduct of follow-on public offering to comply with the minimum public ownership requirement; and (b) the issuance of up to three (3) billion common shares pursuant to the planned FOO of DAVIN shares.

Once regulatory approvals are obtained, all common shares to be issued by DAVIN will be applied for listing with the Philippine Stock Exchange.

The company expects to raise gross proceeds from PhP4 billion to PhP6 billion from the sale of up to three (3) billion shares. The net proceeds from the sale of shares (determined by deducting from the gross proceeds the underwriting, selling, and listing fees, taxes, and other related fees and expenses) will be used to finance strategic business expansion and other general corporate requirements of the Company.

Item 10. Modification or Exchange of Securities

The company is seeking approval from the stockholders to increase the authorized capital stock to PhP2 billion divided into Twenty (20) billion common shares, which will entail (i) changing the par value of common shares to PhP 0.10 per share, (ii) converting the authorized preferred shares of Three Hundred Million Pesos (PhP300,000,000) divided into Three Billion (3,000,000,000) shares at P0.10 par value per share to authorized common shares amounting to Three Hundred Million Pesos (PhP300,000,000) divided into Three Billion (3,000,000,000) shares at the new par value of PhP 0.10 per share, as approved by the company's Board of Directors on April 29, 2021.

The current authorized preferred shares of the company remain unsubscribed, and no stockholder rights will be affected by the conversion.

The same features and rights as the existing and current common shares of the company shall apply to the authorized common shares from the converted authorized preferred shares.

The conversion is to make it more accessible to retail investors.

The authorized common shares of Three Hundred Million Pesos (PhP300,000,000) divided into Three Billion (3,000,000,000) resulting from the conversion of the authorized preferred shares will be applied for listing/registration together with the ultimate increase in authorized common shares of One Billion Six Hundred Seventy Two Million Four Hundred Thousand Pesos (PhP1,672,400,000) divided into Sixteen Billion Seven Hundred Twenty Four Million (16,724,000,000) common shares, as referred to in Item 9 above.

As to exchange of securities, please refer to the discussion under item 9 above under "Issuance of 11,250,000,000 Common Shares to Cosco Capital, Inc." for details on the exchange of securities.

Item 11. Financial and Other Information

Attached hereto are the 2020 Audited Financial Statements as ***Annex "A"***, Management Discussion and Analysis as ***Annex "A-1"*** of the company, and the Interim Financial Statements for the first quarter of CY 2021 as ***Annex "A-2"*** of the company.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matter

On March 8, 2021, the management approved the proposed issuance of up to 11,250,000,000 common shares of stock of the company at the issue price of PhP2.00 per share in exchange for Cosco Capital, Inc.'s shares of stock in its subsidiaries, specifically:

(a) 7,499,994 common shares in Montosco, Inc.,
(b) 7,499,994 common shares in Meritus Prime Distributions, Inc., and
(c) 1,499,993 common shares Premier Wine and Spirits, Inc.

On March 29, 2021, the Board of Directors of the company ratified the act of management to approve the proposal of Cosco Capital to subscribe to 11,250,000,000 common shares at P2.00 per share via the Share Swap Transaction, and confirmed that payment for the said Cosco Capital's subscription will be in the form of shares of stock in Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc.

On April 29, 2021, the Board of Directors approved the proposed amendments to DAVIN's Articles of Incorporation and By-laws, which include, among others, the increase in authorized capital stock to PhP2 billion divided into Twenty (20) billion common shares, which will entail (i) changing the par value of common shares to PhP

0.10 per share, (ii) converting the authorized preferred shares of Three Hundred Million Pesos (PhP300,000,000) divided into Three Billion (3,000,000,000) shares at P0.10 par value per share to authorized common shares amounting to Three Hundred Million Pesos (PhP300,000,000) divided into Three Billion (3,000,000,000) shares at the new par value of PhP 0.10 per share. The subscription of Cosco Capital to support the increase was also confirmed.

Once regulatory approval is obtained, all common shares to be issued by DAVIN will be applied for listing with the Philippine Stock Exchange. The share swap transaction and the additional listing of the shares are hereby presented to the company's stockholders for approval.

Upon completion of the share swap transaction, the company will legally and beneficially own 100% of the outstanding shares of each of Montosco, Inc., Meritus Prime Distributions, Inc., and Premier Wine and Spirits, Inc. As a corollary, Cosco will own 11,250,000,000 common shares or 98% of the outstanding shares of the company.

Approval is likewise being requested from the minority stockholders for the waiver to conduct a rights offering on the 11,250,000,000 common shares subject of the proposed Share Swap Transaction with Cosco Capital, Inc.

(1) Name, address & phone no. of the principal executive:

A. Cosco Capital Inc.
Name: LEONARDO B. DAYAO, President
Address: No. 900 Romualdez St., Paco, Manila
Phone No.: 8522-8801

B. Montosco, Inc.
Name: JANELLE O. UY, President
Address: Unit 1501 Federal Tower, Dasmariñas St., San Nicolas, Manila
Phone No.: 8243-5530

C. Meritus Prime Distributions, Inc.
Name: CAMILLE CLARISSE P. CO, President
Address: Unit 1501 Federal Tower, Dasmariñas St., San Nicolas, Manila
Phone No.: 8243-0635

D. Premier Wine and Spirits, Inc.
Name: JOSE PAULINO L. SANTAMARINA, President
Address: Gate 1, Tabacalera Compound, 900 Romualdez St., Paco, Manila
Phone No.: 8524-2117

(2) Brief Description of the general nature of the business conducted by Cosco, Montosco, Meritus and Premier

Cosco Capital, Inc. is a domestic corporation registered with the SEC on January 19, 1988 for the primary purpose of investing in, purchasing, or otherwise acquiring and owning, holding, using, selling, assigning, transferring, mortgaging, pledging, exchanging, or otherwise disposing of real and personal property of every kind and description, including shares of stock, 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.

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

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

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

(3) Summary of the material features of the Share Swap Transaction

(a) A total of 11,250,000,000 common shares of stock shall be issued to Cosco Capital, Inc. ("Cosco"), at the issue price of PhP2.00 per share, and in exchange, Cosco Capital shall transfer all its shares in Montosco, Meritus and Premier.

(b) The purpose of engaging in the transaction is to support the increase in authorized capital stock of the company, and to implement the proposed Share Swap Transaction. Likewise, it is a means to raise additional capital either through Public Offering or private placement, or combination of both, to fund the company's projects and investments consistent with its business purposes.

(c) Each common share to be issued is entitled to one (1) vote. No stockholder of the company shall have any pre-emptive or preferential right to subscribe for the remaining portion of the capital stock nor a pre-emptive or preferential right to subscribe for any increase thereof.

(d) The transaction shall be considered as an equity transaction.

(e) No preferred stock shall be offered. There are no other material rights given to common stockholders considering that there is only one class of share or no preferred stock shall be issued. during the February 19, 2021 special meeting of the Board, the directors of the company approved the issuance of common shares to Cosco Capital, Inc.

(4) Brief Statements as to the dividends in arrears/defaults in principal or interest of the company and Cosco

There are no dividends in arrears/defaults in principal or interest in respect of any securities of the company, Cosco, Montosco, Meritus and Premier, which will be affected by the Share Swap Transaction.

(5) Historical and pro forma basis of the following information in relation to the company and Cosco, including Montosco, Meritus and Premier:

	2020	2019	2018
Net sales or operating revenues (in PhP)	-	-	-
Income (loss) from continuing operations (in PhP)	(1,088,534.98)	(1,048,020.75)	(947,771.35)
Long-term obligations and redeemable preferred stock (in PhP)	-	-	-
Book Value per share (in PhP)	0.0125	0.0135	0.0144
Cash Dividends declared per share (in PhP)	-	-	-
Income (loss) per share from continuing operations (in PhP)	(0.00097)	(0.00093)	(0.00084)

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

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

(6) Historical and pro forma per share data of the company and Cosco, including Montosco, Meritus and Premier:

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

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

(7) Regulatory requirements that must be complied with or approval that must be obtained in connection with the transaction

The Share Swap Transaction is subject to the approval of, and compliance with, the requirements of the Securities and Exchange Commission, Bureau of Internal Revenue, Philippine Stock Exchange, and the Philippine Competition Commission.

(8) Information of the outside party which provided a report, opinion or appraisal relating to the Share Swap Transaction

A copy of the Valuation and Fairness Opinion Report dated April 8, 2021, issued by Isla Lipana & Co., is attached as ***Annex "D".***

(A) Identify the outside party

Isla Lipana & Co., the Philippine member firm of the PwC network.

(B) Brief description of the qualification of such

Isla Lipana & Co. is an accredited valuer by both the Philippine Stock Exchange ("PSE") and Securities and Exchange Commission ("SEC"), and is also accredited to issue fairness opinions and valuation reports for listed companies and prospective listing applicants.

Isla Lipana & Co. performs audit, taxation, advisory and Japanese business services, and has provided professional services in the Philippines for 98 years.

(C) Methods of selection used

A. The income approach, using discounted cash flows (“DCF”) method, was used as the primary method in estimating the fair value of the shares of the Subject Entities.

The Subject Entities / Liquor Distribution Companies are as follows:
Montosco, Inc. (“Montosco”), Meritus Prime Distributions, Inc. (“Meritus”) and Premier Wine & Spirits, Inc. (“PWSI”)

B. The market approach was used (1) in estimating the value of the Listed Shell Company and to (2) cross-check the Subject Entities’ value estimated using the DCF method.

(1) Since Da Vinci is listed on the PSE and has no significant operations yet, the value that may be considered is the shell value of a publicly-listed company. Transactions involving a private company's takeover of a publicly-listed shell company for the purpose of a reverse acquisition were reviewed to estimate the premium usually paid by buyers over the net book value of a shell company.

(2) The relative valuation of the Liquor Distribution Companies was based on comparable companies and precedent transactions.

(D) Any material relationship between the outside party or its affiliates and the issuer which existed during the past 2 years or is mutually understood to be contemplated and any compensation received or to be received as a result of such

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

(E) If report, opinion or appraisal relates to the fairness of the consideration, state whether the issuer/affiliate determined the amount of consideration to be paid or the outside party recommended the amount of consideration.

The swap ratios were determined by the Board of Directors of Cosco. Isla Lipana issued an opinion on the fairness of the swap ratios used, based on the estimated equity values of the Liquor Distribution Companies and Da Vinci.

(F) Summary concerning such negotiation, report, opinion or appraisal which is included but not limited to the procedures followed; findings & recommendations; bases for and methods of arriving at such findings and recommendations; instruction received from the issuer or affiliate: and any limitation imposed by the issuer or affiliate on the scope of the investigation.
Based on the valuation results, the estimated total value of the Liquor Distribution Companies is between PHP20,740.7m to PHP24,245.8m. This was cross-checked using the market approach, which arrived at an estimated total value ranging from PHP18,343.1m to PHP27,848.0m under comparable company analysis and PHP21,428.7m to PHP25,801.7m under precedent transaction analysis.

Using the shell premium analysis, the estimated value of Da Vinci is between PHP320.6m to PHP603.4m.

For complete details on the valuation report, please refer to the attached Valuation and Fairness Opinion dated April 8, 2021, which is attached as ***Annex "D".***

(9) There are no past, present or proposed material contracts, arrangements, understanding, relationships, negotiations or transactions during the past 2 fiscal years between Cosco, Montosco, Meritus, and Premier or its affiliates and the company or its affiliates.

(10) High and low sale prices of Cosco and the company as of April 29, 2021, which shall be specified, preceding public announcement of the proposed Share Swap Transaction,

A. Da Vinci Capital Holdings, Inc.
High : PhP2.94
Low : PhP2.81

B. Cosco Capital, Inc.
High : PhP 5.13
Low : PhP 5.00

As for **Montosco, Meritus and Premier**, there no such public announcement since these corporations are not publicly listed.

Information for the company, Cosco, Montosco, Meritus, and Premier

I. <u>Da Vinci Capital Holdings, Inc.</u>

A. Description of Business

1. Business Development

a. Form and Year of Organization

The company was incorporated as Mariwasa Manufacturing, Inc. on November 5, 1953 to primarily engage in the manufacture of ceramic tiles.

b. Any Bankruptcy, Receivership or Similar Proceedings

None.

c. Any Material Reclassification, merger, Consolidation or Purchase or Sale of a significant amount of assets (not ordinary)

None, except for the increase in authorized capital stock and purchase of shares in Montosco, Meritus and Premier from Cosco.

2. Business of Issuer

a. Description of the Business of Registrant and its Significant Subsidiaries

(1) Principal Products or Services and Their Market: None

(2) Percentage of Sales or Revenues and Net Income Contributed by Foreign sales for each of the last 3 FYs: None

(3) Distribution Methods of the Products or Services: None

(4) Status of Publicly-Announced New Products or Service: None

(5) Competitive Business Conditions and the Registrant's Competitive Position in the industry and methods of competition: None

(6) Sources and Availability of Raw Materials and Names of Principal Supplier: None

(7) Dependence on One or a Few Major Customers and Identification of Such: None

(8) Transactions With and/or Dependence on Related Parties: None

(9) Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreement, or labor contracts including duration: None

(10) Need for Any Governmental Approval of Principal Products or Services: None

(11) Effect of Existing or Probable Governmental Regulations on the Business: None

(12) Estimate of Amount Spent for Research and Development Activities: None

(13) Costs and Effects of Compliance w/ Environmental Laws: None

(14) Total Number of Employees and Number of Full Time Employees: None

(15) Major risk/s involved in each of the business of the company: None

b. Additional requirements as to certain Issues or Issuer

The company is not involved in debt issues and is not an investment company.

B. Description of Property

The company does not own or lease any property. Also, the company does not intend to acquire any property in the next twelve (12) months.

C. Legal Proceedings

There is no material pending legal (civil, criminal, administrative or arbitration) proceeding in which the company is involved or any of its property is a subject of.

Other information:

A. Market Price of and Dividends

1. Market Information

a. Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded

(1) State the name of the Exchange.

Philippine Stock Exchange.

(2) Presentation of the High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements are required by SRC Rule 68.

Period	2019		2020		2021	
	High	Low	High	Low	High	Low
1st Quarter	6.74	5.5	5.46	4.5	8.98	2.51
2nd Quarter	5.9	5.01	5	4	-	-
3rd Quarter	6.15	5.0	4.3	3.1	-	-
4th Quarter	6.15	5.0	6.03	3.12	-	-

2. Holders

As of March 31, 2021, the company has the following record of stockholders:

Number of Stockholders on Record	473
Issued Shares	1,124,999,969
Outstanding Capital Stock	1,124,999,969
Treasury Shares	-
Listed Shares	1,124,999,969

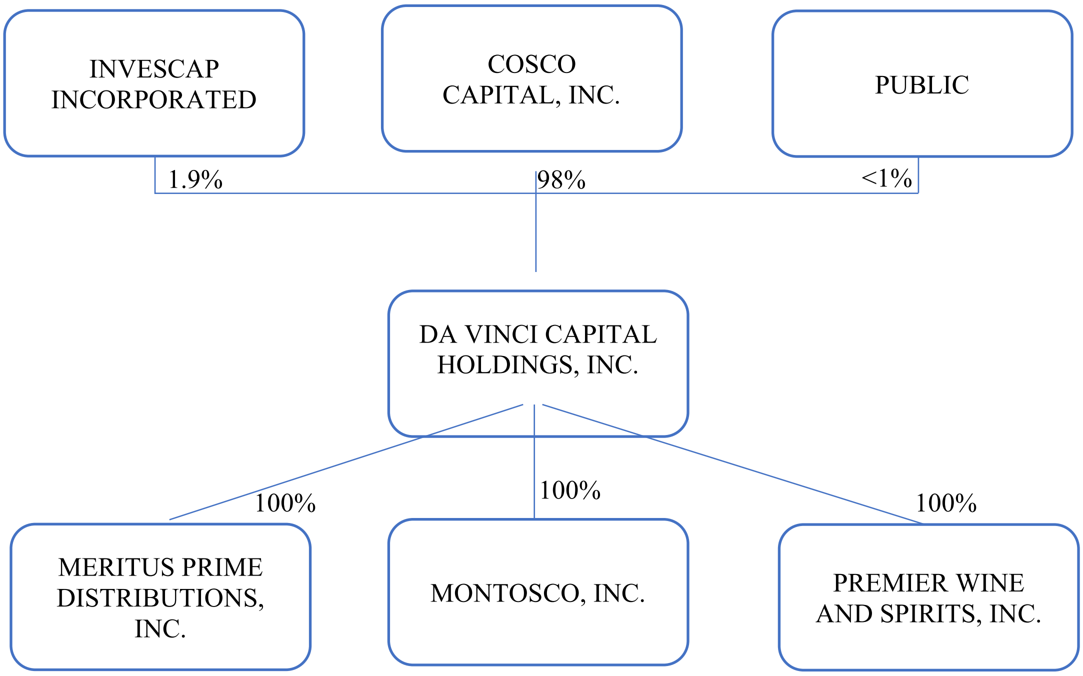
The company’s top 20 stockholders as of March 31, 2021, are as follows:

1	INVESCAP INCORPORATED	956,203,336	85%
2	COL FINANCIAL GROUP, INC.	41,424,888	3.68%
3	BDO SECURITIES CORPORATION	15,272,854	1.36%
4	FIRST METRO SECURITIES BROKERAGE CORP.	12,161,731	1.08%
5	ABACUS SECURITIES CORPORATION	8,717,064	0.77%
6	SB EQUITIES, INC.	7,614,400	0.68%
7	BPI SECURITIES CORPORATION	7,232,550	0.64%
8	TGN REALTY CORP.	5,897,775	0.52%
9	TIMSON SECURITIES, INC.	5,241,400	0.47%
10	PHILSTOCK FINANCIAL, INC.	4,676,163	0.42%
11	TOWER SECURITIES, INC.	4,126,500	0.37%
12	GLOBALINKS SECURITIES & STOCKS, INC.	3,248,900	0.29%
13	AAA SOUTHEAST EQUITIES, INCORPORATED	2,919,200	0.26%
14	EVERGREEN STOCK BROKERAGE & SEC., INC.	2,704,200	0.24%
15	AB CAPITAL SECURITIES, INC.	2,408,800	0.21%
16	SUNSECURITIES, INC.	2,400,000	0.21%
17	R.COYIUTO SECURITIES, INC.	1,983,000	0.18%
18	MAYBANK ATR KIM ENG SECURITIES, INC.	1,877,600	0.17%
19	F. YAP SECURITIES, INC.	1,850,150	0.16%
20	A&A SECURITIES, INC.	1,598,700	0.14%

a. Effects in the company before and after the Share Swap Transaction:

BEFORE THE SHARE SWAP TRANSACTION	**AFTER THE SHARE SWAP TRANSACTION**
Authorized Capital Stock: P327,600,000.00 (1,200,000,000 Common Shares with par value of P0.023 per share and 3,000,000,000 Preferred Shares with par value of P0.10 per share)	Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)
Outstanding Capital Stock: P25,874,999.29	Outstanding Capital Stock: P1,150,874,999.28
Paid-Up Capital Stock: P25,874,999.29	Paid-Up Capital Stock: P1,150,874,999.28

After the Share Swap Transaction, the company's ownership structure will be as follows:



3. Dividends

   There were no dividends declared for the year ended December 31, 2020.

4. Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

   There were no sales of unregistered securities within the fiscal year covered by this report.

   The 2020 Financial Statements of the company is attached as ***Annex "A"*** and Management Discussion and Analysis as ***Annex "A-1".***

II. *Cosco Capital, Inc.*

A. Description of Business

1. Business Development

a. Form and Year of Organization

   Cosco Capital, Inc. is a domestic corporation registered with the SEC on January 19, 1988.

b. Any Bankruptcy, Receivership or Similar Proceedings

None.

c. Any Material Reclassification, merger, Consolidation or Purchase or Sale of a significant amount of assets (not ordinary)

None.

2. Business of Issuer

a. Description of the Business of Registrant and its Significant Subsidiaries

(1) Principal Products or Services and Their Market

Cosco Capital, Inc. is an investment holding company. It has a diversified portfolio of business interests in the following industries and business segments:

Retail Segment: Puregold Price Club, Inc., Office Warehouse

Puregold Price Club, Inc. ("Puregold" or "the company") was incorporated on September 8, 1998, and opened its first Puregold hypermarket store in Mandaluyong City in December of the same year. In 2001, it began its expansion by building two additional hypermarket stores in the cities of Manila and Parañaque. It also launched its loyalty program, which was eventually renamed "Tindahan ni Aling Puring" in 2004. Between 2002 to 2006, Puregold continued its expansion at an average of three new stores every year and established operations in North and South Luzon.

In 2008, Puregold was recognized by Reader's Digest Asia as the Most Trusted Brand in the supermarket category. To expedite market coverage, a new format called "Puregold Jr. Supermarket" was introduced in the 4th quarter of 2008. By mid-2009, the company gained market leadership being the second-largest hypermarket and supermarket retailer in the Philippines in terms of net sales. By 2010, it was already operating 62 stores, and launched another format called "Puregold Extra." In the same year and henceforth, Puregold was recognized by Retail Asia Pacific as one of the top 500 retailers among the 14 economies of the region.

2011 saw the highest number of store openings in Puregold history with the launch of 38 new stores making its number of stores to a total of 100. In the following year, Puregold acquired another related retail company, which was later called "S&R Membership Shopping," under the corporate name "Kareila Management Corporation," with six S&R Membership Shopping Warehouses (patterned after the Costco and Sam's Club in the USA). Puregold also opened 31 new Puregold organic stores and acquired Gant Group of Companies known as "Parco supermarkets" with 19 stores.

In 2013, Puregold acquired another supermarket chain, Company E Corporation, with 15 stores and opened 40 new stores. S&R opened two warehouses located in Davao Province and Mandaluyong City. Company E and Gant Group of Companies later merged with Puregold.

In 2014, Puregold opened 28 stores, one S&R store, and four S&R New York Style Pizza/quick-service restaurants (QSR). In the same year, Puregold partnered with Lawson, Inc. and Lawson Asia Pacific Pte Ltd. under a joint venture company called PG Lawson, Inc. to build and operate a chain of Lawson convenient stores. However, in 2018, Puregold divested from the joint venture and sold to Lawson, Inc. all its share in PG Lawson, Inc.

In 2015, Puregold opened 15 hypermarkets, 11 supermarkets, one S&R Warehouse, and 10 QSRs. Puregold opened another 15 hypermarkets, eight supermarkets, two extras, one minimart, 2 S&R Warehouse, and 7 QSRs in 2016.

In 2017, Puregold opened 35 stores comprising of 25 hypermarkets, five minimarts, and five supermarkets. Another 30 stores, 20 hypermarkets, seven minimarts, and three supermarkets, were opened in 2018.

By 2019, Puregold was operating a total of 229 hypermarkets, 102 supermarkets, 28 extra, 19 minimarts, 18 S&R warehouse clubs, 38 S&R-QSRs, for a total of 434 stores.

As of December 31, 2020, Puregold operates a supermarket chain of 403 stores all over the Philippines. The stores are classified as hypermarkets, supermarkets, extras and mini-marts depending on the size of the selling area and location of the store. In the past three (3) years, the total number of stores increased from 354 in 2018 to 403 in 2020.

Office Warehouse

Office Warehouse was incorporated on August 20, 1997. In 2014, the company bought Office Warehouse with 46 stores. At present, Office Warehouse has 89 stores, mostly in Metro Manila and South Luzon. Under the new management, Office Warehouse has been a provider and a partner consultant to small and medium enterprises when it comes to quality, cost-efficient, and value-adding office solutions.

For the past three years, Office Warehouse consistently surpassed annual historical sales and recorded compounded growth of at least 16.5%. This robust performance is a result of its dedication and persistence in addressing market demands and resiliency to the changing retail landscape. Office Warehouse keeps itself abreast of technological trends and capitalizes on its impact on the macro-economic behavior of businesses.

In 2019, Office Warehouse grew by 17% and ended the year with 89 retail doors, 67 of which are in Metro Manila and 22 in nearby provinces. It operated on a total of brick and mortar space of about 16,300 square meters.

Office Warehouse is likewise present online and does e-commerce using its website. It believes in the power of social media; thus, Office Warehouse also uses this forum for its marketing and advertising initiatives. Conversely, Office Warehouse also strengthens its brand by conducting caravans in various offices and universities. Office Warehouse serves as the physical touchpoints with the market it serves in their place of engagement.

Office Warehouse continues to offer a relevant and up-to-date product mix and assortment at best possible price. It continues to improve its supply chain capability by automating orders for product replenishment and streamlining its cross-docking services. It is still maintaining its transportation fleet for deliveries to store and customers, and at the same time, engaging with third-party logistical services to ensure prompt order fulfillment.

To maximize its online presence, Office Warehouse is now partnering with several marketplaces for e-commerce. It is also working on e-payment platforms and other technology-driven tenders for its general business.

Real Estate Segment: Ellimac Prime Holdings, Inc., Fertuna Holdings Corporation, Patagonia Holdings Corp., Nation Realty, Inc., NE Pacific Mall, and Pure Petroleum, Inc.

For the past three years, the company consistently maintained its growth in rental revenues. Aside from the annual increment on rental rates, the company was able to develop six new community malls which are strategically located in the following areas: (1) Marikina Heights, Marikina City, (2) General Trias, Cavite, (3) Subic, Zambales, (4) Putatan, Muntinlupa, (5) Maria Aurora, Aurora Province and lastly the recently opened community center in (6) Bayawan City, Negros Oriental. With the most recent development in Bayawan comes two modern movie theatre auditoriums with one hundred two seating capacities each as added amenities for our mall-goers.

The company also was able to partner with a Malaysian-brand "Mr. DIY" to cater more consumers for the coming years. The real estate segment also got to associate itself with Robinson's brands like Handyman, Daiso, and Saver's Appliances. Sy-led businesses like Ace Hardware and Watson's are also aggressive in their partnership with the group. As of year ended 2019, the group has at least 3,500 leasable spaces across NCR, Luzon, and the Visayas, which is growing over the years as the company expands.

The company also acquired four parcels of land held for future development located at Antipolo, Laoag, Cabatuan, Iloilo, and Barotac-Nuevo, Iloilo. These additions contributed a total of 32,940 square meters of land owned by the group.

Ellimac Prime Holdings, Inc. is the flagship of the real estate companies of the company. The commercial retail buildings of Ellimac are being leased out mostly by prominent retail tenants that support the retail customers of Puregold Price Club, Inc. One of which is the 'Fairview Terraces.' The Fairview Terraces is the second commercial shopping complex that was co-developed with Ayala Land, Inc., and it is located in the prime commercial area of Quezon City. The Fairview Terraces houses an extensive mix of foreign and local brands, offering an array of dining and shopping experiences for families and professionals.

Fertuna Holdings Corporation is considered to be the stronghold of the company in Central Luzon. Fertuna, together with Ayala Land Inc., co-developed a commercial retail complex called "Harbor Point." It is situated in Subic Bay Freeport Zone. Harbor

Point opened in September 2012, where Puregold Supermarket became its anchor tenant.

Fertuna's Harbor Point Mall lies within the eco-friendly environment of Subic Bay. The 6.5-hectare mall development is a registered Subic Bay Freeport Enterprise operating in the Freeport Zone. Fertuna is governed by the rules and regulations of the Subic Bay Metropolitan Authority (SBMA) under Republic Act 7277, making it entitled to tax and duty-free importation of certain items.

Patagonia Holdings Corp. is the company's rising force in the Bonifacio Global City acquired parcels of land, summing a total land area of 1.3 hectares. The strategic location of the property in the growing business district is a promising investment venture for the company. Patagonia provided the opportunity to have S&R Membership Shopping operate a retail outlet in its property since 2000. The viable location of the land worked to their advantage. It became accessible to patrons and consumers. It became a steady market for S&R's retail outlet.

Nation Realty, Inc. operates "999 Shopping Mall" located in Binondo, Manila. It is a specialty mall, a modern approach to a flea market, or 'tiangge.' The 999-shopping mall is the shopping hub for Filipino shoppers and resellers who want to purchase useful quality items at low prices.

The 999-shopping mall has two developments. The first development is a four-story building with 31,931 square meters gross floor area, and the second is a seven-story building with a total floor area of 84,292 square meters.

The company acquired NE Pacific Mall in March 2014. It is considered to be the ultimate shopping and family entertainment destination in the province of Nueva Ecija. It is located at km. 111 Maharlika Highway, Cabanatuan City, Nueva Ecija. The 10-hectare parcel of land where the shopping center is built has a total gross floor area of more than 35,000 square meters. The mall has leasable spaces for different brands and establishments and houses a line of tenants such as the supermarket, department store, hardware and appliance centers, restaurants, and many others. One of the key tenants of the mall is Puregold Price Club, Inc. and government satellite offices of Social Security System, Philippine Statistics Authority, and Philippine Health Insurance. This one-stop shopping haven not only provides a unique shopping experience for the family but also brings great value for their money.

Pure Petroleum, Inc. constructed a fuel terminal facility inside the Subic Bay Freeport Zone in 2009, which became operational in December 2012. It currently operates a tank farm of 9 fuel storage tanks with a total capacity of 88.5 Million liters combined Diesel and Gasoline products, 7 Ethanol tanks of various sizes (350KL,100KL, and 50KL) with a total capacity of 700KL and 5 CME storage tank 50KL size with a full capacity of 250KL. The terminal also operates jetty facilities for bulk loading and unloading, two units mooring buoy, water storage tank for fire protection and maintenance as well as truck loading rack. It has adopted the best practices of the oil industry, applicable policies and procedures to ensure safe and efficient operation.

Wine and Liquor Segment: Montosco, Inc., Meritus Prime Distributions, Inc, and Premier Wine and Spirits, Inc.

The imported liquor industry continues to grow, driven by the economy and premiumization. It is another industry where the company plays an influential role. The company has trading relationships with the world's biggest spirits and wine producers, carrying either the top or number-two brands in their respective categories in its portfolio.

It also markets key brands in wine, energy drinks, and premium water categories.

The three companies within the Cosco Capital umbrella that work closely with brand owners, to build and grow these brands are Montosco Inc., Meritus Prime Distributions, Inc. and Premier Wines and Spirits, Inc.

Montosco is the lead company, having in its portfolio "Alfonso" the number one imported brand in the country by volume and value. It drives the liquor segment's revenue and bottomline. Completing Montosco' s portfolio is Diageo- the leading spirits company in the world - having Johnnie Walker as its leading brand. A unique trading relationship with Diageo has been established, including exclusively on key brands.

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

The depth and breadth of Premier's portfolio are difficult to match, having the right balance in its collection of spirits, wines, and premium energy drinks and sparkling water lines.

Strengthening relationships, Premier and Pernod Ricard, the second-largest spirits company in the world, formed a joint venture partnership, establishing Pernod Ricard Philippines, Inc., to be the marketing and distribution arm of Pernod brands in this market. Amongst Premier's key brands is Jose Cuervo, the worlds leading tequila, "Jinro", the top spirits brand in the world, "Penfolds", world's most admired wine brand, "RedBull", world's number 1 energy drink and "Perrier", the leading sparkling water in the world.

With the brands it carries, the relationships it has established, and the organization it has built, the liquor segment fundamentals are solid. It is poised to steadily grow and take on the challenges ahead.

Oil & Mining Segment: Alcorn Petroleum and Minerals Corporation

Alcorn Petroleum and Minerals Corporation was incorporated on July 5, 2013, as a wholly-owned subsidiary of Cosco Capital, Inc. to pursue the exploration and development of the company's interests in oil and mining business activities. The oil and mining interests include a portfolio of participating investments in petroleum exploration and extraction activities in the Palawan area and Eastern Visayas region.

(2) Percentage of Sales or Revenues and Net Income Contributed by Foreign sales for each of the last 3 FYs

Cosco Capital, Inc. or any of its subsidiaries has no branch or sale outside the Philippines.

(3) Distribution Methods of the Products or Services

Puregold Price Club, Inc. replenishes and distributes its merchandise to various stores in the following manners:

a. Direct-to-store delivery - A substantial portion of the company's inventory and other supplies and materials, about 68%, are delivered directly by suppliers to the stores. Considering the bulk of the business, the company can order a truckload of merchandise direct from the suppliers. The company receives orders and merchandise within an average 7-days from receipt of purchase orders.

b. Cross-dock facilities – About 32% of the suppliers who are unable to deliver to the company's stores directly deliver their products to the company's two out-sourced cross-dock facilities for onward distribution to Puregold stores.

c. Store-to-store transfer – All of the company's stores have a stockroom on-premises with warehousing capabilities for additional inventory. However, there are stores with large warehouses that can accommodate goods intended for nearby small-format stores. As needed, products are transferred from a large store to a small store.

d. Importation - S&R sends out buyers all over the world to source for its best products. S&R imports 45% - 55% of its merchandise. It currently operates its three distribution centers.

Office Warehouse's suppliers directly deliver to stores or cross-dock the items through its warehouse facility. Office Warehouse sells to customers through in-store purchases, phone-in-service for delivery and pick-up, or by an e-commerce shopping site.

(4) Status of Publicly-Announced New Products or Service: None.

(5) Competitive Business Conditions and the Registrant's Competitive Position in the industry and methods of competition

Hypermarkets, Shopwise/Rustan's, Robinsons, Metro Gaisano, and Walter-Mart. But smaller formats like Alfamart of S.M. group are also becoming our strong competitors; likewise, the online retailers, Lazada, Shoppee, Zalora, Grab Food, Food Panda, and Metromart.

Landers has the same membership shopping format as S&R. It offers imported products as well and caters to the "A" and "B" class segment of our population.

Office Warehouse prides itself as the only retail store with the workplace-solution format, where you can buy everything you may need for your office or business. There are no direct competitors, but it competes with various companies for different categories. For school and office supplies, it competes with National Bookstore with 240 stores, and display spaces are at least 3x the size of an Office Warehouse branch, it has the depth and width of product assortment and has a legacy business appealing primarily to the educational market. It also competes with Pandacan Bookshop with at least 120 branches operating mainly in the provinces of Luzon attracting students and homemakers by its various type of merchandise at very low pricing. For business technology, Octagon with over 150 branches nationwide, specializing in technology items and Silicon Valley with about 60 branches nationwide and competes with Octagon.

Office Warehouse strategies to counter competition: Its mantra of "cost-cutting measures start here" because businesses love to cut costs, and end-consumers love to save money. It offers better pricing and remains competitive. It sells only genuine products from direct sources, particularly with multi-national brands. Its branches are strategically located in Mega Manila and parts of Luzon. Office Warehouse has aggressive promotions such as quarterly themed promos, yard sales and flash events offering price offs and attractive deals and relevant loyalty program for its customers like Points Plus+ Membership Program with exclusive perks and discounts, and point earning and redemption. It also has an online shopping site, www.officewarehouse.com.ph, that caters to many customers across the country.

The real estate group caters to people from all walks of life. Everyone is welcome to enjoy and shop at our community malls to satisfy their needs, whether essential or non-essential.

Our commercial buildings are located in crowded places like public markets, CBD areas, and the likes where competition is fierce. The company is offering competitive rental rates coupled with discounts considering the higher rates within the malls' vicinity. Thus, providing the customers and public an opportunity to start businesses inside our malls opening up to a bigger market of customers.

Cosco Capital, Inc. also boasts the most massive classic "tiangge" style of shopping at the heart of Divisoria, Manila, by the brand of "999 Shopping Mall". The mall currently has an inter-connecting two buildings with a total gross leasable area of almost 51,000 square meters with at least 2,700 leasable space. The mall is surrounded by other community malls like "168 Shopping Mall", "11/88 Shopping Mall", and the "Lucky Chinatown Mall." With a higher number of tenants, 999 Shopping Mall can cater to more consumers compared to its competitors within the Divisoria area.

Lastly, the imported wine and spirits industry as of the present is still a niche (single-digit share) to the total alcohol beverage industry in the country (including local).

Cosco Capital, Inc. has nationwide coverage through sub-distributors, but the bulk of business is mainly in urbanized areas. It sells to all channels of the segment like supermarkets, wholesalers, on-premises outlets (hotels, restaurants, and bars).

The depth, breadth, and leadership position of the brands in the portfolio that the group carries are difficult to match. Major competitors include but not limited to Future Trade Inc., Phil Wine Merchant, Wine Warehouse, among others. They offer different brands that the group carries.

(6) Sources and Availability of Raw Materials and Names of Principal Supplier

With over 2,000 regular suppliers, Puregold's supplier base is diversified between local suppliers such as Universal Robina Corporation, Monde Nissin, Century Pacific Food, Inc., and multi-national corporations such as Nestle, Unilever, and Procter & Gamble. The company selects its suppliers using several criteria, including product assortment and quality, market share of the company in a particular supplier's location, brand reputation, supplier's capacity, Company business plans and budgets, logistic possibilities, and compliance with the company's economic principles.

S&R sources the majority of its merchandise from global vendors who have been supplying to membership clubs worldwide for an extended time.

Office Warehouse imports 95% of office furniture. 95% of its technology products and about 75% of its office and school supplies are from local suppliers. Office Warehouse has imported products exclusively distributed by several suppliers like Fellowes for a shredder, binding and laminating machines, Schneider for writing instruments, and Eagle for desk accessories and filing supplies. Other significant suppliers are Brother, Epson, Hewlett-Packard, Canon for printing machines, and Mongol for writing tools. Except for office furniture, almost all categories have enough suppliers to make up their needed supply for the market demand.

(7) Dependence on One or a Few Major Customers and Identification of Such

Puregold Price Club believes that its business is not dependent on any single supplier. Puregold's three largest food suppliers are Nestlé Philippines, Universal Robina Corporation, and Monde Nissin. Puregold’s three largest non-food suppliers are Procter & Gamble, Unilever Philippines, and Globe Telecom Inc.

Further, Puregold is not reliant on a single or few customers but to the buying public in general. The company's stores target customers who live within walking distance of its stores and those who use personal or public transport to shop. Puregold provides suitable car parking facilities to accommodate customers who travel to stores by car and also locates its stores in areas close to main transportation hubs. The company also offers delivery services to resellers who are unable to travel to the company's stores.

Likewise, S&R is not dependent on a single or few customers but to the buying public in general who become members.

Puregold believes that its stores can address the needs of its customers through its extensive product range, a large selection of food as well as non-food products, and an increasing share of private label products. The company divides its customers into several categories:

a. Retail consumers: S&R is targeting "A" and "B" market class, which comprise 4% of the population of the Philippines. This segment has an average income of over 80,000 per month. Puregold, on the other hand, targets "C" and "D" market class. These consumers have an average income of P12,000 to P80,000. A typical ticket for retail consumers ranges from P600 to P3,000 per shopping trip at a frequency of two to four times per month.

b. Resellers: Consisting of resellers, small to medium size sari-sari stores, as well as canteens, restaurants, caterers, bakeries, convenience, and drug stores. As of December 31, 2019, there were over 500,000 business owners registered with the company.

Office Warehouse is not dependent upon a single customer or a few customers, but to various customers ranging from students, employees, entrepreneurs, and all types of businesses.

Wine and Liquor Segment brings in finished products from principal suppliers, namely Bodegas Williams & Humbert, Diageo Philippines, Inc., DBBV, William Grants, Brown Forman Brands, Suntory Beam, Treasury Wine Estate, Proximo. Existing supply contracts are on an exclusive and continuing basis, terms reviewed on an annual basis

(8) Transactions With and/or Dependence on Related Parties

Please refer to 2019 Consolidated Audited Financial Statements, ***Annex "E"***, of Cosco Capital, Inc. for the complete discussion of its transaction with related parties.

(9) Patents, Trademarks, Licenses, Franchises, Concessions, Royalty Agreement, or labor contracts including duration

Please refer to the complete list of trademarks registered by Cosco Capital, Inc. and its subsidiaries, ***Annex "F".***

(10) Need for Any Governmental Approval of Principal Products or Services

Cosco Capital, Inc. and its subsidiaries have obtained all permits, licenses, and approvals from national and local government units and other government agencies necessary to construct and lease supermarket buildings and operate the same.

(11) Effect of Existing or Probable Governmental Regulations on the Business

Due to COVID 19 restrictions implemented by the National and Local Governments in 2020, Cosco Capital, Inc. and subsidiaries experienced shortened store hours and a limited number of customers' admission. They were likewise prohibited from selling liquor products in the stores and restricted the sale of cleansing materials such as alcohol, tissue for a certain period of time.

(12) Estimate of Amount Spent for Research and Development Activities: None.

(13) Costs and Effects of Compliance w/ Environmental Laws

Cosco Capital, Inc. and subsidiaries estimate its annual cost for maintaining and renewing the ECCs and other environmental permits for all its existing stores to be about P63 million.

(14) Total Number of Employees and Number of Full Time Employees

As of December 31, 2019, Cosco Capital Inc. has 10, 875 employees. The following table sets out specific details of the employees by location, functions, and status:

Department	Puregold and S&R	Real Estate	Office Warehouse	Wine & Alcohol Distribution	Alcorn	Total
Store Operations	8,512	81	103	58	0	9,354
Head Office	1,831	89	85	115	1	1,521
Total	**10,343**	**170**	**188**	**173**	**1**	**10,875**
Rank						
Executive	22	2	1	4	0	29
Senior Manager	106	2	11	8	0	127
Manager	511	23	30	6	0	570
Officer	573	17	5	0	1	596
Supervisory	3,764	31	94	46	0	3,935
Rank & File	5,367	95	47	109	0	5,618
Total	**10,343**	**170**	**188**	**173**	**1**	**10,875**
Employment Status						
Regular	8,051	120	175	156	1	8,503
Probationary	1,232	50	13	17	0	1,312
Contractual	1,060	0	0	0	0	1,060
Total	**10,343**	**170**	**188**	**173**	**1**	**10,875**

(15) Major risk/s involved in each of the business of the company and subsidiaries. Include a disclosure of the procedures being undertaken to identify, assess and management such risks

Cosco Capital, Inc. considers the following significant risks that may have a potentially adverse effect on its financial condition and operation, as follows:

(1) Market risk (a) Competition – Cosco Capital Inc.'s grocery retailing businesses are highly competitive. The intensity of the competition in the Philippine modern retail industry varies from region to region. Some of the significant competitors considered by the company are the S.M. malls, supermarkets and hypermarkets, Robinson's Supermarkets, Metro Gaisano, All Home, and Rustan's Supercenters. The competition includes product selection, product quality, and customer service, and store locations.

Cosco Capital, Inc. performs market research to locate areas that will maximize market coverage and penetrate its targeted customers. This careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

For its specialty mall-999 Shopping Mall, competition is reasonably manageable. The mall is strategically located in Divisoria and very accessible. The risk of low occupancy is remote. Cosco Capital, Inc. maintains a group that specializes in marketing, handling, and communicating with the tenants, which are mostly those retailers from Mainland China.

As our liquor distribution business caters to the imported and premium segment of liquor and wines market, we see no significant risk. It has its market niche and does not directly compete with the local brands.

(b) Supply - A supply shortage and disruption and the price volatility may adversely affect the operations and financial performance of the company. The company addresses this risk by regularly monitoring its inventories and ensuring that the inventory is always at its optimum level. The company continuously deals with a wide range of suppliers to ascertain that its merchandising requirements are filled through the year.

(c) Credit - Cosco Capital Inc.'s fast-paced operation requires sufficient liquidity throughout the year. Failure of Cosco Capital, Inc. to collect their trade receivables on time could potentially affect its ability to pay its suppliers on time or increase financing cost should working capital financing be resorted to bridge temporary liquidity gaps. Cosco Capital, Inc. maintains a credit and collection policy, ensuring that receivables are collected on time.

(d) Pricing - Cosco Capital, Inc.'s economic condition and market competition are the main drivers of this risk. Any adverse change in the economic environment of the Philippines may affect the purchasing power of consumers and unfavorably affect the company's operating results. Low-growth consumer market means a low-demand growth and low turnover for the company. The entry of new competitors may trigger a more aggressive price competition among industry players as they try to dominate the market. The company's continuous expansion and revenue growth help mitigate this risk and allow the company to develop better competitive pricing strategies. Pricing strategies are constantly reviewed to remain competitive and to attract or retain customers. Also, unnecessary costs or expenses are to be avoided by reviewing the supply chain management and eliminating non-value adding activities, which will allow the company to offer lower prices.

(2) Regulation and compliance risk - Cosco Capital, Inc. monitors and oversees issuances or protocols from regulating bodies and ensures its compliance with these regulations.

As liquor is considered as a health hazard when taken in excess, the possible risk would be the issuance of regulation like the ban to alcohol drinking for some age groups, and curfew either or both from the national or local government. We consider this risk, however, as remote.

Oil exploration projects are under the supervision of the Philippine government's Department of Energy. Changes in policies or regulations or legislative and fiscal framework governing these activities may have a material impact on the exploration and development activities of the companies in these sectors. Also, changes in regulations may affect the company's operation and may increase the cost of doing business.

Upon the lapse of approval from regulatory authorities, there is no guarantee that these will be renewed or renewed under the terms acceptable to the company. The company ensures that the approvals and permits are valid by monitoring very well its validity period, compliance with the governmental regulations, constant communication with the authorities, and updating itself with the new laws and regulations.

(3) Environmental risk - Environment risk for the real estate business includes the effect of climate change like flooding, erosion, and other unforeseen calamities that might affect the real estate properties. Cosco Capital, Inc. mitigates this risk by carefully selecting the sites. There is a group within the company that conducts research and study in site selection, including the environmental factors.

The business of oil exploration and development carry environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions as well as existing Philippine laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on oil spills, releases or emissions of various substances produced in association with oil operations.

Cosco Capital, Inc.'s compliance with such legislation, including health and safety laws, can involve high costs and expenses and any breach in these laws may result in the imposition of fines and penalties, the amounts of which could be material. There can be no assurance that environmental regulations will not increase exploration and development costs or the curtailment of operations, which could adversely affect the results of operations and financial condition as well as its prospects.

Additional requirements as to certain Issues or Issuer

Cosco Capital, Inc. is not involved in debt issues and is not an investment company.

B. Description of Property

As of December 31, 2019, Cosco Capital, Inc. owns the following properties:

(a) Puregold

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	2	24	25	90
South Luzon	8	27	29	87

Metro Manila	2	30	30	110
Visayas	2	0	0	34
Mindanao	0	3	3	10
Total Number	14	84	87	331
Total Square Meters	37,328.57	309,642.57	314,439.52	689,144.21

(b) Kareila

	Owned parcels of land	Owned buildings	Leased parcels of land	Leased buildings
North Luzon	0	3	3	0
South Luzon	0	3	3	0
Metro Manila	0	8	8	0
Visayas	0	2	2	0
Mindanao	0	2	2	0
Total Number	0	18	18	0
Total Square Meters	0	205,068.64	333,065.06	0

(c) Office Warehouse

The company leases all store spaces of Office Warehouse from various lessors; most of them are major mall operators and affiliate companies. The average area per store is 180 square meters, with varying rental rates depending on the location and lease terms of three to five years.

(d) Real Estate

Cosco Capital, Inc. closed 2019 with 34 commercial buildings with at least 277,000 square meters of gross leasable spaces, 97% or 269,000 square meters of which is occupied and leased out.

(e) Alcorn Petroleum has participating interests in the following petroleum and mineral exploration properties in the Philippines:

1. Service Contract (S.C.) No. 14 (B1)-North Matinloc

Service contract No. 14 is located in 350 meters of water, situated approximately offshore 60 kilometers N.W. from Palawan Island. SC No 14 is divided into four blocks (A, B, C & D). The Matinloc oil field is located in Block B1 under SC No. 14, located approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four blocks composed of Nido (Block A), North Matinloc (Block B1), West Linapacan (Block C), and the retention area (Block D). The company has participating interest in all except in the Nido Block A.

2. Service Contract No. 14 (C2)-West Linapacan, Offshore Northwest Palawan

The West Linapacan oil field is located in Block C2 under SC No. 14 and covers a total area of approximately 80 square kilometers. The block has produced more 8.3 million barrels of oil before the shut down because of water intrusion. A separate structure, West Linapacan "B, located 7.5 kilometers from "A" field structure, was drilled in March 1993 with well testing at a rate of 2,860 BOPD.

3. Service Contract No. 14 (D)- Retained Area

Cosco Capital, Inc. has a participating interest equivalent to 5.835% in the retained area under SC No. 14. The other members of the consortium are Philodrill Corp. (33.75%); Nido Petroleum Philippines Pty. Ltd. (31.42%); Oriental Petroleum and Mineral Corp. (20.83%); and Forum Energy Philippines Corp. (8.17%). The block is the subject of renewed interest by the partners and prompted the partners to allocate funds for its evaluation. Philodrill completed the geological and geophysical (G&G) assessment of the retained license area. The results are encouraging with promising plays and prospects that will be subject to further and more detailed study. The final recommendation of the study is for the consortium to continue retaining the block. APMC has 5.835% participating interest in the block.

4. Service Contract 6(A)

The SC No. 6(A) field is located in offshore Northwest Palawan covering 165,000 hectares of relatively shallow waters. Philodrill recently completed the resources assessment of Octon, and they came up with substantial figures. As an added highlight of the evaluation is the addition of another prospect in the block named “Barselisa”.
5. Service Contract 6 (BJ-Bonita, Offshore Northwest Palawan

The Bonita field under SC No. 6 (B) is located offshore northwest Palawan, adjacent to the Matinloc field of SC No. 14, with an area of 53,293 hectares. Philodrill continued to implement the approved work program and budget for the block. The work program includes satellite gravity study and its integration into the seismic interpretation, detailed mapping of Top Nido horizon in the northern part of the block with a focus on the Elephant Prospect, and three other structural closures presently identified and seismic processing of existing lines over the block.

6. Service Contract 51-East Visayan Basin

The contract area is located in the central part of the Philippine Archipelago. The contract area is defined by two disjointed blocks, namely an onshore-offshore block over Northwest Leyte and a largely deep-water block in Cebu Strait, between the islands of Cebu and Bohol with an aggregate area of 444,000 hectares.

Along with our partners in Phinma Petroleum and Geothermal, Inc. and PetroEnergy Resources Corporation, we advised the Department of Energy of our relinquishment of the area on July 4, 2018.

Use of Property

Except for the oil and mining participating interest, Cosco Capital, Inc. uses its properties mostly for retail operations. There is no mortgage, lien, or encumbrance over any of the properties owned by the company that may limit or restrict its ownership or usage.

Lease provisions are mutually agreed upon by the parties and based on general standards set by the company in terms of rental, period, and other stipulations.

General Lease Provisions

Lease periods are, on average, up to 25 years. Rental rates depend on the location and the condition of the property. All renewal of leases is upon mutual agreement of the parties.

C. Legal Proceedings

There is no material pending legal (civil, criminal, administrative or arbitration) proceeding in which Cosco Capital, Inc. is involved or any of its property is a subject of.

<u>Other information:</u>

A. Market Price of and Dividends

1. Market Information

a. Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded

(16) State the name of the Exchange.

Philippine Stock Exchange.

(17) Presentation of the High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements are required by SRC Rule 68.

Cosco Capital, Inc.'s common stock trades in the Philippine Stock Exchange under the symbol "COSCO" The quarterly high and low of stock prices (in Philippine Peso) for the last two fiscal years and in the current year are in the stated below:

Period	2019		2020		2021	
	High	Low	High	Low	High	Low
1st Quarter	7.87	6.70	6.80	4.29	5.65	5.1
2nd Quarter	7.70	6.56	5.61	4.78	-	-
3rd Quarter	7.18	6.53	5.5	4.81	-	-
4th Quarter	7.08	6.39	5.8	5.05	-	-

2. Holders

a. Number of Holders of Each Class of Common Security

As of March 31, 2021, Cosco Capital Inc. has the following record of stockholders:

Number of Stockholders on Record	990
Issued Shares	7,405,263,564
Outstanding Capital Stock	7,197,029,564
Treasury Shares	208,234,000
Listed Shares	7,405,263,564

Cosco Capital Inc.'s Top 20 Stockholders as of March 31, 2021, are as follows:

1	CO, LUCIO L.	2,380,741,492.00	33.08%
2	CO, SUSAN P.	1,780,182,230.00	24.73%
3	CITIBANK N.A	339,504,141.00	4.72%
4	THE HSBC	256,640,427.00	3.57%
5	DEUTSCHE BANK MANILA-CLIENTS A/C	248,252,107.00	3.45%
6	ELLIMAC PRIME HOLDINGS, INC.	244,228,990.00	3.39%
7	CO, FERDINAND VINCENT P.	225,141,822.00	3.13%
8	CO, PAMELA JUSTINE P.	225,120,671.00	3.13%
9	STANDARD CHARTERED BANK	221,443,676.00	3.08%
10	VFC LAND RESOURCES, INC.	220,066,929.00	3.06%
11	KMC REALTY COPORATION	150,832,231.00	2.10%
12	CO, CAMILLE CLARISSE P.	106,838,231.00	1.48%
13	ANSALDO GODINEZ & CO., INC.	92,911,736.00	1.29%
14	KATRINA MARIE P. CO	58,884,384.00	0.82%
15	SPC RESOURCES, INC.	58,500,000.00	0.81%
16	COL FINANCIAL GROUP, INC.	48,508,968.00	0.67%
17	BDO SECURITIES CORPORATION	39,477,371.00	0.55%
18	ABACUS SECURITIES CORPORATION	30,198,766.00	0.42%
19	FIRST METRO SECURITIES BROKERAGE CORP.	28,425,277.00	0.39%
20	SB EQUITIES, INC.	28,372,535.00	0.39%

b. Effects in the company before and after the Share Swap Transaction:

None.

3. Dividends

Cosco Capital, Inc. declared the following cash dividends:

Declaration Date	Amount and Type of Dividend (R-regular, S-special)	Record Date	Payment Date
June 27, 2014	S – 0.06 per share	July 11, 2014	July 28, 2014
December 18, 2014	R – 0.06 per share S – 0.02 per share	January 12, 2015	February 5, 2015
December 18, 2015	R – 0.06 per share S – 0.02 per share	January 8, 2016	January 18, 2016
December 22, 2016	R – 0.06 per share S – 0.02 per share	January 12, 2017	January 20, 2017
December 15, 2017	R – 0.06 per share S – 0.04 per share	January 2, 2018	January 26, 2018
February 1, 2019	R – 0.06 per share S – 0.04 per share	February 15, 2019	March 1, 2019
December 18, 2020	R – 0.08 per share S – 0.04 per share	January 8, 2021	January 29, 2021
December 18, 2020	S – 0.04 per share	January 15, 2021	February 9, 2021

4. Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

   The 2019 Financial Statements of Cosco Capital, Inc. is attached as ***Annex "E"*** and all other relevant information.

   (A) Directors and Executive/Key Officers

   The business experience of the Directors and Executive Officers of Cosco Capital, Inc. are as follows:

   LUCIO L. CO, Filipino, 66 years old, Chairman of the Board of Directors since 2012.

   Mr. Co is also the Chairman and President of the following companies: Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Invescap Incorporated, Puregold Duty Free, Inc., and Puregold Properties, Inc.

   He is the Chairman of the Alcorn Petroleum and Minerals Corporation, Entenso Equities, Inc., NE Shopping Centers Corporation, P.G. Holdings, Inc., Pajusco Holdings Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., Union Energy Corporation, and Union Equities, Inc.

   He is one of the Directors of these companies: Catuiran Hydropower Corporation, Cleangreen Energy Corporation, Forbes Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Karayan Hydropower Corporation, Kareila Management Corporation, LCCK & Sons Realty Corporation, Luis Co Chi Kiat Foundation, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., League One Finance and Leasing Corporation, Pamana Water Corporation, Tower 6789 Corporation and VS Gripal Power Corporation.

   Mr. Co is holding the following positions in other Philippine listed companies: Director of Philippine Bank of Communications, Chairman of Puregold Price Club, Inc. and Chairman & President of Da Vinci Capital Holdings, Inc.

   He is a member of the Board of Trustees of Adamson University and Luis Co Chi Kiat Foundation, Inc.

   Mr. Co has been an entrepreneur for the past 40 years.

   SUSAN P. CO, Filipino, 63 years old, Vice-Chairman of the Board since 2013.

   Mrs. Co concurrently holds the following positions in other companies: Chairman and President of Cosco Price, Inc., Chairman of Tower 6789 Corporation and Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Kareila Management Corporation, KMC Realty Corp., Meritus Prime Distributions, Inc., Montosco, Inc., NE Shopping Centers Corporation, P.G. Holdings, Inc., Patagonia Holdings Corp., PPCI Subic, Inc., Premier Wine and

Spirits, Inc., Puregold Duty Free (Subic), Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., San Jose City I Power Corp., S&R Pizza (Harbor Point), Inc., S&R Pizza, Inc., Union Energy Corporation and Union Equities, Inc.

Mrs. Co is holding the following positions in other Philippine listed companies: Vice-Chairman of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

Mrs. Co received a Bachelor of Science degree in Commerce from the University of Santo Tomas.

LEONARDO B. DAYAO, Filipino, 77 years old, President of Cosco Capital, Inc. since 2010.

Mr. Dayao was the President of Puregold from 2005 to 2014. He was first elected on the board in 1998. He is also the Chairman and President of Fertuna Holdings Corp.; Chairman of Catuiran Hydropower Corporation, Grass Gold Renewable Energy (G2REC) Corporation, Kareila Management Corporation, League One Finance and Leasing Corporation, Pamana Water Corporation, PSMT Philippines, Inc., S&R Pizza, (Harbor Point) Inc., S&R Pizza, Inc.; Vice-Chairman of Ayagold Retailers, Inc.; President of NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., San Jose City I Power Corp., Union Energy Corporation; Vice-President of Alerce Holdings Corp., Bellagio Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Puregold Properties, Inc. and Union Equities, Inc.; and Director of Canaria Holdings Corporation, Entenso Equities Incorporated, Karayan Hydropower Corporation and Puregold Realty Leasing & Management, Inc.

Mr. Dayao is holding the following positions in other Philippine listed companies: Executive Director of Puregold Price Club, Inc. and Vice-Chairman of Philippine Bank of Communications.

He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He completed the Basic Management Program at the Asian Institute of Management and earned units in MBA from the University of the Philippines-Cebu.

LEVI LABRA, Filipino, 63 years old, Director since 2017.

Mr. Labra also serves as Director of Hope Philippines, Inc. He is holding the following positions in other Philippine listed companies: Board Consultant of Puregold Price Club, Inc. and Director of Philippine Bank of Communications.

Before joining the company, Mr. Labra worked in Procter & Gamble for 35 years. He was the Sales Head and a member of the management committee for 20 years. He was Regional Sales Manager for three years building sales organization and systems for India, Indonesia, Malaysia, Singapore, South Korea, and Thailand.

He graduated with honor, cum laude, from the University of San Carlos in 1978 of a degree of Bachelor of Science, major in Business Administration.

ROBERTO JUANCHITO T. DISPO, Filipino, 56 years old, Director since 2017.

Mr. Dispo is currently the President/CEO of League One Finance and Leasing Corporation, Chairman of Mercantile Insurance Corporation, Blacksburg Corporation, Pontificio Collegio Filipino in Rome, and Vice Chairman of New San Jose Builders.

Mr. Dispo was the former Vice Chairman and President of Cirtek Philippines from 2016 to 2019 and CEO of Quintel USA/UK from 2017 to 2019. He became President of First Metro Investment Corporation from 2011 to 2015, Senior Vice President and Executive Vice President of First Metro Investment Corporation from 1998 to 2010. He was a former Deputy Treasurer of the Philippines, National Treasury, Department of Finance from 1990 to 1997. Mr. Dispo started his career as Financial Analyst in the Department of Trade and Industry from 1988 to 1990 and Administrative Officer in the Department of National Defense from 1987 to 1988.

Mr. Dispo graduated with a degree of Bachelor of Science in Economics from the San Sebastián College, Manila in 1984. He took Bachelor of Science major in management from the Pamantasan ng Lungsod ng Maynila in 1990 and Masters in Business Administration from the same school in 1991. He completed a Diploma Program from the International Banking and Finance, Economic Institute, University of Colorado in 1994 and Masters in Business Economics from the University of Asia and the Pacific in 2014.

He is a member of the Money Market Association of the Philippines since 1998 and FINEX since 2012.

Mr. Dispo was the CEO of the Year awardee in 2014 given by Asia CEO Awards and became Finalist in CNBC Asia Best CEO in 2014.

ROBERT Y. COKENG, Filipino, 70 years old, Independent Director since 2013

Mr. Cokeng is the Chairman of the Audit Committee of Cosco Capital, Inc.

Mr. Cokeng is currently the Chairman and President, F&J Prince Holdings Corporation (PSE-Listed), Magellan Capital Holdings Corporation, Center Industrial and Investment, Inc., and Consolidated Tobacco Industries of the Philippines. He is also the Chairman of Pointwest Technologies Corp., Ipads Developers Corp., Chairman of the Executive Committee of BPO International.

Mr. Cokeng started as Senior Investment Officer and Philippine Country Officer in International Finance Corp. (World Bank group), Washington, D.C. from 1976 to 1986 and Planning Associate in Mobil Oil Philippines from 1971 to 1972.

Mr. Cokeng is a member of Wack - Wack Golf & Country Club, Tagaytay Midlands Golf & Country Club, Balesin Island Club, Management Association of the Philippines, and an Advisory Board Member of Harvard Business School Club of the Philippines.

Mr. Cokeng graduated with honors from the Ateneo University with a degree of Bachelor of Arts in Economics Honors Program in 1971, magna cum laude. He took a Masters in Business Administration program from Harvard University in 1976 and completed it with high distinction.

OSCAR S. REYES, Filipino, 75 years old, Independent Director since 2013.

Mr. Reyes is currently the Chairman of Link Edge, Inc. from 2002 up to the present. He was the former President & CEO of Manila Electric Company from 2012 to 2019, Senior Executive Vice–President & Chief Operating Officer of Manila Electric Company from 2010 to 2012. He was the Country Chairman of Shell Companies in the Philippines from 1997 to 2001 and held various executive positions in Pilipinas Shell Petroleum Corporation from 1971 to 2001.

Mr. Reyes completed Commercial Management Study Program, Shell International, United Kingdom in 1986, Program for Management Development at Harvard Business School in 1976, and with academic units completed in MBA at the Ateneo Graduate School of Business in 1971.

He is a member of the Management Association of the Philippines, FINEX, Asia Society of the Philippines, and the Employers Confederation of the Philippines.
Mr. Reyes is a graduate of the Ateneo de Manila University with a degree of Bachelor of Arts major in Economics in 1965 with a distinction of cum laude.

BIENVENIDO E. LAGUESMA, Filipino, 70 years old, Independent Director since 2017.

Mr. Laguesma is a Senior Partner at Laguesma Magsalin Consulta Law Offices, Independent Director of Philippine Bank of Communications (PSE-Listed), and Director of Rural Bank of Angeles, Cavite United Rural Bank, Asia United Leasing & Finance Corp., and Asia United Fleet Management Services, Inc.

He served as Secretary of the Department of Labor and Employment from 1998 to 2001, Commissioner of Social Security System from 2011 to 2016. He also became Presidential Assistant of the Office of the President of the Republic of the Philippines from 1996 to 1998, Undersecretary of the Department of Labor and Employment from 1990 to 1996, Administrator in the National Conciliation and Mediation Board from 1987 to 1990, Regional Director of the Department of Labor and Employment from 1982 to 1986, Assistant Regional Director from 1981-1982, and Executive Labor Arbiter, National Labor Relations Commission from 1979 to 1981. Mr. Laguesma started his public service as Labor Arbiter of the National Labor Relations Commission in 1979 and Provincial Director of Bataan Provincial Labor Office 1978 to 1979, and Mediator-Arbiter of the Bureau of Labor Relations from 1976 to 1978.

Atty. Laguesma completed his Career Executive Development Course from the Development Academy of the Philippines from 1984 to 1985 and Public Administration Course from the Royal Institute of Public Administration in London, United Kingdom in 1985. Lyceum of the Philippines awarded Atty. Laguesma, with an Outstanding Alumnus award in 1971, Doctor of Humanities, Honoris Causa, by the

Adamson University in 1999, and Doctor of Humanities, Honoris Causa, by the Central Colleges of the Philippines in 2016.

He is a member of the Integrated Bar of the Philippines since 1976, the Philippine Bar Association since 2004, and the Rotary Club of Manila since 2002.

Atty. Laguesma graduated from the Lyceum of the Philippines with a degree of Bachelor of Arts major in Political Science in 1971 and Ateneo de Manila University College of Laws with a degree of Bachelor of Laws in 1975.

JAIME J. BAUTISTA, Filipino, 64 years old, Director since 2020.

Mr. Bautista is currently a member of the Board of Trustees of the University of the East, UE Ramon Magsaysay Memorial Medical Center, International School of Sustainable Tourism, Philippine Eagle Foundation Inc. and member of the Board of Directors of Airspeed International Corp., Alphaland Corp., Gothong Southern Shipping Lines, Inc., Sabre Travel Network Phils. Inc.

He used to be the President of the Philippine Airlines, Inc. (PAL) from 2014 to 2019 and from 2004 to 2012. He was the Executive Vice-President of PAL from 1999 to 2004 and Senior Vice President – Chief Finance Officer from 1994 to 1998.
Mr. Bautista is a graduate of Colegio de San Juan de Letran, Intramuros, Manila, with a degree of Bachelor of Science in Commerce, Major in Accounting, 1977.

He completed a post-graduate course of Doctor of Philosophy in Humanities (Honoris Causa) from the Central Luzon State University, Muñoz, Nueva Ecija in 2018, and a Canada International Entrepreneurial Program from Capilano College, North Vancouver, British Columbia in 1990.

(2) Executive Officers

TEODORO A. POLINGA, Filipino, 62 years old, Group Finance Comptroller since 2013.

Mr. Polinga was the Senior Accounting Manager of the company in 2013 and became Comptroller in 2015.

He was the founding President and Director of MTM Ship Management (Philippines), Inc., 2013 to 2014, and Executive Director and Chief Finance Officer of Alchem Energy Limited from 2010 to 2012.

Mr. Polinga is a Sustaining Life Member of the Philippine Institute of Certified Public Accountants (PICPA), Member/Past Director of the Rotary Club of Makati – Legazpi and Director & Vice President of B.F. International Homeowners Association.

Mr. Polinga graduated with honors, magna cum laude, from the Holy Name University (Formerly Divine Word College of Tagbilaran City) with a degree of Bachelor of Science major in Accounting in 1978 and completed a Management Development Program from the Asian Institute of Management in 1990.

JOSE S. SANTOS, JR., Filipino, 80 years old, Corporate Secretary since 2013.

Atty. Santos is a practicing lawyer. He is a graduate of Lyceum of the Philippines with a degree of Bachelor of Laws in 1961. He became a member of the Philippine bar in 1961.

CANDY H. DACANAY–DATUON, Filipino, 42 years old, Assistant Corporate Secretary and Compliance Officer since 2013.

Atty. Dacanay is a graduate of Colegio De San Juan de Letran with a degree of Bachelor of Arts in Political Science, with a distinction of cum laude. She finished Bachelor of Laws from the University of Santo Tomas in 2003 and admitted to the Philippine Bar in 2004.

She started her career as Associate Counsel of Puregold Price Club, Inc. from 2004 to 2011. She became the company's Assistant Corporate Secretary and at the same time Compliance Officer in 2012, and Data Privacy Officer in 2018.

Concurrently, she is the Assistant Corporate Secretary and Compliance Officer of Puregold Price Club, Inc. (a listed company) and Corporate Secretary of Da Vinci Capital Holdings, Inc. (a listed company), Kareila Management Corporation (S&R warehouse) and Corporate Secretary and Compliance Officer of League One Finance and Leasing Corporation.

Atty. Dacanay has recently completed the Harvard Business School Online Certificate Program, "Sustainable Business Strategy".

EMERLINDA D. LLAMADO, Filipino, 59 years old, Internal Auditor since 2012.

Before joining the company, she worked as System Assistant and Audit Manager from 1984 to 2012 with the Ever Gotesco group of companies. She graduated from the Far Eastern University with a degree of Bachelor of Science in Accountancy in 1984. Ms. Llamado is a Certified Public Accountant.

(3) Key Officers in Subsidiaries

FERDINAND VINCENT P. CO, Filipino, 39 years old, President of Puregold Price Club, Inc. since 2015.

He concurrently holds the following positions: (1) Chairman and President of Alerce Holdings Corp., Blue Ocean Foods, Inc., Forbes Corporation, Invesco Company, Inc., KMC Realty Corporation, League One, Inc., PPCI Subic Inc., Patagonia Holdings Corp., Purepadala, Inc., and VFC Land Resources, Inc.; (2) President of Ayagold Retailers, Inc., Entenso Equities, Inc., and Union Equities, Inc.; (3) Director of Bellagio Holdings, Inc., Blue Ocean Holdings, Inc., Canaria Holdings Corporation, Cosco Price, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corp., Meritus Prime Distributions, Inc., P.G. Holdings, Inc., Premier Wine and Spirits, Inc., PSMT Philippines, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc., Puregold

Properties, Inc., Puregold Realty Leasing & Management, Inc., San Jose City Power Corp., Tower 6789 Corporation and Union Energy Corporation.

Mr. Vincent Co received a Bachelor of Science degree in Entrepreneurial Management from the University of Asia and the Pacific in 2003.

ANTHONY SY, Filipino, 60 years old, S&R President since 2006.

Before joining the company, Mr. Sy worked as President of Visual Merchandising Center from 1986 to 2006. He graduated from the Ateneo De Manila University with a degree of Bachelor of Science in Management Engineering in 1982.

JOSEPH U. SY, Filipino, 57 years old, Operations Manager of Ayagold since 2017.

Mr. Sy is one of the pioneer employees of Puregold. He was the first store manager in the first branch of the company in Mandaluyong City. Because of his long retail experience, Mr. Sy manages the big stores of Puregold in Metro Manila, and he is also heading the operation of 2 branches of Merkado, a joint venture project with Ayala Land, Inc.

He graduated from the Philippine School of Business Administration major in Accountancy in 1983. Mr. Sy is a Certified Public Accountant.

IRAIDA B. DE GUZMAN, Filipino, 61 years old, President of Office Warehouse since 2014.

Before joining Office Warehouse, Ms. De Guzman worked as Senior Vice-President of Puregold from 1999 to 2014. She is a graduate of Polytechnic University of the Philippines with a degree of Bachelor of Science in Commerce major in Economics.

GIRLIE M. SY, Filipino, 57 years old, President of Nation Realty, Inc. since 2013.

Ms. Sy started her career in Puregold Finance, Inc. as Finance and Administration Manager in 1995 up to the present and Finance and Admin Manager for Bellagio Holdings, Inc. in 2005 up to the present.

Ms. Sy is a graduate of Far Eastern University with a degree of Bachelor of Science in Psychology in 1983.

JOAN C. JUSTO, Filipino, 45 years old, Leasing Manager of NE Pacific Shopping Centers Corporation since 2014.

Ms. Justo has been with NE Pacific since 1997 under its previous and founding owners. She is a graduate of Lyceum of the Philippines with a degree of Bachelor of Science in Foreign Service in 1995.

CAMILLE CLARISSE P. CO, Filipino, 32 years old, Chairman and President of Meritus Prime Distributions, Inc. since 2013.

Ms. Camille Co is a Director of Alerce Holdings, Corp., Blue Ocean Holdings, Corp., CHMI Hotels and Residences, Inc., Fertuna Holdings, Corp., Invesco Company, Inc., KMC Realty Corporation, League One, Inc., Montosco, Inc., Nation Realty Inc., P.G. Holdings, Inc., Patagonia Holdings, Corp., Pure Petroleum Corp., Premier Wine and Spirits, Inc. Puregold Properties, Inc., S&R Pizza, Inc., SPC Resources, Inc., Union Equities, Inc., VFC Land Resources, Inc.

Ms. Co is a graduate of Dela Salle University with a degree of Bachelor of Arts in Psychology in 2009.

JANELLE O. UY, Filipino, 32 years old, Chairman and President of Montosco, Inc. since 2013.

Prior to joining the company, Ms. Uy worked as a Key Account Manager in Unilever Philippines from 2009 to 2013. She graduated from the Dela Salle University with a degree in Applied Corporate Management in 2009.

ROBIN DERRICK C. CHUA, Filipino, 31 years old, Managing Director of Premier Wine and Spirits, Inc. from 2018 up to the present.

Before joining the company, Mr. Chua worked in various consumer marketing and sales roles in Unilever Philippines and overseas from 2012 to 2018. He is a graduate of Ateneo de Manila University with a degree of Bachelor in Management and a Minor in Entrepreneurship in 2012.

JOSE PAULINO L. SANTAMARINA, Filipino, 57 years old, President of Premier Wines and Spirits, Inc. from 1996 up to the present.

Mr. Santamarina is a graduate of the Ateneo De Davao University with a degree of Bachelor of Science in Accountancy.

(B) Significant Employees

There is no person in Cosco Capital, Inc. who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business.

(C) Family Relationships

Mr. and Mrs. Lucio and Susan Co are husband and wife. Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co, and Ms. Camille Clarisse P. Co are their children.

(D) Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, Cosco Capital, Inc. has no director, executive officer or principal officer who is involved in any of the following:

(1) Bankruptcy case.

(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.

(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to the **2019 Audited Financial Statements** hereto attached as ***Annex "E"***.

III. <u>*Montosco, Inc.*</u>

A. Description of Business

1. Business Development

a. Form and Year of Organization

Montosco, Inc. ("Montosco") is a domestic corporation registered with the SEC on August 13, 2008, which is not publicly listed,

b. Any Bankruptcy, Receivership or Similar Proceedings

None.

c. Any Material Reclassification, merger, Consolidation or Purchase or Sale of a significant amount of assets (not ordinary)

None.

2. Business of Issuer

a. Description of the Business of Registrant and its Significant Subsidiaries

Montosco is not a registrant or a publicly listed company/registrant. It is a domestic corporation registered with the SEC on August 13, 2008, and was incorporated for the primary purpose of trading goods on wholesale and retail basis.

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

Montosco distributes its products thru its sales team to the local distributors. It also sells to supermarkets, wholesalers and on-premises outlets namely hotels, restaurants, bar and resorts.

The company does not have any transactions with and is not dependent on related parties.

b. Additional requirements as to certain Issues or Issuer

Montosco is not involved in debt issues and is not an investment company.

B. Description of Property

Based on its 2020 audited financial statements, Montosco booked "Property and equipment – net" at PhP19.065 million, and it has a "Right-of-use assets" at PhP100.135 million. In FY 2019, the "Property and equipment – net" has ending balance of PhP9.412 million and "Right-of-use assets" of PhP26.735 million.

C. Legal Proceedings

There is no material pending legal (civil, criminal, administrative or arbitration) proceeding in which the company is involved or any of its property is a subject of.

<u>Other information:</u>

A. Market Price of and Dividends

1. Market Information

a. Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded

(1) State the name of the Exchange.

Not applicable since Montosco is not publicly listed.

(2) High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements.

Not applicable since Montosco is not publicly listed.

2. Holders

a. Number of Holders of Each Class of Common Security

One (1) holder of common shares since it is fully owned by Cosco.

b. Effects in the company before and after the Share Swap Transaction:

It shall be fully owned by Da Vinci Capital Holdings, Inc.

3. Dividends

Montosco, Inc. declared a cash dividend amounting to PhP 200 million on December 18, 2020.

4. Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There were no sales of unregistered securities within the fiscal year covered by this report.

The 2020 Financial Statements of Montosco Inc. is attached as ***Annex "G"*** and all other relevant information.

Management's Discussion and Analysis of Operations

The following discussion and analysis of Montosco's results of operations, financial condition and certain trends, risks and uncertainties that may affect Montosco 's business.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Montosco s operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment

- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales

- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Montosco to pay interest of its outstanding debts

- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Montosco

- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues

- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Montosco's leverage used to finance the firm

- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of Montosco's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2020**	**2019**
Return on investment	**27.90%**	**38.62%**
Profit margin	**17.54%**	**13.61%**
EBITDA to interest expense	**115.28x**	**44.00x**
Current ratio	**3.94:1**	**2.60:1**
Asset turnover	**0.19:1**	**0.23:1**
Asset to equity	**1.36:1**	**1.62:1**
Debt to equity ratio	**0.36;1**	**0.62;1**

These financial ratios were calculated based on the 2020 Audited Financial Statements of Montosco, Inc.

Comparative Years 2020 and 2019

The table below shows the results of operations of Montosco for the years ended December 31, 2020 and 2019.

(In Thousands)	**FY2020**	*%*	**FY2019**	*%*	***INCREASE (DECREASE)***	*%*
REVENUES	**6,106,846**	***100.00%***	8,155,525	*100.00%*	***(2,048,679)***	***-25.12%***
COST OF SALES	**4,263,930**	***69.82%***	6,130,313	*75.17%*	***(1,866,383)***	***-30.45%***
GROSS PROFIT	**1,842,916**	***30.18%***	2,025,212	*24.83%*	***(182,296)***	***-9.00%***
OPERATING EXPENSES	**431,325**	*7.06%*	545,503	*6.69%*	***(114,178)***	***-20.93%***
INCOME FROM OPERATIONS	**1,411,591**	***23.12%***	1,479,709	*18.14%*	***(68,118)***	***-4.60%***
OTHER INCOME (CHARGES) - net	**9,403**	***0.15%***	288	*0.00%*	***9,115***	***31.65%***
INCOME BEFORE INCOME TAX	**1,402,188**	***22.97%***	1,479,998	*18.15%*	***(77,810)***	***-5.26%***
INCOME TAX EXPENSE	**331,725**	***5.43%***	370,311	*4.54%*	***(38,586)***	***-10.42%***
NET INCOME FOR THE YEAR	**1,070,463**	***17.54%***	1,109,687	*13.61%*	***(39,224)***	***-3.53%***

Revenues

Montosco posted a revenue of P6.11 Billion during the year ended December 31, 2020, which decreased by 25.12%. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020.

Net Income

During the same year, Montosco realized net income of P1.07 Billion which is approximately the same to last year's net income mainly due to strategic cost-saving measures implemented by the segment despite of the decline in sales.

Statements of Financial Position

Shown below are the comparative financial position of Montosco:

(In Thousands)	FY2020	%	FY2019	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	**2,177,069**	**37.56%**	167,845	3.04%	**2,009,224**	**1197.07%**
Receivables - net	**1,016,343**	**17.53%**	1,444,904	26.15%	**(428,561)**	**-29.66%**
Inventories	**1,931,696**	**33.33%**	3,427,766	62.03%	**(1,496,070)**	**-43.65%**
Prepayments and other current assets	**541,689**	**9.35%**	445,283	8.06%	**96,406**	**21.65%**
Total current assets	**5,666,797**	**97.77%**	5,485,798	99.27%	**180,999**	**3.30%**
Noncurrent Assets						
Property and equipment - net	**19,065**	**0.33%**	9,412	0.17%	**9,653**	**102.56%**
Right-of-use assets	**100,135**	**1.73%**	26,736	0.48%	**73,399**	**274.53%**
Other non-current assets	**9,808**	**0.17%**	4,128	0.07%	**5,680**	**137.60%**
Total noncurrent assets	**129,008**	***2.23%***	40,276	*0.73%*	**88,732**	**220.31%**
Total Assets	**5,795,805**	***100.00%***	5,526,074	*100.00%*	**269,731**	**4.88%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**1,063,297**	***18.35%***	1,124,965	*20.36%*	**(61,668)**	**-5.48%**
Income tax payable	**152,686**	***2.63%***	139,332	*2.52%*	**13,353**	**9.58%**
Short-term loans payable	**-**	***0.00%***	120,000	*2.17%*	**(120,000)**	**-100.00%**
Dividends payable	**200,000**	***3.45%***	50,000	*0.90%*	**150,000**	**300.00%**
Lease liability	**23,521**	***0.40%***	14,431	*0.26%*	**9,090**	**62.99%**
Due to related parties	**-**	***0.00%***	659,500	*11.93%*	**(659,500)**	**-100.00%**
Total current liabilities	**1,439,504**	***24.84%***	2,108,229	*38.15%*	**(668,725)**	**31.72%**
Noncurrent Liabilities						
Retirement benefit liability	**3,071**	***0.05%***	2,341	*0.04%*	**731**	**31.23%**

Lease liability-net of current portion	**80,724**	***1.39%***	13,129	*0.24%*	**67,595**	**514.87%**
Total noncurrent liabilities	**83,795**	***1.44%***	15,469	*0.28%*	**68,326**	**441.69%**
Total Liabilities	**1,523,299**	***26.28%***	2,123,698	*38.43%*	**(600,399)**	**-28.27%**
EQUITY						
Capital stock	**750,000**	***12.94%***	750,000	*13.57%*	**-**	**0.00%**
Remeasurement of retirement liability - net of tax	**(698)**	***-0.01%***	(365)	*-0.01%*	**-333**	**91.47%**
Retained earnings	**3,523,204**	***60.79%***	2,652,741	*48.00%*	**870.463**	**25.58%**
Total Equity	**4,272,506**	*73.72%*	3,402,376	*61.57%*	**870,130**	**31.97%**
Total Liabilities and Equity	**5,795,805**	*100.00%*	5,526,074	*100.00%*	**269,731**	**4.88%**

Current Assets

Cash and cash equivalents amounted to P2.18 Billion as at December 31, 2020 with an increase of P2.0 Billion or from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 29.66% from December 31, 2019 balance of P1.44 Billion to this year's balance of P1.02 Billion due mainly to the net effect of collections made.

Inventories decreased by 43.65% from 2019 balance of P3.43 Billion to this year's balance of P1.93 Billion due to slowed down of orders caused by enhanced community quarantines.

Prepaid expenses and other current assets increased by P96.41 Million or 21.65% at the end of December 2020, mainly due to prepayments made for excise taxes.

Non-current Assets

Property and equipment-net Book values of property and equipment increased by P9.65 Million from P9.41 Million in December 2019 to P19.06 Million in December 2020.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized. Book values of ROU increased by P73.40 Million from P26.74 Million in December 2019 to P100.14 Million in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into net of depreciation recognized during the same year.

Other non-current assets increased by P5.68 Million mainly due to the payment of deposits on lease contract.

Current Liabilities

A**ccounts payable and accrued expenses** pertains to the trade payable to suppliers. The decrease by 5.48% was primarily due to settlements of trade and non-trade liabilities.

I**ncome tax payable** increased by P13.35 million from is mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Divided payable increased by P150.0 million from is mainly due to dividend declaration made during 2020.

Short-term loans payable account decreased by P120 million mainly due to settlements made.

Lease liabilities due within one year account increased by P9.09 million from P14.43 Million in December 2019 to P23.52 Million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

Due to related parties decreased by P659.50 Million mainly due to the settlements made.

Noncurrent Liabilities

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Montosco. The account increased by P67.59 million from P13.13 million in December 2019 to P80.72 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability amounted to P3.07 million as of December 31, 2020 which was increased by P0.73 million from December 31, 2019 balance of P2.34 million due to increase in number of employees in the current year's actuarial valuations.

Equity

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020 and 2019, the account amounted to P0.698 million and P0.365 million, respectively.

Retained earnings increased by P870.63 million or 25.58% from P2.65 Billion in December 2019 to P3.52 Billion as at December 31, 2020 due to profit realized by Montosco, net of cash dividend declaration.

Sources and Uses of Cash
A brief summary of cash flow movements is shown below:

(In thousands)	**2020**	**2019**
Net cash flows from operating activities	**2,905,024**	**575,388**
Net cash flows used in investing activities	**(21,170)**	**(5,418)**
Net cash flows used in financing activities	**(874,626)**	**(484,703)**
Net increase in cash and cash equivalents	**2,009,228**	**(85,267)**

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts, purchase of inventories for stocking requirements and other related current operating.

On the other hand, net cash from and used in investing activities mainly pertains to the funds used for additional assets acquisition and capital expenditures.
Net cash used in financing activities principally resulted from the net settlements of bank loans by and payment of 2019 cash dividends declared.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Montosco to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(i) Seasonal aspects that had a material effect on the financial condition or results of Montosco's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(ii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(iv) There are no contingent liabilities or assets since the last statement of financial position period;

(v) Sources of liquidity – Funding will be sourced from internally generated cash flow.

(vi) There are no events that will trigger direct or contingent financial obligation that is material to Montosco, including any default or acceleration of an obligation;

(vii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(viii) 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;

(ix) There are no significant elements of income not arising from continuing operations;

(x) Due to Montosco's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

(A) Directors and Executive/Key Officers

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

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

(B) Significant Employees

There is no person in the company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business.

(C) Family Relationships

None of the directors/independent directors and executive officers of the company has any family relationships up to the fourth civil degree by consanguinity or affinity, except for Mr. Lucio L. Co who is related by consanguinity to Ms. Camille Clarisse P. Co and to Mrs. Susan P. Co, wife of Mr. Co.

(D) Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, the company has no director, executive officer or principal officer who is involved in any of the following:

(1) Bankruptcy case.

(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.

(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to the 2020 Audited Financial Statements of Montosco, Inc. hereto attached as ***Annex "G".***

IV. *<u>Meritus Prime Distributions, Inc.</u>*

A. Description of Business

1. Business Development

a. Form and Year of Organization

Meritus Prime Distributions, Inc. ("Meritus") is a domestic corporation registered with the SEC on February 17, 2010.

b. Any Bankruptcy, Receivership or Similar Proceedings

None.

c. Any Material Reclassification, merger, Consolidation or Purchase or Sale of a significant amount of assets (not ordinary)

None.

2. Business of Issuer

a. Description of the Business of Registrant and its Significant Subsidiaries

Meritus is not a registrant or a publicly listed company/registrant. It is a domestic corporation registered with the SEC on February 17, 2010, and was incorporated for the primary purpose of buying, selling, exporting, manufacturing, bottling and distribution of all kinds of wines, liquors, beers and other alcoholic and non-alcoholic beverages, etc.

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

Meritus distributes its products thru its sales team to the local distributors. It also sells to supermarkets, wholesalers and on-premises outlets namely hotels, restaurants, bar and resorts.

The company does not have any transactions with and is not dependent on related parties.

b. Additional requirements as to certain Issues or Issuer

Meritus is not involved in debt issues and is not an investment company.

B. Description of Property

Based on its 2020 Audited Financial Statements, Meritus booked "Property and equipment – net" at PhP0.495 million, and it has a "Right-of-use assets" at PhP0 million. In FY 2019, the "Property and equipment – net" has ending balance of PhP0.924 million and "Right-of-use assets" of PhP2.458 million.

Also, the company does not intend to acquire any property in the next twelve (12) months.

C. Legal Proceedings

There is no material pending legal (civil, criminal, administrative or arbitration) proceeding in which the company is involved or any of its property is a subject of.

<u>Other information:</u>

A. Market Price of and Dividends

1. Market Information

a. Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded

(1) State the name of the Exchange.

Not applicable since Meritus is not publicly listed.

(2) High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements.

Not applicable since Meritus is not publicly listed.

2. Holders

a. Number of Holders of Each Class of Common Security

One (1) holder of common shares since it is fully owned by Cosco.

b. Effects in the company before and after the Share Swap Transaction:

It shall be fully owned by Da Vinci Capital Holdings, Inc..

3. Dividends

There were no dividends declared for the year ended December 31, 2020.

4. Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There were no sales of unregistered securities within the fiscal year covered by this report.

The 2020 Financial Statements of Meritus is attached as ***Annex "H"*** and all other relevant information.

Management's Discussion and Analysis of Operations

The following discussion and analysis of Meritus' results of operations, financial condition and certain trends, risks and uncertainties that may affect Meritus' business.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Meritus' operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment

- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales

- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Meritus to pay interest of its outstanding debts

- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Meritus
- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Meritus' leverage used to finance the firm
- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Meritus' financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2020**	**2019**
Return on investment	**5.66%**	**5.57%**
Profit margin	**8.06%**	**6.47%**
EBITDA to interest expense	**17.39x**	**7.2x**
Current ratio	**6.85:1**	**4.27:1**
Asset turnover	**0.05:1**	**0.05:1**
Asset to equity	**1.17:1**	**1.31:1**
Debt to equity ratio	**0.15:1**	**0.23:1**

These financial ratios were calculated based on the 2020 Audited Financial Statements of Meritus Prime Distributions, Inc.

Comparative Years 2020 and 2019

The table below shows the results of operations of Meritus for the years ended December 31, 2020 and 2019.

(In Thousands)	**FY2020**	**%**	**FY2019**	**%**	***INCREASE (DECREASE)***	**%**
REVENUES	**839,541**	***100.00%***	958,829	*100.00*	***(119,288)***	***-12.44%***
COST OF SALES	**682,656**	***81.31%***	780,137	*81.36*	***(97,482)***	***-12.50%***
GROSS PROFIT	**156,885**	***18.69%***	178,691	*18.64%*	***(21,806)***	***-12.20%***
OPERATING EXPENSES	**50,022**	***5.96%***	68,813	*7.18%*	***(18,791)***	***-27.31%***

INCOME FROM OPERATIONS	**106,863**	*12.73%*	109,878	*11.46%*	***(3,015)***	***-2.74%***
OTHER INCOME (CHARGES) - net	***(10,322)***	***-1.23%***	(19,164)	*-2.00%*	***8,842***	***.46%***
INCOME BEFORE INCOME TAX	**96,541**	***11.50%***	90,714	*9.46%*	***5,827***	***6.42%***
INCOME TAX EXPENSE	**29,895**	*3.56%*	28,663	*2.99%*	***1,232***	*4.3%*
NET INCOME FOR THE YEAR	**66,646**	*7.94%*	62,051	*6.47%*	***4,595***	*7.40%*

Revenues

Meritus posted a revenue of P839.54 million during the year ended December 31, 2020, which decreased by 12.44%. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020.

Net Income

During the same year, Meritus realized net income of P66.646 Million which grew by 7.40% mainly due to strategic cost-saving measures implemented by the segment despite of the decline in sales.

Consolidated Statements of Financial Position

Shown below are the comparative financial position of Meritus:

(In Thousands)	**FY2020**	**%**	**FY2019**	**%**	**INCREASE (DECREASE)**	**%**
ASSETS						
Current Assets						
Cash and cash equivalents	**48,672**	**3.04%**	44,277	2.96%	**4,395**	**9.93%**
Receivables - net	**247,081**	**17.91%**	379,028	25.37%	**(131,947)**	**-34.81%**
Inventories	**1,053,904**	**74.14%**	717,190	48.00%	**336,714**	**46.95%**
Prepayments and other current assets	**67,473**	**4.75%**	348,493	23.32%	**(281,020)**	**-80.64%**
Total current assets	**1,417,130**	**99.84%**	1,488,988	99.66%	**(71,858)**	**-4.83%**
Noncurrent Assets						
Property and equipment - net	**495**	**0.03%**	924	0.06%	**(429)**	**-46.43%**

Right-of-use assets		**0.00%**	2,459	0.16%	**(2,459)**	**-100.00%**
Deferred tax assets-net	**209**	**0.06%**	856	0.06%	**(647)**	**-75.58%**
Other non-current assets	**903**	**0.06%**	883	0.06%	**20**	**2.27%**
Total noncurrent assets	**1,607**	***0.16%***	5,122	*0.34%*	**(3,515)**	**-68.63%**
Total Assets	**1,418,737**	***100.00%***	1,494,110	*100.00%*	**(75,373)**	**-5.04%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**147,472**	***10.37%***	33,792	*2.26%*	**113,680**	**336.41%**
Income tax payable	**17,354**	***1.34%***	16,215	*1.09%*	**1,139**	**7.02%**
Short-term loans payable	**42,000**	***2.95%***	296,000	*19.81%*	**(254,000)**	**-85.81%**
Lease liability	**-**	***0.00%***	2,913	*0.20%*	**(2,913)**	**-100.00%**
Total current liabilities	**206,826**	***14.67%***	348,920	*23.35%*	**(142,094)**	**-40.72%**
Noncurrent Liabilities						
Retirement benefit liability	**695**	***0.05%***	760	*0.05%*	**(65)**	**-8.55%**
Total noncurrent liabilities	**695**	***0.05%***	760	*0.05%*	**(695)**	**-8.55%**
Total Liabilities	**207,521**	***14.73%***	349,680	*23.40%*	**(142,159)**	**-40.65%**
EQUITY						
Capital stock	**750,000**	***52.76%***	750,000	*50.20%*	**-**	**0.00%**
Remeasurement of retirement liability - net of tax	**964**	***0.06%***	824	*0.06%*	**140**	**17.00%**
Retained earnings	**460,252**	***32.45%***	393,606	*26.34%*	**66,646**	**16.93%**
Total Equity	**1,211,216**	***85.27%***	1,144,430	*76.60%*	**66,786**	**5.92%%**
Total Liabilities and Equity	**1,418,737**	***100.00%***	1,494,110	*100.00%*	**(75,373)**	**-5.04%**

Current Assets

Cash and cash equivalents amounted to P48.67 million as at December 31, 2020 with an increase of 9.93% from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 34.81% from December 31, 2019 balance of P379.03 million to this year's balance of P247.08 million due mainly to the net effect of collections made.

Inventories increased by 46.95% from 2019 balance of P717.19 million to this year's balance of P1.05 Billion due to hampered sales caused by the community quarantines.

Prepaid expenses and other current assets decreased by P281.02 Million or 80.64% at the end of December 2020, mainly due to application of prepayments made for the purchases of inventories and corresponding taxes and duties.

Non-current Assets

Property and equipment-net Book values of property and equipment decreased by P0.429 Million due to depreciation charge.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized. Book values of ROU decreased by P2.46 million due principally to depreciation recognized during the same year.

Current Liabilities

A**ccounts payable and accrued expenses** pertains to the trade payable to suppliers. The increase by P113.68 million was primarily due to net settlements of trade and non-trade liabilities and additional accruals and purchases during the year.

Income tax payable increased by P1.14 million mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by P254 million mainly due to settlements made.

Noncurrent Liabilities

Retirement benefit liability amounted to P0.695 million and P0.760 million as of December 31, 2020 and 2019, respectively.

Equity

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020 and 2019, the account amounted to P0.964 million and P0.824 million, respectively.

Retained earnings increased by P66.65 million or 16.93% from P393.61 million in December 2019 to P460.25 million as at December 31, 2020 due to profit realized by Meritus.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In thousands)	**2020**	**2019**
Net cash flows from operating activities	**267,984**	**(211,720)**
Net cash flows used in investing activities	**(66)**	**(43)**

Net cash flows used in financing activities	**(263,523)**	**203,872**
Net increase in cash and cash equivalents	**4,395**	**(7,891)**

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the, purchase of inventories for stocking requirements and other related current operating.

On the other hand, net cash from and used in investing activities mainly pertains to the funds used for additional asset acquisitions.

Net cash used in financing activities principally resulted from the net settlements of bank loans by Meritus during the year, repayment of principal and interest relating to lease liability.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Meritus to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(xi) Seasonal aspects that had a material effect on the financial condition or results of Meritus operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(xii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(xiii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(xiv) There are no contingent liabilities or assets since the last statement of financial position period;

(xv) Sources of liquidity – Funding will be sourced from internally generated cash flow.

(xvi) There are no events that will trigger direct or contingent financial obligation that is material to Meritus, including any default or acceleration of an obligation;

(xvii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(xviii) 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;

(xix) There are no significant elements of income not arising from continuing operations;

(xx) Due to Meritus' sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

(A) Directors and Executive/Key Officers

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

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

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

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

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

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

(B) Significant Employees

There is no person in the company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business.

(C) Family Relationships

None of the directors/independent directors and executive officers of the company has any family relationships up to the fourth civil degree by consanguinity or affinity, except for Mr. Lucio L. Co, who is married to Ms. Susan P. Co, and both of them are related by consanguinity to Ms. Camille Clarisse P. Co.

(D) Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, the company has no director, executive officer or principal officer who is involved in any of the following:

(1) Bankruptcy case.

(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.

(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to the 2020 Audited Financial Statements of Meritus Prime Distributions, Inc. hereto attached as *Annex "H"*.

V. *Premier Wine and Spirits, Inc.*

A. Description of Business

1. Business Development

a. Form and Year of Organization

Premier Wine and Spirits, Inc. (Premier) is a domestic corporation registered with the SEC on June 19, 1996.

b. Any Bankruptcy, Receivership or Similar Proceedings

None.

c. Any Material Reclassification, merger, Consolidation or Purchase or Sale of a significant amount of assets (not ordinary)

None.

2. Business of Issuer

a. Description of the Business of Registrant and its Significant Subsidiaries

Premier is not a registrant or a publicly listed company/registrant. It is a domestic corporation registered with the SEC on June 19, 1996, and was incorporated for the primary purpose of buying, selling, distributing and marketing at wholesale all kinds of goods, commodities and merchandise.

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

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

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

Premier Wine distributes its products thru its sales team to the local distributors. It also sells to supermarkets, wholesalers and on-premises outlets namely hotels, restaurants, bar and resorts.

The company does not have any transactions with and is not dependent on related parties.

b. Additional requirements as to certain Issues or Issuer

Premier is not involved in debt issues and is not an investment company.

B. Description of Property

Based on its 2020 audited financial statements, Premier booked "Property and equipment – net" at PhP12.653 million, and it has a "Right-of-use assets" at PhP85.718 million. In FY 2019, the "Property and equipment – net" has ending balance of PhP6.541 million and "Right-of-use assets" of PhP4.851 million.

Also, the company does not intend to acquire any property in the next twelve (12) months.

C. Legal Proceedings

There is no material pending legal (civil, criminal, administrative or arbitration) proceeding in which the company is involved or any of its property is a subject of.

<u>Other information:</u>

A. Market Price of and Dividends

1. Market Information

a. Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded

(1) State the name of the Exchange.

Not applicable since Premier is not publicly listed.

(2) High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements.

Not applicable since Premier is not publicly listed.

2. Holders

a. Number of Holders of Each Class of Common Security

One (1) holder of common shares since it is fully owned by Cosco.

b. Effects in the company before and after the Share Swap Transaction:

It shall be fully owned by Da Vinci Capital Holdings, Inc..

3. Dividends

There were no dividends declared for the year ended December 31, 2020.

4. Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction

There were no sales of unregistered securities within the fiscal year covered by this report.

The 2020 Financial Statements of Premier Wine is attached as ***Annex "I"*** and all other relevant information.

Management's Discussion and Analysis of Operations

The following discussion and analysis of Premier's results of operations, financial condition and certain trends, risks and uncertainties that may affect Premier's business.

Key Performance Indicators

The following financial ratios are considered by management as key performance indicators of Premier's operating results as well as its financial condition:

- Return on investment (Net income/ Ave. stockholders' equity) - measures the profitability of stockholders' investment

- Profit margin (Net income/ Net revenue) - measures the net income produced for each peso of sales

- EBITDA to interest expense (EBITDA/ Interest expense) – measures the ability of Premier to pay interest of its outstanding debts

- Current ratio (Current asset/ Current liabilities) - measures the short-term debt-paying ability of Premier

- Asset turnover (Net revenue/ Average total assets) - measures how efficiently assets are used to generate revenues

- Asset to equity ratio (Assets/ Shareholders' equity) - indicates Premier's leverage used to finance the firm

- Debt to equity ratio (Liabilities/ Shareholders' Equity) -measure of a Premier's financial leverage

The table below shows the key performance indicators for the past two years:

Performance Indicators	**2020**	**2019**
Return on investment	**4.44%**	**5.13%**
Profit margin	**3.5%**	**2.93%**
EBITDA to interest expense	**9.55x**	**4.49x**
Current ratio	**2.86:1**	**2.07:1**
Asset turnover	**0.03:1**	**0.03:1**
Asset to equity	**1.55:1**	**1.82:1**
Debt to equity ratio	**0.55:1**	**0.82:1**

These financial ratios were calculated based on the 2020 Audited Financial Statements of Premier Wine and Spirits, Inc.

Comparative Years 2020 and 2019

The table below shows the results of operations of Premier for the years ended December 31, 2020 and 2019.

(In Thousands)	FY2020	%	FY2019	%	*INCREASE (DECREASE)*	%
REVENUES	**1,221,017**	***100.00%***	1,603,044	*100.00%*	***(382,027)***	***-23.83%***
COST OF SALES	**985,374**	***80.70%***	1,348,454	*84.12%*	***(363,080)***	***-26.93%***
GROSS PROFIT	**235,643**	***19.30%***	254,590	*15.88%*	***(18,947)***	***-7.43%***
OPERATING EXPENSES	**127,052**	***10.40%***	158,406	*9.88%*	***(31,354)***	***-19.79%***
INCOME FROM OPERATIONS	**108,591**	***8.89%***	96,184	*6.00%*	***12,407***	***12.90%***
OTHER INCOME (CHARGES) - net	**(35,826)**	***-2.93%***	(29,337)	*-1.83%*	***(6,489)***	***-22.12%***
INCOME BEFORE INCOME TAX	**72,765**	***5.96%***	66,847	*4.17%*	***5,918***	***8.85%***
INCOME TAX EXPENSE	**30,030**	***2.46%***	19,808	*1.24%*	***10,222***	***51.60%***
NET INCOME FOR THE YEAR	**42,735**	***3.50%***	47,039	*2.93%*	***(4,304))***	***-9.15%***

(In Thousands)	FY2020	%	FY2019	%	INCREASE (DECREASE)	%
ASSETS						
Current Assets						
Cash and cash equivalents	**308,362**	**20.22%**	229,951	13.73%	**78,411**	**34.10%**
Receivables – net	**311,201**	**20.40%**	498,148	29.00%	**(186,947)**	**-37.53%**
Inventories	**673,735**	**44.17%**	599,727	34.92%	**74,008**	**12.34%**
Prepayments and other current assets	**29,848**	**1.96%**	247,347	14.40%	**(217,499)**	**-87.93%**
Total current assets	**1,323,146**	**86.75%**	1,575,173	92.05%	**(252,027)**	**-16.00%**
Noncurrent Assets						
Property and equipment – net	**12,653**	**0.83%**	6,541	0.38%	**6,112**	**93.44%**
Right-of-use assets	**85,718**	**5.62%**	4,851	0.28%	**80,867**	**1667.02%**
Investments	**93,361**	**6.12%**	118,194	6.88%	**(24,833)**	**-21.01%**
Deferred tax assets-net	**4,554**	**0.30%**	3,705	0.22%	**849**	**-26.51%**
Other non-current assets	**5,793**	**0.38%**	3,203	0.19%	**2,590**	**80.86%**
Total noncurrent assets	**202,079**	*13.25%*	136,494	*7.95%*	**65,685**	**48.12%**
Total Assets	**1,525,225**	*100.00%*	1,711,667	*100.00%*	**(186,442)**	**-10.89%**
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	**112,900**	*7.40%*	135,073	*7.89%*	**(22,173)**	**-16.42%**
Income tax payable	**15,399**	***1.01%***	212	*0.01%*	**15,187**	**7,163,68%**
Short-term loans payable		***0.00%***	313,000	*18.29%*	**(313,000)**	**-100.00%**
Dividends payable	**100,000**	***6.56%***	100,000	*5.84%*	**-**	**0.00%**
Lease liability	**29,032**	***1.90%***	5,425	*0.32%*	**23,607**	**435.15%**
Due to related parties	**192,700**	*12.63%*	192,852	*11.27%*	**(152)**	**-0.08%**
Other current liabilities	**11,975**	***0.79%***	13,901	*0.81%*	**(1,926)**	**-13.86%**
Total current liabilities	**462,006**	*30.29%*	760,463	*44.43%*	**(298,457)**	**-39.25%**
Noncurrent Liabilities						
Retirement benefit liability	**11,564**	***0.76%***	9,204	*0.54%*	**2,360**	**25.64%**
Lease liability-net of current portion	**68,683**	*4.50%*	1,268	*0.07%*	**67,415**	**53.17%**
Total noncurrent liabilities	**80,247**	*5.26 %*	10,472	*0.61%*	**69,775**	**6.66%**
Total Liabilities	**542,253**	*35.55%*	770,935	*45.04%*	**(228,682)**	**-29.66%**
EQUITY						
Capital stock	**150,000**	***9.83%***	150,000	*8.76%*	**-**	**0.00%**
Additional paid-in capital	**1,500**	***0.10%***	1,500	*0.09%*	**-**	**0.00%**
Remeasurement of retirement liability - net of tax	**4,426**	***0.29%***	4,921	*0.29%*	**(495)**	**-10.06%**
Retained earnings	**827,046**	*54.23%*	784,311	*45.82%*	**42,735**	**5.45%**
Total Equity	**982,972**	*64.45%*	940,732	*54.96%*	**42,240**	**4.49%**
Total Liabilities and Equity	**1,525,225**	*100.00%*	1,711,667	*100.00%*	**(186,442)**	**-10.89%**

Revenues

Premier posted a revenue of P1.22 Billion during the year ended December 31, 2020, which decreased by 23.83%. The decline is mainly attributable to the liquor bans imposed nationwide during the enhanced community quarantine lockdown that started on March 16, 2020 up to May 31, 2020 which was re-imposed in the NCR from August 4 to 18, 2020.

Net Income

During the same year, Premier realized net income of P42.73 million which is decreased by 9.15% mainly due to the decline in sales as a result of community lockdowns during 2020.

Statements of Financial Position
Shown below are the comparative financial position of Premier:

Current Assets

Cash and cash equivalents amounted to P308.36 million as at December 31, 2020 with an increase of P78.41 million from December 31, 2019 balance. The increase was due basically to the net effect of the net operating cash flows, collection of receivables and settlement of trade and non-trade payables during the year.

Receivables decreased by 37.53% from December 31, 2019 balance of P498.15 million to this year's balance of P311.20 million due mainly to the net effect of collections made.

Inventories increased by 12.34% from 2019 balance of P599.73 million to this year's balance of P673.73 Billion due to stocking requirements.

Prepaid expenses and other current assets decreased by P217.50 million or 87.93% at the end of December 2020, mainly due to minimal advances to suppliers made during the year and application of previous advances to purchases for current year.

Non-current Assets

Property and equipment-net Book values of property and equipment increased by P6.11 Million from P6.54 Million in December 2019 to P12.65 million in December 2020 mainly due to additional assets acquisition.

Right-of-use assets (ROU) represents the values recognized from long-term lease contracts covering land and buildings utilized. Book values of ROU increased by P80.87 million from P4.85 million in December 2019 to P85.72 million in December 2020 due principally to additional ROU assets recognized from new lease contracts entered into net of depreciation recognized during the same year.

Investments decreased by P24.83 million or 21.01% mainly due to recognition of share in the loss of investee.

Other non-current assets increased by P2.59 million.

<u>Current Liabilities</u>

Accounts payable and accrued expenses pertains to the trade payable to suppliers. The decrease by 16.42% was primarily due to settlements of trade and non-trade liabilities.

Income tax payable increased by P15.19 million mainly due to additional income taxes incurred relative to the increase in net taxable income during the year 2020 in relation to the same period in 2019.

Short-term loans payable account decreased by P313 million mainly due to settlements made.

Lease liabilities due within one year account increased by P23.61 million from P5.42 Million in December 2019 to P29.03 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current period pertaining current portions.

<u>Noncurrent Liabilities</u>

Lease liabilities represents the values recognized from long-term lease contracts covering land and buildings utilized by Premier. The account increased by P67.41 million from P1.27 million in December 2019 to P68.68 million in December 2020 due principally to the net effect of additional leases, interest expense amortization recognized and lease payments made during the current year.

Retirement benefit liability amounted to P11.56 million and P9.20 million as of December 31, 2020 and 2019, respectively.

<u>Equity</u>

Retirement benefits reserve pertain to adjustments made in compliance with the accounting standard covering employee benefits. As at December 2020 and 2019, the account amounted to P4.43million and P4.92 million, respectively.

Retained earnings increased by P42.74 million or 5.45% from P784.31 million in December 2019 to P827.05 Billion as at December 31, 2020 due to profit realized by Premier, net of cash dividend declaration.

Sources and Uses of Cash

A brief summary of cash flow movements is shown below:

(In thousands)	**2020**	**2019**
Net cash flows from operating activities	**417,947**	**415,748**

Net cash flows used in investing activities	**(10,168)**	**(128,770)**
Net cash flows used in financing activities	**(329,368)**	**(187,949)**
Net increase in cash and cash equivalents	**78,411**	**99,029**

Net cash generated from operating activities during the current year is basically attributable to the cash generated from operations and effect of the net settlement of trade payable accounts by the purchase of inventories for stocking requirements and other related current operating items.

On the other hand, net cash from and used in investing activities mainly pertains to the funds used for additional assets acquisition and some capital expenditures.

Net cash used in financing activities principally resulted from the net settlements of bank loans by the.

Management believes that the current levels of internally generated funds from its operating activities and its present cash position enables Premier to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities. With its strong current financial position, this can be augmented through availments from existing untapped banking and credit facilities as and when required.

Material Events and Uncertainties

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

(xxi) Seasonal aspects that had a material effect on the financial condition or results of Premier's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

(xxii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(xxiii) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(xxiv) There are no contingent liabilities or assets since the last statement of financial position period;

(xxv) Sources of liquidity – Funding will be sourced from internally generated cash flows;

(xxvi) There are no events that will trigger direct or contingent financial obligation that is material to Premier, including any default or acceleration of an obligation;

(xxvii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(xxviii) 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;

(xxix) There are no significant elements of income not arising from continuing operations;

(xxx) Due to Premier's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

(A) Directors and Executive/Key Officers

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

Officers	
Jose Paulino Santamarina	President
Evelyn B. Binanitan	Treasurer
Maricel B. Joyag	Corporate Secretary

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

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

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

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

(B) Significant Employees

There is no person in the company who is not an executive or key officer but who is expected to make a significant contribution to the operation of the business.

(C) Family Relationships

None of the directors/independent directors and executive officers of the company, or nominees for election to such positions has any family relationships up to the fourth civil degree by consanguinity or affinity, except for Ms. Susan P. Co, Mr. Ferdinand Vincent P. Co, Ms. Pamela Justine P. Co, Ms. Camille Clarisse P. Co and Katrina Marie P. Co, who are all related by consanguinity.

(D) Involvement in Certain Legal Proceedings

As of December 31, 2020, and the past five years, the company has no director, executive officer or principal officer who is involved in any of the following:

(1) Bankruptcy case.

(2) Convicted by final judgment of any criminal proceeding, domestic or foreign.

(3) The subject of any order, judgment, or decree of any court of competent jurisdiction permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities, or banking activities.

(4) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

For discussion of related party transactions, please refer to the 2020 Audited Financial Statements of Premier Wine and Spirits, Inc. hereto attached as ***Annex "I"***

Item 13. Acquisition or Disposition of Property

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

Item 14. Restatement of Accounts

No action is to be taken up with respect to the restatement of any asset, capital, or surplus account of the company during the meeting.

Item 15. Action with Respect to Reports

The stockholders will be asked to approve or ratify during the Annual Stockholders Meeting the following matters:

a. Approval of the Minutes of the Previous Meeting held on November 20, 2020

b. Annual Report of Management and Approval of the Audited Financial Statements for 2020

c. Ratification of Acts of the Board of Directors and Management since the Last Annual Meeting of Stockholders

d. Approval of Amendment of the Company's Articles of Incorporation and By-Laws

   - Amendment of Corporate Name
   - Amendment of Primary and Secondary Purposes
   - Amendment of Corporate term
   - Change in Par Value of Common shares
   - Increase of Authorized Capital Stock, and Delegation to the Company's Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock.

e. Top-Up Plan for the Fractional Shares Resulting from the Proposed Increase in Authorized Capital stock

f. Ratification of Rescission of Subscription Contract between Da Vinci Capital Holdings, Inc. and Invescap Incorporated

g. Issuance of up to 11,250,000,000 Common Shares of Da Vinci Capital Holdings, Inc. pursuant to the Share Swap Transaction with Cosco Capital Inc.

h. Waiver of Requirement to Conduct a Rights Offering on the Issuance of up to 11,250,000,000 Da Vinci Common Shares to Cosco Capital, Inc. for the Share Swap Transaction

i. Issuance of up to 3,000,000,000 Da Vinci Common Shares pursuant to DAVIN's Follow-on Public Offering ("FOO") Program

j. Election of Directors Including Independent Directors

k. Re-Appointment of External Auditor and Fixing its Remuneration

l. Other Matters

There are no other items submitted for approval or consideration, other than those required in the ordinary course of business that requires approval or presentation to the shareholders of the Company.

Item 16. Matters Not Required to be Submitted

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

Item 17. Amendment of Charter, Bylaws or Other Documents

On April 29, 2021, the Board of Directors approved the proposed amendments to the company's Articles of Incorporation and By-laws, in order to reflect the following changes:

(a) To change the corporate name to "The Keepers Holdings, Inc.";

(b) To reflect the revised and additional primary and secondary purposes of the company, as follows:

PRIMARY PURPOSE

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 stock, 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 stock of this corporation 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.

SECONDARY PURPOSES

(a) To engage in the management, supervision, or control of business enterprises of all kinds, the operations and transactions of any company or undertaking and to manage and administer lands, buildings, whether real or personal, and in general, to act as agent, attorney-in-fact, or in any representative capacity as may be permitted by law, except the management of funds, securities, portfolio and other similar assets of any firm or entity.

(b) To own, acquire, construct, maintain and operate plants, factories, and buildings that are necessary for the production and manufacturing of all kinds of goods, wares, and merchandise of all kinds and descriptions within the commerce of men.
(c) To hold, purchase, acquire, or be interested in the shares or capital stocks, bonds, or other evidence of debts issued or created by any other corporation, partnership or Company, domestic or foreign, governmental or otherwise, and as the owner and holder of any such shares of stock, to exercise all the rights and privileges of ownership, including the right to vote thereon and exercise all the rights to pertaining thereto.
(d) To act as joint or solidary obligor, mortgagor, guarantor, or surety for principal and accessory security obligations incurred or to be incurred by subsidiaries, affiliates, sister companies, and other corporations.

AND IN FURTHERANCE OF THE FOREGOING CORPORATE PURPOSES:

(1) To enter into, make, and perform contracts of every kind for any lawful purpose with any person, firm, corporation, national government, or any of its instrumentalities.

(2) To purchase, hold, convey, sell, lease, rent, mortgage, encumber and otherwise deal with real property, improved or unimproved, as the purpose for which the corporation is formed may permit.

(3) To borrow money or create indebtedness, bonded or otherwise; to secure the payment of any such obligations by a mortgage, pledge or agreement as to all or any part of properties, real and personal, of the corporation; to provide that any such obligations shall be convertible into or exchangeable for stocks of the corporation upon such terms permitted by law as the Board of directors shall determine.

(4) To apply for, register, produce, purchase, exchange, lease, acquire, own, operate, or negotiate for, licenses or other rights in respect of, sale, transfer, grant or licenses, and rights in respect of, manufacture under, introduce, sell, assign, collect the royalties on, mortgage, pledge, create a lien upon, or otherwise dispose of, deal in, and turn to account, letters patent, patent rights, inventions, discoveries, machines, licenses, processes, data and formulate any kinds pursuant to the laws of the Philippines, or any country whatsoever, and with a view to the working and development of the same.

(5) To finance, enter into, or perform contracts and agreements in connection or furtherance of any of the foregoing.

(6) To promote any company or companies to acquire all or any part of the stockholdings, properties, and liabilities of said company, as may be permitted by law, or for any other purpose which may seem directly or indirectly calculated to benefit the Company under law.

(7) Without in any way limiting the powers of the Company, it shall have the power to make and perform contracts of any kind and description with any person, firm, or corporation; to have one or more offices within the Philippines and abroad; and to conduct its business and exercise its powers, authorities, and privileges granted by the laws of the Philippines to corporations organized under said laws and, in particular, unto corporations of similar nature and kind.

(8) Generally, to do all such acts, things and to transact all business as may be directly or indirectly incidental to or conducive to the attainment of the above objects or any of them, respectively.

(c) To amend the corporate existence to perpetual;

(d) To change the par value of common shares to PhP 0.10 per share;

(e) To convert the authorized preferred shares to common shares; and

(f) To increase the authorized capital stock of the company to PhP2 billion divided into Twenty (20) billion common shares.

Pursuant to Sections 15 and 37 of the Revised Corporation Code, the amendment of the articles of incorporation and increase of the company's authorized capital stock require the approval by the stockholders representing at least two thirds (2/3) of the outstanding capital stock of the company and by the Philippine Securities and Exchange Commission ("SEC").

The Board also approved the proposal to delegate to it the authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock, subject to the approval of the stockholders, including majority of the minority of the stockholders.

The company proposed the aforementioned amendments for the purpose of organizing the company in accordance with the intended/contemplated business and operations.

Item 18. Other Proposed Action

Follow-on Public Offering

The company intends to conduct a follow-on public offering of its shares as soon as possible after the completion of the transaction described under **Item 9** above to comply with the minimum public ownership requirement under SEC and PSE rules.

Top-up Plan

During the November 20, 2020 annual stockholders' meeting, DAVIN's stockholders approved the increase and the amendment of the articles of incorporation to reflect the increase in the authorized capital stock and par value, among others. In particular, the authorized capital stock was approved to be increased from PhP327.6 million to PhP2 billion, while the par value per common share was approved to be increased from P0.023 per share to P0.10 per share.

Once regulatory approval is obtained, the said increase in the par value per common share will result in a corresponding decrease in the total number of common shares of DAVIN and certain stockholders may hold only a fraction of a share (the “Reverse Stock Split”).

In order to restore the fractional shares to full shares, Cosco Capital, Inc. has offered to pay for the difference between the par value of one (1) full share and the value of a fractional share. For avoidance of doubt, the Top-Up Plan offer by Cosco Capital, Inc. is limited only to fractional shares resulting from the Reverse Stock Split.

Presented below are the matters for consideration and approval by the stockholders:

(a) the offer by Cosco Capital, Inc. to settle, on behalf of the affected stockholders holding fractional shares, the difference between the par value of one (1) full share and the value of a fractional share;

(b) the delegation of authority to the board of directors and/or management to formulate necessary guidelines for the implementation of the Top-up Plan including the terms and conditions of the transaction documents, as well as the issuance of the corresponding number of common shares out of the company’s authorized capital stock; and

(c) authority to apply for listing with the Philippine Stock Exchange all the common shares to be issued by DAVIN pursuant to the Top-up Plan.

Item 19. Voting Procedures

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

(b) The stockholders may cast their votes by sending proxies, or *in absentia* by any means of remote communication. The stockholders entitled to vote shall have the right to vote the number of shares of stock standing in their own names in the stock books of the company as of record date.

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

All votes of the stockholders must be submitted by email to corporate.governance.davinci@gmail.com on or before May 24, 2021.

Please refer to **Annex "B"** (***Guidelines in Participating via Remote Communication and Voting in Absentia***) for the detailed guidelines for participation via remote communication and the procedures for registration.

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

Part IV: Corporate Governance

(a) The Company has a Revised Manual on Corporate Governance.

(b) The Company has two independent directors.

(c) There has been no report of violation of Revised Manual on Corporate Governance since the board adopted it.

(d) The company conducts annual corporate governance training for all its directors and officers.

Year	Date	Time	Venue	Seminar Provider
2015	June 22	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2016	March 4	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	Center for Training and Development
2017	February 28	2:00–6:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2018	February 23	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company
2019	May 14	1:00-5:00 pm	Acacia Hotel, Alabang, Muntinlupa City	SGV & Company

UNDERTAKING AND SIGNATURE PAGE

The company will post and make available for download the full version of this SEC Form 20-IS (Definitive Information Statement), together with its annexes including its 2020 Audited Financial Statements in the company's website at www.davincicapital.com.ph upon its approval by the Securities and Exchange Commission.

Upon the written request of a stockholder, the company will provide, without charge, hard copies of the SEC Form 20-IS (Definitive Information Statement) and other reports duly filed with the Securities and Exchange Commission. The stockholder may be charged a reasonable cost for photocopying the exhibits.

All requests may be sent to the following address:

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

Attention: BABY GERLIE I. SACRO
Corporate Secretary

After reasonable inquiry and to the best of my knowledge and belief, we hereby certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Manila, Philippines on May 6, 2021.

DA VINCI CAPITAL HOLDINGS, INC.

By:

Candy H. Dacanay – Datuon
Assistant Corporate Secretary

ANNEX "A"

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						2	4	0	1	5

COMPANY NAME

DA VINCI CAPITAL HOLDINGS, INC.

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

No. 900 Romualdez Street

Paco, Manila

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
470	Any Day of May	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Atty. Candy H. Dacanay - Datuon	candy.dacanay@gmail.com	522-8801 to 04	N/A

CONTACT PERSON's ADDRESS

No. 900 Romualdez Street, Paco, Manila

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

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

DA VINCI CAPITAL HOLDINGS, INC.

FINANCIAL STATEMENTS
December 31, 2020 and 2019
(With Comparative Figures for 2018)

With Independent Auditors' Report

DA VINCI CAPITAL HOLDINGS, INC.
900 Romualdez St., Paco, Manila

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Da Vinci Capital Holdings, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2020 and 2019**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

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

The Management is responsible for overseeing the Company's financial reporting process.

The Management reviews and approves the financial statements including the schedules attached therein.

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

Signature____________________
Lucio L. Co
Chairman of the Board/President

Signature____________________
Ma. Editha D. Alcantara
Treasurer

Signed this APR 1 9 2021 day of April, 2021.

SUBSCRIBED AND SWORN to before me this ____ day of APR 1 9 2021 2021 affiants exhibiting to me their respective identifications, as follows:

Name	Type of ID	ID No.	Date of Issue	Place of Issue
Lucio L. Co	TIN	108-975-971		
Ma. Editha D. Alcantara	SSS	33-1178861-2		

Doc. No. 447
Page No. 90
Book No. 27
Series of 2021

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022488 / 04-16-19
No. 900 Romualdez St., Paco, Manila

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Da Vinci Capital Holdings, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

RR6, RDO 34 PACO-PANDACAN STA. ANA SAN ANDRES
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APR 20 2021

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17-A and Annual Report for the year ended December 31, 2020 but does not include the financial statements and our auditors' report thereon. The SEC Form 17-A and Annual Report for the year ended December 31, 2020 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audits of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

KPMG

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 17 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

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APR 20 2021

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Noncurrent Assets			
Other noncurrent assets	*5*	**P23,993,425**	P23,897,634
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable	*6, 12, 13*	**P1,439,000**	P1,439,000
Accrued expenses	*7, 12, 13*	**656,676**	562,576
Due to related parties	*8, 12, 13*	**7,852,438**	6,762,212
Total Liabilities	*14*	**9,948,114**	8,763,788
Equity			
Capital stock	*9*	**25,875,000**	25,875,000
Additional paid-in capital	*9*	**46,033,000**	46,033,000
Deficit		**(57,862,689)**	(56,774,154)
Total Equity	*14*	**14,045,311**	15,133,846
		P23,993,425	P23,897,634

See Notes to Financial Statements

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(With Comparative Figures for 2018)

	Note	**2020**	2019	2018
OPERATING EXPENSES				
PSE maintenance fee		**P573,500**	P731,250	P612,375
Retainer fee		**207,200**	130,800	130,800
Professional fee		**150,000**	150,000	71,300
Taxes and licenses		**500**	8,072	7,242
Penalty		**-**	-	102,000
Miscellaneous fee		**157,335**	27,899	24,054
LOSSES		**(P1,088,535)**	(P1,048,021)	(P947,771)
LOSS PER SHARE				
Basic loss per share	*11*	**(P0.0010)**	(P0.0009)	(P0.0008)

See Notes to Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(With Comparative Figures for 2018)

	Capital Stock (Note 9)	**Additional Paid-in Capital** (Note 9)	**Deficit**	**Total**
Balances at December 31, 2017	P25,875,000	P46,033,000	(P54,778,362)	P17,129,638
Loss for the year	-	-	(947,771)	(947,771)
Balances at December 31, 2018	25,875,000	46,033,000	(55,726,133)	16,181,867
Loss for the year	-	-	(1,048,021)	(1,048,021)
Balances at December 31, 2019	25,875,000	46,033,000	(56,774,154)	15,133,846
Loss for the year	-	-	(1,088,535)	(1,088,535)
Balances at December 31, 2020	**P25,875,000**	**P46,033,000**	**(P57,862,689)**	**P14,045,311**

See Notes to Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019
(With Comparative Figures for 2018)

	Note	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Losses before income tax/operating cash flows before changes in working capital		**(P1,088,535)**	(P1,048,021)	(P947,771)
Increase in other noncurrent assets		**(95,791)**	(101,607)	(79,027)
Increase (decrease) in accrued expenses		**94,100**	(4,700)	159,100
Net cash used in operating activities		**(1,090,226)**	(1,154,328)	(867,698)
CASH FLOWS FROM A FINANCING ACTIVITY				
Advances received from related parties	*8, 15*	**1,090,226**	1,154,328	867,698
CASH AT THE END OF YEAR		**P -**	P -	P -

See Notes to Financial Statements.

DA VINCI CAPITAL HOLDINGS, INC.

NOTES TO FINANCIAL STATEMENTS

(With Comparative Figures for 2018)

1. Reporting Entity

Da Vinci Capital Holdings, Inc, (the "Company") 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 April 26, 2013, the SEC approved the amendments to certain sections of the Company's articles of incorporation which include the extension of its corporate life for another 50 years from November 5, 2013 to November 5, 2063. The principal activities of the Company are to purchase, subscribe for 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, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign, engage in, but not limited to, the business of real estate, manufacturing, trading and agribusiness, and to pay, in whole or in part, in cash or by exchanging therefor, stocks, bonds and other evidences of indebtedness or securities of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidences of indebtedness or other securities, 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 therefor all the rights, powers and privileges of ownership, including all voting powers on any stock so owned, without however engaging in dealership in securities or in stock brokerage business, to the extent permitted by law, to aid, either by loans or by guaranty of securities or in any other manner, any corporation, domestic, or foreign, any share of stock, or any bond, debenture, evidence of indebtedness or other security whereof are held by this corporation or in which it shall have interest, and to do any act designed to protect, preserve, improve or enhance the value of any property at any time held or controlled by this corporation or in which it at that time may be interested.

The Company is 85% owned by Invescap Incorporated ("Invescap"), its Parent Company that is incorporated in the Philippines. The remaining 14.48% and 0.52% are owned by other domestic corporations and by Filipino individuals, respectively.

The Company's registered office address is located at No. 900 Romualdez Street, Paco, Manila.

Amendments to Articles of Incorporation

The Board of Directors (BOD) and Stockholders, representing at least two-thirds (2/3) of the outstanding capital stock of the Company, approved the amendments to certain sections of the Company's Articles of Incorporation on October 26, 2020 and November 20, 2020, respectively, which include the following:

Change in the name of the Company

The name of the said corporation shall be "The Keepers Holdings, Inc."

Change in the Primary Purpose of the Company
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 stock, 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 stock of this corporation 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.

Change in the Term of Existence of the Company
The term of existence of the Corporation changed from fifty years to perpetual existence.

Increase in Authorized Capital Stock of the Company
The increase of the Company's authorized capital stock from Three Hundred Twenty Seven Million Six Hundred Thousand Pesos (P327,600,000) divided into One Billion Two Hundred Million (1,200,000,000) common shares with par value of Two and Three Tenths Centavos (P0.023) per share, and Three Billion (3,000,000,000) preferred shares with par value of Ten Centavos (Php0.10) per share to Two Billion Pesos (P2,000,000,000) divided into Twenty Billion (20,000,000,000) common shares at a par value of Ten Centavos (P0.10) per share.

As at April 16, 2021, the application for the proposed increase in the authorized capital stock, and the other amendments to the Articles of Incorporation is still under review by the SEC.

2. Basis for the Preparation

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

Basis of Measurement
The financial statements have been prepared using the historical cost basis of accounting.

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

Authorization for Issuance of the Financial Statements

The financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 16, 2021.

3. Summary of Significant Accounting Policies

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

Adoption of Amendments to Standards

The Company has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements. These are as follows:

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

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

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

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

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

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

(d) clarifying the explanatory paragraphs accompanying the definition; and

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

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

Other Noncurrent Assets

Excess Tax Credits

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

Input Taxes

Input tax represents the value-added tax (VAT) due or paid on purchases of goods and services subjected to VAT that the Company can claim against any future liability to the Bureau of Internal Revenue (BIR) for output VAT from sale of goods and services subjected to VAT. The input tax can also be recovered as tax credit against future income tax liability of the Company upon approval of the BIR. Input tax is stated at net realizable value. An allowance is provided for any portion of the input tax that cannot be claimed against output tax or recovered as tax credit against future income tax liability. Input tax that are expected to be realized within 12 months after the reporting period are classified as current asset, otherwise, these are classified as other noncurrent asset.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Initial Recognition of Financial Instruments

The financial assets or 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 instruments are included in current assets or current liabilities if maturity is within twelve months from the reporting date. Otherwise, these are classified as noncurrent assets or liabilities.

As at December 31, 2020 and 2019, the Company's financial instruments consists of financial liabilities.

Financial Liabilities

Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or financial liabilities at fair value through profit or loss (FVTPL). A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition.

As at December 31, 2020 and 2019, the financial liabilities of the Company are measured at amortized cost.

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 the reporting date. Otherwise, these are classified as noncurrent liabilities.

As at December 31, 2020 and 2019, the Company's financial liabilities measured at amortized cost include accounts payable, accrued expenses and due to related parties.

Derecognition
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

Retained Earnings (Deficit)
Retained earnings (deficit) 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, if any.

Expense Recognition
Expenses are recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

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

Income Taxes

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, 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 sufficient 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.

VAT

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from the taxation authority is included as part of "Other noncurrent assets" in the statement of financial position.

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

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

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Amended Standards Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not early adopted the following relevant amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company plans to adopt the following relevant amended standards on the respective effective dates, as applicable.

Effective January 1, 2021

- PFRS 9, *Financial Instruments,* PAS 39, *Financial Instruments: Recognition and Measurement,* PFRS 7, *Financial Instruments: Disclosures,* PFRS 4, *Insurance Contracts,* and PFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

    - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

    - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

    - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

    The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted. The amendments are still subject to the approval by the FRSC.

Effective January 1, 2022

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

  The amendments apply prospectively on or after January 1, 2022. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards, of which, the following is relevant to the Company:

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments)* clarify that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

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

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

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

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

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

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

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

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

Accounting Estimates and Assumptions

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

Recognition of Deferred Income Tax Assets

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

As at December 31, 2020 and 2019, the Company has carryforward benefits of unused NOLCO amounting to P2,851,527 and P2,737,852, respectively, for which no deferred income tax asset was recognized (see Note 10). Management assessed 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. Actual results may differ from these estimates.

5. Other Noncurrent Assets

The details of the Company's other noncurrent assets are shown below:

	2020	2019
Excess tax credits	**P23,234,026**	P23,234,026
Input VAT	**759,399**	663,608
	P23,993,425	P23,897,634

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

6. Accounts Payable

The Company's accounts payable pertains to PSE maintenance fee, retainers' fee and other expenses which are paid in advance by the former stockholders in behalf of the Company.

7. Accrued Expenses

As at December 31, 2020 and 2019, the Company's accrued expenses pertain to professional fees and other accruals which amounted to P656,676 and P562,576, respectively.

Accrued professional fees amounted to P150,000 for both years ended December 31, 2020 and 2019.

8. Related Party Transactions

Balances and transactions between the Company and its related parties are disclosed below.

Due to Related Parties

Balances of due to related parties as shown in the statements of financial position are summarized as follows:

Key Management Personnel

Transaction with key management personnel is detailed as follows:

	December 31, 2020		December 31, 2019	
	Transactions During the Year	**Outstanding Balance**	Transactions During the Year	Outstanding Balance
Stockholder's advances	**P1,090,226**	**P7,852,438**	P1,154,328	P6,762,212

Stockholder's advances represent amounts owed to related parties for working capital requirements of the Company.

Transactions with stockholders are non-interest-bearing, unsecured, payable on demand and will be settled in cash. No guarantees have been given.

Remuneration of Key Management Personnel

In both years, no remuneration was given to the Company's directors and other members of key management personnel.

9. Capital Stock

The capital stock of the Company is as follows:

	2020	2019
Ordinary shares	**P25,875,000**	P25,875,000
Additional paid-in capital	**46,033,000**	46,033,000
	P71,908,000	P71,908,000

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

Additional paid-in capital pertains to amount paid on the issuance of shares in excess of par value.

Capital Stock

Below are the details of the ordinary shares:

	2020		2019	
	Shares	**Amount**	Shares	Amount
Authorized:				
Ordinary share (P0.023 par value per share)	**1,200,000,000**	**P27,600,000**	1,200,000,000	P27,600,000
Preferred shares (P0.10 par value per share	**3,000,000,000**	**P300,000,000**	3,000,000,000	P300,000,000
Subscribed and outstanding:				
Ordinary share (P0.023 par value per share)	**1,124,999,969**	**P25,875,000**	1,124,999,969	P25,875,000

As at December 31, 2020 and 2019, the Company has not yet issued any of its 3,000,000,000 preferred shares at P0.10 par value per share amounting to P300,000,000.

Movement in issued and outstanding capital stocks follow:

			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
			1,124,999,969

Issued and outstanding common shares are held by 472 and 470 equity holders as at December 31, 2020 and 2019.

The Company's preferred shares have the following features:

a. Have the same voting rights as ordinary shares.
b. Have the same dividend rights as ordinary shares.
c. In the event of liquidation, dissolution, receivership, bankruptcy, or winding up of the affairs of the Company, voluntary or involuntary, except in the case of merger or consolidation, the holders of the preferred shares shall be entitled to be paid in full, at par, or ratably, insofar as the assets of the Company will permit, for each share of preferred shares held together with the accumulated and unpaid dividends thereon, in Philippine currency, to the date of distribution, before any distribution shall be made to the holders of ordinary shares; the remaining assets of the Company shall be apportioned to the holders of the ordinary shares.

10. Income Taxes

The Company has no taxable income in 2020 and 2019 hence, no provision for income tax was recognized.

The reconciliation of the benefit from income tax computed at the statutory income tax rate to the actual provision for provision for income tax shown in profit or loss is as follows:

	2020	2019	2018
Losses before income tax	**(P1,088,535)**	(P1,048,021)	(P947,771)
Statutory income tax rate at 30%	**(P326,561)**	(P314,406)	(P284,331)
Adjustment in income tax resulting from the tax effects of the following:			
Unrecognized deferred income tax asset	**326,561**	314,406	214,491
Nondeductible expenses	**-**	-	69,840
	P -	P -	P -

As at December 31, 2020 and 2019, the Company has carryforward benefits of unused NOLCO amounting to P2,851,527 and P2,737,852, 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 Company's NOLCO prior to taxable year 2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2017	P974,860	P -	P -	P974,860	P -	2020
2018	714,971	-	-	-	714,971	2021
2019	1,048,021	-	-	-	1,048,021	2022
	P2,737,852	**P -**	**P -**	**P974,860**	**P1,762,992**	

Pursuant to Section 4(bbbb) 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.

Details of the Company's NOLCO for the taxable year 2020 are as follows:

Year Incurred	Amount	Applied Previous Year	Applied Current Year	Expired	Ending Balance	Expiry Date
2020	**P1,088,535**	**P -**	**P -**	**P -**	**P1,088,535**	**2025**

11. Loss Per Share

The Company's basic loss per share is P0.0010, P0.0009 and P0.0008 as at December 31, 2020, 2019 and 2018, respectively.

The loss and weighted average number of ordinary shares used in the calculation of basic loss per share are as follows:

	2020	2019	2018
Loss used in the calculation of total basic loss per share	**P1,088,535**	P1,048,021	P947,771
Weighted average number of ordinary shares for the purposes of basic loss per share	**1,124,999,969**	1,124,999,969	1,124,999,969

The weighted average number of ordinary shares in 2020, 2019 and 2018 used for the purposes of basic loss per share were computed as follows:

	Number of Ordinary Shares	Proportion to Period	Weighted Average
Outstanding shares at the beginning and end of year	1,124,999,969	12/12	1,124,999,969

The Company did not have any potential dilutive instruments as at December 31, 2020, 2019 and 2018.

12. Fair Value Measurements

Fair Value of Financial Liabilities

The carrying amounts and estimated fair values of the Company's financial liabilities as at December 31, 2020 and 2019 are presented below:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Accounts payable	**P1,439,000**	**P1,439,000**	P1,439,000	P1,439,000
Accrued expenses	**656,676**	**656,676**	562,576	562,576
Due to related parties	**7,852,438**	**7,852,438**	6,762,212	6,762,212
	P9,948,114	**P9,948,114**	P8,763,788	P8,763,788

The carrying amounts of financial liabilities approximate their fair values due to either the demand feature or relatively short-term duration of these payables.

13. Financial Risk Management Objectives, Policies and Procedures

The Company is exposed to liquidity risk through its financial liabilities. The risks and respective risk management policies employed by the Company to manage this risk are discussed below:

Liquidity Risk Management
Ultimate responsibility for liquidity risk management rests with the BOD, who have established an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. Since there is no operation and no business opportunity at this time, the Company's stockholders have advanced and are willing to advance monies to satisfy the cash requirements of the Company.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted amounts or on the estimated timing of cash flows as at December 31:

	Within 1 Year	
	2020	2019
Accounts payable	**P1,439,000**	P1,439,000
Accrued expenses	**656,676**	562,576
Due to related parties	**7,852,438**	6,762,212
	P9,948,114	P8,763,788

14. Capital Management Objectives, Policies and Procedures

The Company manages its capital to ensure that the Company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Company's overall strategy remains unchanged from prior year.

The capital structure of the Company consists of total liabilities and equity of the Company.

The Company's BODs review the capital structure of the Company 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:

	2020	2019
Debt	**P9,948,114**	P8,763,788
Equity	**14,045,311**	15,133,846
Debt to equity ratio	**0.71:1**	0.58:1

15. Reconciliation of Liabilities from Financing Activity

	2020	2019
Balance, January 1	**P6,762,212**	P5,607,884
Advances received from related parties	**1,090,226**	1,154,328
Balance, December 31	**P7,852,438**	P6,762,212

16. Subsequent Events

Share Swap Transactions
On a special meeting of the Company's BOD on February 19, 2021, the BOD approved the issuance of common shares of the Company, which will be created and issued out of an increase in its authorized capital stock, in exchange for 100% of the outstanding shares of Montosco Inc. ("Montosco"), Meritus Prime Distributions, Inc. ("Meritus") and Premier Wine and Spirits, Inc. ("Premier").

On a special meeting of the Company's BOD on March 15, 2021, the BOD ratified the management's approval of the valuation of three (3) liquor companies of Cosco Capital, Inc. ("Cosco") at P22,500,000,000 to be paid in stocks amounting to 11,250,000,000 common shares at P2.00 per share in exchange for 100% of Cosco's outstanding shares of Montosco, Meritus and Premier, as follows:

- 9,488,444,240 common shares of the Company will be swapped with 7,499,994 common shares of Cosco in Montosco;

- 907,885,074 common shares of the Company will be swapped with 7,499,994 common shares of Cosco in Meritus; and,

- 853,670,686 common shares of the Company will be swapped with 1,499,993 common shares of Cosco in Premier.

On a special meeting of the Company's BOD dated March 29, 2021, the BOD approved the acceptance of proposal of Cosco to subscribe and issue 11,250,000,000 common shares at P2.00 per share and enter into a Deed of Exchange of Shares with Cosco, wherein, in exchange and as a consideration of such issuance, Cosco shall assign 100% of its share in Montosco, Meritus, and Premier.

The Share Swap Transaction will take effect upon approval of the Company's stockholders and the SEC. Upon completion of the Share Swap Transaction, the Company will legally and beneficially own 100% of the outstanding shares of each of Montosco, Meritus and Premier. As a corollary, Cosco will own a controlling equity interest in the Company.

Additional Listing of the Shares and Follow-on Public Offering
In compliance with Section 3 of the Philippine Stock Exchange ("PSE") Rules on Backdoor Listing, and Article V, Part A of the PSE Listing and Disclosure Rules on the Rule on Additional Listing of Shares, the Company must apply for listing with the PSE of the additional shares of stock to be 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 shall be submitted for approval of the stockholders.

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

On a special meeting of the Company's BOD dated March 29, 2021, the BOD authorized the Company to file a request with the SEC for exemptive relief in relation to the mandatory tender offer ("MTO") requirement which may be imposed on Cosco since there is no effective change in control and beneficial ownership in the Corporation after the share swap transaction with Cosco Capital, Inc. and the subscription of Cosco Capital, Inc. is from the increase in authorized capital stock of the Corporation, and thus, not covered by the MTO requirement.

The BOD also authorized the Company to file a request with the Philippine Stock Exchange ("PSE") and the SEC for the grant of a minimum public ownership ("MPO") exemption period, to commence from subscription by Cosco up to the completion of the follow-on offering in order to comply with the MPO of at least 20% public float upon and after listing and to file a request with the Bureau of Internal Revenue ("BIR") for confirmation that Revenue Regulations No. 16-2012 will not apply during the MPO exemption period.

Enactment of CREATE Act
On March 26, 2021, the President of the Philippines has approved the Republic Act (RA) No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company.

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

- Percentage tax reduced from 3% to 1 % effective July 1, 2020 to June 30, 2023.

- The imposition of improperly accumulated earnings tax has been repealed.

- Definition of reorganization for purposes of applying the tax-free exchange provision under Section 40(C)(2) is expanded. Prior BIR ruling or confirmation shall not be required for purposes of availing the tax exemption of the exchange.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, amending certain provisions of Revenue Regulations No. 2-98, As Amended, to implement the amendments introduced by RA No. 11534 to the National Revenue Code of 1997, as Amended, relative to the final tax on certain passive income.

- BIR RR No. 3-2021, Rules and Regulations implementing Section 3 of RA No. 11534 amending Section 20 of the National Internal Revenue Code of 1997, As Amended.

- BIR RR No. 4-2021, implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax under RA No. 11534 which further amended the National Revenue Code of 1997, as Amended, as implemented by Revenue Regulations No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended.

- BIR RR No. 5-2021, implementing the new income tax rates on the regular income of corporations on certain passive incomes, including additional allowable deductions from gross income of persons engaged in business or practice of profession pursuant to RA No. 11534 which further amended the National Revenue Code (NIRC) of 1997.

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

The corporate income tax of the Company will be lowered from 30% to 20% for small and medium corporations on which the Company would qualify, effective July 1, 2020. The Company has no taxable income in 2020 and 2019, thus, the reduced rates including the other changes brought about by the Act has no significant impact on the Company's financial statements as at December 31, 2020.

17. Supplementary Information Required by the BIR under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2020:

A. VAT

The Company has no transactions subject to Output VAT.

Input VAT	
Balance at beginning of year	**P663,608**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	-
b. Goods other than for resale or manufacture	-
c. Services lodged under other accounts	**95,791**
Claims for tax credit/refund and other adjustments	-
Balance at end of year	**P759,399**

B. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	**P500**

C. Tax Cases and Assessments

As at December 31, 2020, the Company has no pending tax cases, nor has it received tax assessment notices from the BIR.

Information on landed cost of imports, customs duties, tariff fees paid or accrued, excise tax, documentary stamp tax, and withholding taxes are not applicable since the Company did not enter into transactions which will result to payment or accrual of such taxes.

KPMG

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Email ph-inquiry@kpmg.com

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

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

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **Da Vinci Capital Holdings, Inc.** (the "Company") as at and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated April 16, 2021.

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

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at and for the years ended December 31, 2020 and 2019 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

KPMG

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

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Da Vinci Capital Holdings, Inc.** (the "Company") as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated April 16, 2021.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information is the responsibility of the Company's management. Such additional components include:

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

KPMG

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

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
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Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

DA VINCI CAPITAL HOLDINGS INC.
AS AT DECEMBER 31, 2020

<table>
<tr><th rowspan="2">Ratio</th><th rowspan="2">Formula</th><th colspan="2">Years ended December 31</th></tr>
<tr><th>2020</th><th>2019</th></tr>
<tr><td>Current ratio</td><td>Total Current Assets divided by Total Current Liabilities

Total current assets P -
Divide by: Total current liabilities 9,948,114
-</td><td>-</td><td>-</td></tr>
<tr><td>Acid-test ratio</td><td>Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities

Total current assets P -
Less: Inventories -
Other current assets -
Quick assets
Divide by: Total current liabilities 9,948,114
Acid-test ratio -</td><td>-</td><td>-</td></tr>
<tr><td>Solvency ratio</td><td>Solvency ratio (Profit plus depreciation and amortization over total liabilities)

Net income P -
Add: Depreciation and amortization -
Total -
Divide by: Total liabilities 9,948,114
Solvency ratio -</td><td>-</td><td>-</td></tr>
<tr><td>Debt-to-equity ratio</td><td>Debt-to equity ratio (Total liabilities over total equity)

Total liabilities P9,948,114
Divide by: Total equity 14,045,311
0.71</td><td>0.71</td><td>0.58</td></tr>
<tr><td>Asset-to-equity ratio</td><td>Asset-to-equity ratio (Total assets over total equity)

Total assets P23,993,425
Divide by: Total equity 14,045,311
1.71</td><td>1.71</td><td>1.58</td></tr>
</table>

Ratio	Formula	Years ended December 31	
		2020	2019
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P - Divide by interest expense - -	-	-
Return on equity	Return on Equity (Net Income by Total Equity) Net income P - Divide by: Total equity 14,045,311 -	-	-
Return on assets	Return on Assets (Net Income by Total Assets) Net income P - Divide by: Total assets 23,993,425 -	-	-
Net profit margin	Net profit margin (Profit over net sales) Net income P - Divide by: Net sales - -	-	-

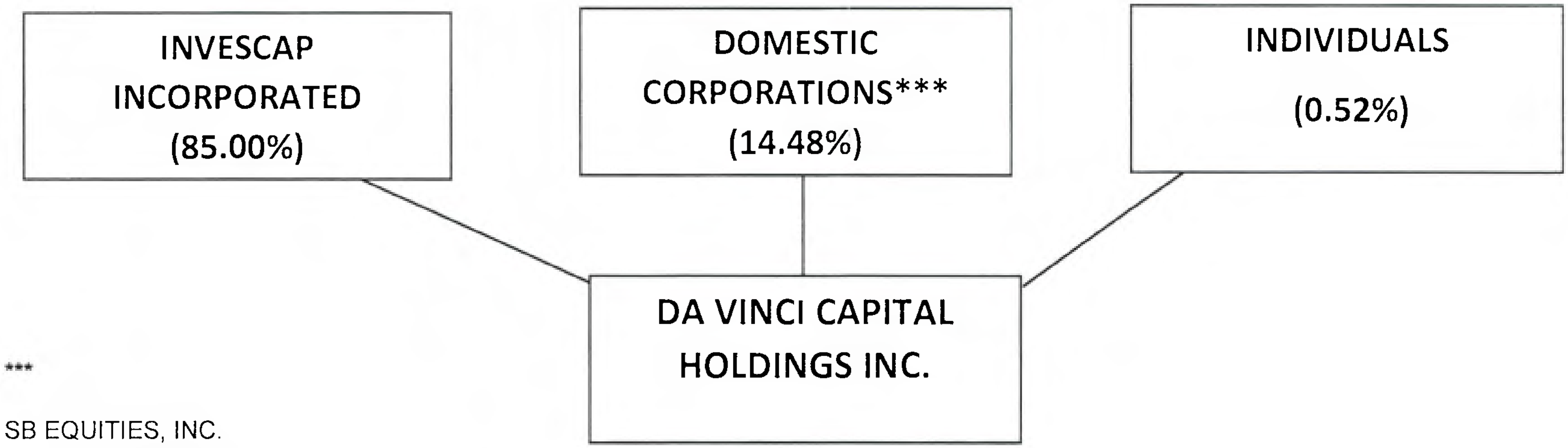
Annex A

DA VINCI CAPITAL HOLDINGS, INC.
RECONCILATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2020

NOT APPLICABLE

Da Vinci Capital Holdings, Inc.

Map of Group of Companies Within which the Company Belongs
As at December 31, 2020



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SB EQUITIES, INC.
TOWER SECURITIES, INC.
COL FINANCIAL GROUP, INC.
TGN REAL TY CORP.
GOLDEN TOWER SECURITIES & HOLDINGS, INC.
BDO SECURITIES CORPORATION
KINGS POWER SECURITIES
ABACUS SECURITIES CORPORATION
ASTRA SECURITIES CORPORATION
EVERGREEN STOCK BROKERAGE & SEC, INC.
A & A SECURITIES, INC.
ANSALDO GODINEZ & CO., INC.
TESERO, INC.
FIRST METRO SECURITIES BROKERAGE
BPI SECURITIES CORPORATION
SECURITIES SPECIALIST, INC.
HDI SECURITIES, INC.
PHILSTOCK FINANCIAL INC.
EASTERN SECURITIES DEVELOPMENT CORPORATION

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE A. FINANCIAL ASSETS

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.

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

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

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.

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

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

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE D. LONG TERM DEBT

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

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

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

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

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

NOT APPLICABLE

DA VINCI CAPITAL HOLDINGS, INC.
SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding at shown under related balance sheet caption	Number of treasury common shares	Number of shares held by affiliates	Directors, officers and employees	Others
Preferred Shares	3,000,000,000	-	-	-	-	-
Common Shares	1,200,000,000	1,124,999,969	-	956,203,336	1,501	-

Management Discussion and Analysis or Plan of Operations

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

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

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

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

Percentage Analysis

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

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

At present, the Corporation does not have any operations.

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

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

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

Debt-equity ratio	[6]	0.71	0.58	0.47	0.59

2020 and 2019 Analytical Discussion

Sales Growth

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

Profitability

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

Solvency and Liquidity

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

Material Changes in the Financial Statements

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

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

Material Changes in the Financial Statements in 2020 and 2019

Accounts Payable and Accrued Expenses

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

Due to Related Parties

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

Plan of Operations

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

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

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

Other Reporting Disclosures

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

There are no:

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

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

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

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

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

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

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

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

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

ANNEX "A-2"

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **March 31, 2021**

2. Commission identification number **24015** 3. BIR Tax Identification No. **000-282-553**

4. Exact name of issuer as specified in its charter **DA VINCI CAPITAL 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 **Formerly: Mariwasa Siam Holdings, Inc. and Mariwasa Manufacturing, Inc.; Barrio San Antonio, Sto. Tomas, Batangas**

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, P0.023	**1,124,999,969**

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 [ ]

PART I--FINANCIAL INFORMATION

DA VINCI CAPITAL HOLDINGS, INC.

Quarterly Report

March 31, 2021

Item 1. Interim Financial Statements

Statements of Financial Position**
Statements of Comprehensive Income
Statements of Changes in Equity
Statements of Cash Flow

*** With comparative audited figures as of December 31, 2020*

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2021 and December 31, 2020
(In Thousands Philippine Peso)

	Notes	March 31, 2021 (Unaudited)	December 31, 2020 (Audited)
ASSET			
Current Asset			
Cash in bank	2	**104,555**	
Non-current Asset			
Prepayments and other assets		**24,073**	23,993
TOTAL ASSETS		**128,628**	23,993
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses		**2,201**	2,096
Due to a related party		**117,594**	7,852
TOTAL LIABILITIES		**119,795**	9,948
STOCKHOLDERS' EQUITY			
Capital Stock	2	**25,875**	25,875
Additional Paid-In Capital		**46,033**	46,033
Deficit		**(63,075)**	(57,863)
TOTAL STOCKHOLDERS' EQUITY		**8,833**	14,045
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**128,628**	23,993

(See Notes to Financial Statements)

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF COMPREHENSIVE INCOME
(In Thousand Philippine Peso)

	Unaudited Three Months ended	
	March 31, 2021	March 31, 2020
INCOME		
OPERATING EXPENSES	**(5,242)**	(620)
INTEREST INCOME	**30**	
LOSS BEFORE TAX	**(5,212)**	(620)
INCOME TAX	-	-
LOSS	**(5,212)**	(620)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS	**(5,212)**	(620)

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF CHANGES IN EQUITY
(In Thousands Philippine Peso)

		Unaudited	
	Notes	**March 31, 2021**	March 31, 2020
Capital stock	2	**25,875**	25,875
Additional paid-in capital		**46,033**	46,033
Deficit			
Beginning of year		**(57,863)**	(56,774)
Loss		**(5,212)**	(620)
End		**(63,075)**	(57,394)
TOTAL STOCKHOLDERS' EQUITY		**8,833**	14,514

(See Notes to Financial Statements)

DA VINCI CAPITAL HOLDINGS, INC.
STATEMENTS OF CASH FLOWS
(In Thousands Philippine Peso)

	Unaudited	
	March 31, 2021	March 31, 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(5,212)**	(620)
Increase (Decrease) in:		
Prepayments and other assets	**(80)**	(71)
Accounts payable and accrued expenses	**105**	20
Due to a related party	**109,742**	670
NET INCREASE IN CASH	**104,555**	-
CASH AT BEGINNING OF PERIOD	-	-
CASH AT END OF PERIOD	**104,555**	-

(See Notes to Financial Statements)

Note 1 Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The financial statements were prepared under the historical cost basis and are presented in Philippine Peso (₱) which is the Company's functional and presentation currency, and rounded off to the nearest thousands, except when otherwise stated.

Statement of Compliance

The separate financial statements were prepared in compliance with the Philippine Financial Reporting Standards (PFRS).

Note 2 Capital Stock

Information on capital stock as of March 31, 2021 are as follows:

	Number of shares
Preferred stock at ₱0.10 par value per share	
Authorized	3,000,000,000
Issued	-
Common stock at ₱0.023 par value per share	
Authorized	1,200,000,000
Issued	1,124,999,969

Increase in the authorized capital stock

On October 26, 2020, during the special meeting of the Da Vinci's Board of Directors, it resolved to approve the increase of the authorized capital stock of the Corporation and amend the Article Seventh of the Corporation's articles of incorporation for purposes of implementing the Share Swap Transaction. The authorized capital stock was approved to be increased to P2 billion divided into twenty (20) billion common shares with par value of P0.10 per share. The Board of Directors likewise approved, during the aforesaid meeting, the increase in the par value of the Corporation's shares from P0.023 per share to P0.10 per share.

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

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

/

increase in the authorized capital stock pursuant to the requirement under Section 37 of the Revised Corporation Code.

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

On March 29, 2021, the Board of Directors of Da Vinci approved the rescission of the Subscription Contract which was mutually agreed by the parties. The Board of Directors, after evaluating the transaction structure and discussing with its advisers, found that rescinding the Invescap subscription will streamline the process by eliminating unnecessary steps, create better efficiencies and optimize the structure that will: (1) facilitate the implementation and early completion of the share swap transaction; (2) allow the Company to create better value for all of its shareholders, including its public shareholders, that is less dilutive to the minority; and (3) provide the Company sufficient available unissued shares that will allow the Company to immediately act on capital raising opportunities when market conditions are optimal.

The rescission of the Subscription Contract will be presented by Da Vinci to the stockholders for approval.

In view of the rescission of the Subscription Contract, the proposed increase in authorized capital stock, which reflects the subscription by Invescap and which is still under evaluation by the SEC, has been withdrawn.

Note 3 Basic/Diluted Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share are computed as follows:

	March 31, 2021	March 31, 2020
Net income (loss) [a]	**(5,212,507)**	(620,600)
Weighted average number of shares outstanding [b]	**1,124,999,969**	1,124,999,969
Basic/diluted earnings (loss) per share [a/b]	**(0.00463)**	(0.00055)

Item 2. Management Discussion and Analysis of Financial Condition and Results of Operations

Financial Soundness Indicators

Below are the relevant financial ratios for the period ended March 31, 2021 and 2020:

		2021	2020
Current Ratio	Current assets / Current liabilities	**0.87**	-
Asset-to-equity Ratio	Asset / Equity	**14.56**	1.65
Return on Equity	Net Income (Loss) / Equity	**(59.00%)**	**(4.28%)**

Operating Results for 1st Quarter of 2021

The Company continues to have no commercial operating activity during the quarter ending March 31, 2021.

The Company's incurred net loss is principally brought about by the administrative expenses incurred.

Material Changes in the Financial Statements

There were no material changes in the financial statements as of the period ended March 31, 2021.

Other Reporting Disclosures

The major activities pursued by the Company during the period principally involves corporate restructuring including management reorganization and capital stock restructuring to prepare the Company to implement the Share Swap Transaction with Cosco Capital, Inc. as discussed in more detail as follows:

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

Specifically, (a) 9,488,444,240 common shares of Da Vinci will be swapped with 7,499,994 common shares of Cosco in Montosco, Inc.; (b) 907,885,074 common shares of Da Vinci will be swapped with 7,499,994 common shares of Cosco in Meritus Prime Distributions, Inc.; and finally, (c) 853,670,686 common shares of Da Vinci will be swapped with 1,499,993 common shares of Cosco in Premier Wine and Spirits, Inc.

On March 29, 2021, the Board of Directors of Da Vinci approved the proposal of Cosco to subscribe to 11,250,000,000 common shares at P2.00 per share in support of the proposed increase in Da Vinci's authorized capital stock via a Share Swap Transaction.

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

Apart from the above, there are no other events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no:

1. Known trends, demand, commitments, events or uncertainties that will have material impact on the Company's liquidity;
2. Issuances, repurchases, and repayment of equity securities;
3. Material commitments for capital expenditures;
4. Known trends, event or uncertainties that have or that are reasonably expected to have favorable or unfavorable impact on sales/revenues/income from continuing operations;
5. Significant elements of income or loss that did not arise from the Company's continuing operations;
6. Seasonal aspects that had a material effect on the financial condition or result of operations;
7. Material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

Financial Risk Disclosure

At present, the Company has no commercial operations and as such, is not exposed to any financial risk. Furthermore, the Company has no financial instruments.

Plan of Operations

As of March 31, 2021, the Company is currently pursuing the implementation of the proposed Share Swap Transaction with Cosco Capital, Inc. that would result into the Company acquiring 100% ownership interest in three (3) operating liquor companies.

As soon as the proposed transaction is implemented and approved by relevant authorities, the Company plans to implement a follow-on offering of its common shares in order to comply with the minimum public ownership of the Philippine Stock Exchange and at the same time raise additional equity capital to pursue and identify a feasible investment opportunities.

For the time being, the Company can satisfy its cash requirements through advances from its controlling shareholder.

Furthermore, the Company has no any product research and development, no expected purchase or sale of plant and significant equipment and no expected significant changes in the number of employees.

PFRS 9, Financial Instruments: Classification and Measurement

The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but will potentially have no impact on classification and measurements of financial liabilities.

PART II – OTHER INFORMATION

No other significant information for the quarter

SIGNATURE

Pursuant to the requirements of the Securities and Regulation Code, the issuer has duly caused this First Quarter Financial Statements of Da Vinci Capital Holdings, Inc. for the year 2021 to be signed on its behalf by the undersigned thereunto duly authorized.

May 07, 2021 in the City of Manila.

DA VINCI CAPITAL HOLDINGS, INC.

By:

JOSE PAULINO L. SANTAMARINA
President

IMELDA D. LACAP
Comptroller

ANNEX "B"

Guidelines for Participating via Remote Communication and Voting *in Absentia* in 2021 Annual Stockholders' Meeting of Da Vinci Capital Holdings, Inc.

The 2021 Annual Stockholders' Meeting (ASM) of Da Vinci Capital Holdings, Inc. (the Company) will be on May 28, 2021 at 10:00 am and with a record date of May 3, 2021.

In consideration of the health and safety concerns of everyone brought by COVID 19 pandemic, the Board of Directors of the Company has approved and authorized our stockholders to participate in the ASM via remote communication and to exercise their right to vote *in absentia*.

Registration

The stockholder must notify the Corporate Secretary of his/her intention to participate in the ASM via remote communication and exercise his/her right to vote *in absentia* by no later than May 24, 2021, by emailing at corporate.governance.davinci@gmail.com and by submitting there the following supporting documents/information:

Individual Stockholders

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

Multiple Stockholders or joint owners

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

Corporate Stockholders

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

Stockholders with Shares under broker account

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

Online Voting

The stockholders who have sent us their intention to participate in the ASM shall be notified via email of their log-in passwords for the voting portal. The stockholders can then cast their votes following these simple steps:

1. Log-in to the voting portal by clicking the link on our company website.
2. Use the log-in passwords sent by email to the email address of the stockholder provided to the Company to access the voting portal.
3. Upon accessing the portal, the stockholder can vote on each agenda item.
4. Once the stockholder has finalized his/her vote, he can proceed to submit his vote by clicking the “Submit” button.

ASM Livestream

The stockholders who have the log-in passwords can participate in the ASM to be broadcasted live by the Company in our website. Further instructions on how to access the live stream will also be posted at www.davincicapital.com.ph

There will be video recordings of the ASM which a stockholder on record may avail upon request.

Open Forum

There will be Open Forum during the meeting, where representatives of the Company may answer as many questions as time will allow. However, a stockholder may send their questions in advance by sending an email at corporate.governance.davinci@gmail.com on or before May 24, 2021.

For any queries or concerns, please contact the office of the Assistant Corporate Secretary at (632) 8523-3055 or via email at *corporate.governance.davinci@gmail.com*.

AMENDED COMPREHENSIVE CORPORATE DISCLOSURE
OF DA VINCI CAPITAL HOLDINGS, INC.
March 30, 2021

This disclosure is in connection with: (a) the subscription by Invescap Incorporated (“**Invescap**”) to twenty-five percent (25%) of the increase in authorized capital stock or in the amount of P418,100,000.00 divided into 4,181,000,000 common shares to support the increase in the authorized capital stock of Da Vinci Capital Holdings, Inc.’s (the **“Corporation” or “Da Vinci”**) to P2 billion, as approved by the stockholders on November 20, 2020; (b) the rescission of the Subscription Contract dated 28 January 2021 between Invescap and Da Vinci, as approved by the Corporation’s Board of Directors on 29 March 2021, (c) the proposed issuance of 11,250,000,000 common shares of stock (the “**Shares**”) of Da Vinci in exchange for Cosco Capital, Inc.’s (“**Cosco”**) shares of stock in its subsidiaries, specifically, Montosco, Inc. (“**Montosco**”), Meritus Prime Distributions, Inc. (“**Meritus**”), and Premier Wine and Spirits, Inc. (“**Premier**”) in support of the proposed increase in the authorized capital stock of the Corporation; (c) the additional listing of Shares, as approved by the Corporation’s Board of Directors; and (d) the conduct of follow-on or public offering to local and/or foreign investors (the “**Public Offering**”).

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

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

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

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

On March 8, 2021, Da Vinci and Cosco agreed on the consideration of the Share Swap Transaction to be 11,250,000,000 common shares at P2.00 each share in exchange of Cosco’s 100% outstanding shares in Montosco, Meritus and Premier. Isla Lipana & Co. has been engaged to provide the third-party ‘Fairness Opinion’ on the transaction, with a supporting Valuation Report. The Corporation will provide the Exchange of such Fairness Opinion and supporting Valuation Report in due course.

No Deed of Exchange has been signed yet but as soon as the stockholders approve the transaction, both parties will sign the necessary documents and we will furnish the Exchange copies thereof.

On March 29, 2021, the Board of Directors of Da Vinci approved the rescission of the Subscription Contract with Invescap, as mutually agreed by the parties.

No Rescission Agreement has been signed yet until the stockholders approve the rescission of the Subscription Contract. Both parties will sign the necessary documents and we will furnish the Exchange copies thereof in due course.

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

(1) Increase in the authorized capital stock

On October 26, 2020, during the special meeting of the Da Vinci's Board of Directors, it resolved to approve the increase of the authorized capital stock of the Corporation and amend the Article Seventh of the Corporation's articles of incorporation for purposes of implementing the Share Swap Transaction. The authorized capital stock was approved to be increased to P2 billion divided into twenty (20) billion common shares with par value of P0.10 per share. The Board of Directors likewise approved, during the aforesaid meeting, the increase in the par value of the Corporation's shares from P0.023 per share to P0.10 per share.

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

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

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

On March 29, 2021, the Board of Directors of Da Vinci approved the rescission of the Subscription Contract which was mutually agreed by the parties. The Board of Directors, after evaluating the transaction structure and discussing with its advisers, found that rescinding the Invescap subscription will streamline the process by eliminating unnecessary steps, create better efficiencies and optimize the structure that will: (1) facilitate the implementation and early completion of the share swap transaction; (2) allow the Company to create better value for all of its shareholders, including its public shareholders, that is less dilutive to the minority; and (3) provide the Company sufficient available unissued shares that will allow the Company to immediately act on capital raising opportunities when market conditions are optimal.

The rescission of the Subscription Contract will be presented by Da Vinci to the stockholders for approval.

In view of the rescission of the Subscription Contract, the proposed increase in authorized capital stock, which reflects the subscription by Invescap and which is still under evaluation by the SEC, has been withdrawn.

(2) Share Swap Transaction

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

Specifically, (a) 9,488,444,240 common shares of Da Vinci will be swapped with 7,499,994 common shares of Cosco in Montosco, Inc.; (b) 907,885,074 common shares of Da Vinci will be swapped with 7,499,994 common shares of Cosco in Meritus Prime Distributions, Inc.; and finally, (c) 853,670,686 common shares of Da Vinci will be swapped with 1,499,993 common shares of Cosco in Premier Wine and Spirits, Inc.

On March 29, 2021, the Board of Directors of Da Vinci approved the proposal of Cosco to subscribe to 11,250,000,000 common shares at P2.00 per share in support of the proposed increase in Da Vinci's authorized capital stock via a Share Swap Transaction.

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

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

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

(3) Additional Listing of the Shares

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

(4) Follow-On / Public Offering

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

(5) Regulatory Requirements

Minimum Subscription of Increase in Authorized Capital Stock

To comply with the requirements of Section 37 of the Revised Corporation Code, which provides that at least 25% of the increased capital stock of Da Vinci must be subscribed, Cosco will subscribe to 11,250,000,000 common shares at P2.00 per share via the Share Swap Transaction.

Conduct of Rights Offering

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

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

Tax-Free Exchange

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

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

As applicable, the parties to the Share Swap Transaction intend to file with the Bureau of Internal Revenue **("BIR")** an application for a tax-free exchange ruling confirming that the transaction is a tax-free exchange transaction under Section 40(C)(2) of the Tax Code, and is thus, exempt from the payment of taxes such as income tax, value-added, donor's tax and documentary stamp tax. Securing a favorable ruling from the BIR is a material consideration of the parties in entering into the Share Swap Transaction, and they may not proceed with the transaction in the event that the BIR does not grant such favorable ruling.

Philippine Competition Act

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

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

Approval of Increase of Capital

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

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

(1) Increase in Authorized Capital Stock

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

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

(2) Swap of Common Shares

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

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

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

On March 8, 2021, Da Vinci approved the valuation of three (3) liquor companies of Cosco at P22,500,000,000.00 to be paid in stocks amounting to 11,250,000,000 common shares at P2.00 per share in exchange for 100% of Cosco's outstanding shares of Montosco, Meritus and Premier, as follows:

- 9,488,444,240 Da Vinci common shares will be swapped with 7,499,994 common shares of Cosco in Montosco;
- 907,885,074 Da Vinci common shares will be swapped with 7,499,994 common shares of Cosco in Meritus;
- 853,670,686 Da Vinci common shares will be swapped with 1,499,993 common shares of Cosco in Premier.

On March 29, 2021, the Board of Directors of Da Vinci approved the proposal of Cosco to subscribe to 11,250,000,000 common shares at P2.00 per share in support of the proposed increase in Da Vinci's authorized capital stock via the Share Swap Transaction.

The Share Swap Transaction will take effect upon approval of Da Vinci's stockholders and the SEC. Isla Lipana & Co. has been engaged to provide the third-party Fairness Opinion on the transaction, with a supporting valuation report.

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

The consideration for the common shares of Da Vinci to be exchanged for Cosco's 100% outstanding shares in each of Montosco, Meritus Prime and Premier Wine is based on discounted cash flow approach and shell premium analysis for Da Vinci.

Isla Lipana & Co. has been engaged to issue the corresponding 'fairness opinion' with valuation report to support the application for approval of the Share Swap Transaction to be filed with the SEC.

(f) For cash consideration, the detailed work program of the application of proceeds, the corresponding timetable of disbursements and status of each project included in the work program. For debt retirement application, state which projects were financed by debt being retired, the project cost, the amount of project financed by debt and financing sources for the remaining cost of the project

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

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

The matters that have been approved by the Board of Directors in its meetings on February 19, 2021 and on March 29, 2021 , which will be presented to the stockholders for their approval at the special stockholders' meeting to be scheduled, are the steps being undertaken by the Corporation in order to advance its business, specifically the creation of additional shares to allow the Share Swap Transaction and for future capital raising activities to fund the Corporation's projects and investments consistent with its business purposes.

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

(h) Effects in the Corporation, as the listed company, before and after the Share Swap Transaction on the following:

(1) Increase in Authorized Capital Stock

BEFORE THE INCREASE	AFTER THE INCREASE
Authorized Capital Stock: P327,600,000.00 (1,200,000,000 Common Shares with par value of P0.023 per share and 3,000,000,000 Preferred Shares with par value of P0.10 per share)	Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)
Outstanding Capital Stock: 1,124,999,969	Outstanding Capital Stock: 11,508,749,992.80
Paid-Up Capital Stock: 1,124,999,969	Paid Up Capital Stock: 11,508,749,992.80

**Outstanding capital stock consists of the existing stockholders of Da Vinci equivalent to 258,749,992.87 shares (after changing the par value at P0.10) and the new 11,250,000,000 shares to be issued to Cosco at P2.00 per share.*

**Paid Up Capital Stock consists of the existing stockholders of Da Vinci equivalent to 258,749,992.87 shares at P0.10 per share or P25,874,999.29 and 11,250,000,000 shares of Cosco at P2.00 per share.*

(2) Change in the Nature of Business

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

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

(3) Change in Name

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

(4) Change in Board of Directors

There will be no change in the Board of Directors.

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

BEFORE THE INCREASE IN CAPITAL STOCK	AFTER THE INCREASE IN CAPITAL STOCK
Authorized Capital Stock: P327,600,000.00 (1,200,000,000 Common Shares with par value of P0.023 per share and 3,000,000,000 Preferred Shares with par value of PhP0.10 per share)	Authorized Capital Stock: P2,000,000,000.00 (20,000,000,000 Common Shares with par value of P0.10 per share)
Outstanding Capital Stock: Invescap Incorporated – 85% Public Float – 15%	Outstanding Capital Stock: Cosco Capital, Inc. – 98% Invescap Incorporated – 1.9% Public Float – less than 1%

(6) Capital Structure of the Corporation

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

(i) Additional information on unlisted companies:

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

Montosco, Inc.

(i) Nature of business

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

(ii) Major projects and investment

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

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

Montosco has no subsidiary.

(iv) Capital Structure

Type of Security	Amount (in PhP)	Number of Shares
Authorized Capital Stock		

Common Stock	750,000,000.00	7,500,000
Subscribed Shares		
Common Stock	750,000,000.00	7,500,000
Paid-up Capital		
Common Stock	750,000,000.00	7,500,000

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Meritus Prime Distributions Inc.

(i) *Nature of business*

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

(ii) *Major projects and investment*

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

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

Meritus has no subsidiary.

(iv) *Capital Structure*

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

Type of Security	**Amount (in PhP)**
Par Value	

Common Stock	100.00

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

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

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

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

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

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

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

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

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

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

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

Mr. Lucio L. Co, as the common Director of both parties to the Share Swap Transaction and of Meritus, abstained from voting on the proposed Share

Swap Transaction during the special meeting of Da Vinci's Board held on February 19, 2021. The other shareholders of Meritus have been notified of the proposed Share Swap Transaction.

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

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

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

Premier Wine and Spirits, Inc.

(i) *Nature of business*

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

(ii) *Major projects and investment*

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

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

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

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

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

(iv) *Capital Structure*

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

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

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

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

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

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

Officers	
Jose Paulino Santamarina	President
Evelyn B. Binanitan	Treasurer
Maricel B. Joyag	Corporate Secretary

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

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

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

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

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

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

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

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

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

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

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

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

**Php in millions*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A stockholders' meeting will be held in May 2021 for the purpose of presenting to the stockholders the matters set forth above, among other matters, for their approval.

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

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

To see the ownership structure of the Corporation before and after the transaction, please see attached "**Annex E and E-1**".

"ANNEX A"

SUBSCRIPTION CONTRACT

KNOWN ALL PERSONS BY THESE PRESENT:

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

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

-and-

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

WITHNESSETH THAT:

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

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

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

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

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

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

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

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

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

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

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

Signed in the presence of:

________________________ ________________________

ACKNOWLEDGEMENT

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

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

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

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

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

Doc. No. 244
Page No. 60
Book No. XVII
Series of 2021.

CAROLINE G. EXCONDE
Notary Public for the City of Manila
Commission No. 2020-085 until December
Roll No. 55392/05-02-2008
IBP No. 099374/12-18-2019/PPLM
PTR No. 9097779/12-18-2019/Manila
MCLE Compliance No. VI-0024755/05-17-
No. 900 Romualdez St., Paco, Manila 1007

"ANNEX B"

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

COMPANY REG. NO. CS200812528

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

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

MONTOSCO, INC.
(Amending Article III thereof)

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

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

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

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

STA/qba

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application	SEC Registration Number
AMENDMENT	CS200812528

Former Company Name

MONTOSCO, INC.

AMENDED TO:
New Company Name

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

UNIT 1501 FEDERAL TOWER
DASMARIÑAS ST., BINONDO, MANILA

ZIP CODE: 1006

COMPANY INFORMATION

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

CONTACT PERSON INFORMATION

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

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

Contact Person's Address

No. 900 Romualdez St., Paco, Manila

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor			

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

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

AMENDED ARTICLES OF INCORPORATION

OF

MONTOSCO, INC.

KNOW ALL MEN BY THESE PRESENTS:

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

AND WE HEREBY CERTIFY:

FIRST: The name of this corporation shall be:

MONTOSCO, INC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Signed)
BABY GERLIE I. SACRO
[redacted]

(Signed)
RACHELLE TAN
[redacted]

(Signed)
MARICEL BUENO
[redacted]

(Signed)
WNEDY VALMOCINA
[redacted]

(Signed)
ARIANE L. AGREGADO
[redacted]

WITNESSES:

____________________ ____________________

ACKNOWLEDGEMENT

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

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

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

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

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

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

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

"ANNEX B-1"

(STOCK)

BY - LAWS

OF

MONTOSCO, INC.

(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

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

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

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

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

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

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

ARTICLE II

MEETINGS OF STOCKHOLDERS

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

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

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

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

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

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

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

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

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

ARTICLE III

BOARD OF DIRECTORS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

OFFICER

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

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

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

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

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

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

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

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

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

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

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

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

j.) To sign certificates of stock;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

OFFICES

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

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

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

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

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

ARTICLE VII

SEAL

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

ARTICLE VIII

AMENDMENTS

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

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

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

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

BABY GERLIE SACRO [redacted]	RACHELLE TAN [redacted]
MARICEL BUENO [redacted]	WENDY VALMOCINA [redacted]
ARIANE AGREGADO [redacted]	

"ANNEX B-2"

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

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2020

STOCK CORPORATION

GENERAL INSTRUCTIONS:

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

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

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

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

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

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET

STOCK CORPORATION

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

Corporate Name: MONTOSCO, INC.

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

Please check the appropriate box:

1.

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

2.

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

3.

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

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

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

6. Company service providers which, as a business, provide any of the following services to third parties:

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

7. Persons who provide any of the following services:

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

8. ☐ None of the above

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

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

GENERAL INFORMATION SHEET
STOCK CORPORATION

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

CORPORATE NAME:	MONTOSCO, INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

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

SUBSCRIBED CAPITAL

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

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

PAID-UP CAPITAL

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

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

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

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

GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: MONTOSCO, INC.

DIRECTORS / OFFICERS

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

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

7	1

[redacted]						[redacted]
[redacted]		1				[redacted]
		1				
[redacted]		1				[redacted]
		1				
[redacted]		1				[redacted]
		1				
[redacted]		1			100.00	[redacted]
		1				
[redacted]		1				[redacted]
		1				
[redacted]		1		0.00%	100.00	[redacted]
		1				

GENERAL INFORMATION SHEET
STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME: MONTOSCO, INC.

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

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

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

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

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

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

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

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

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

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

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

NOTE: USE ADDITIONAL SHEET IF NECESSARY

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

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

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

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

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

EVELYN B. BINANITAN
Corporate Secretary

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

Doc. No. 65
Page No. 14
Book No. 14
Series of 2020.

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

"ANNEX B-3"

MONTOSCO INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

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

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

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

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

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

JANNELLE O. UY
President and Chairman of the Board

MARIA CRISANTA A. RELOS
Treasurer

Signed this 9th day of June 2020

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 0 8 1 2 5 2 8

COMPANY NAME

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

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

1501 Federal Tower Dasmariñas
Street, Binondo, Manila

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

COMPANY INFORMATION

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

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

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

1501 Federal Tower, Dasmariñas Street, Binondo, Manila

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

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

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

FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

KPMG

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

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

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

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

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

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

R.G. MANABAT & CO.

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

June 25, 2020
Makati City, Metro Manila

JUN 29 2020

KPMG

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Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

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

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

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

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

R.G. MANABAT & CO.

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

June 25, 2020
Makati City, Metro Manila

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

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

JUL 22 2020

JUN 29 2020

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

JUN 29 2020

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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

JUN 29 2020

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

1. Reporting Entity

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

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

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

2. Basis of Preparation

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

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

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

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

3. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

  Impact on Financial Statements

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

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

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

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

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

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

Classification and Measurement of Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

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

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

Inventories

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

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

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

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

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

Value-added Tax (VAT)

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

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

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

Refundable Deposits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Leases

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

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

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

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

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

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

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

Company as Lessee

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

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

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

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

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

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

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

Income Taxes

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

Current Income Tax

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

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

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

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

Related Party Transactions and Relationships

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

Foreign Currency Denominated Transactions and Translation

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

Provisions

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

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

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

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

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

Effective January 1, 2020

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

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

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

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

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

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

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

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

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

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

  The amendments apply prospectively. Earlier application is permitted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Cash

This account consists of:

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

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

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

6. Trade and Other Receivables

This account consists of:

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

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

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

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

7. Inventories

This account consists of:

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

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

8. Prepaid Expenses and Other Current Assets

This account consists of:

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

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

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

9. Property and Equipment

The movements and balances in this account are as follows:

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

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

10. Refundable Deposits

This account consists of:

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

11. Trade and Other Payables

This account consists of:

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

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

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

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

12. Notes Payable

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

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

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

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

13. Related Party Transactions

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

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

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

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

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

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

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

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

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

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

14. Equity

Capital Stock

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

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

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

Declaration of Dividends

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

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

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

Retained Earnings

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

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

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

15. Cost of Goods Sold

This account consists of:

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

16. Lease Agreements

Company as Lessee

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

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

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

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

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

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

i. Right-of-Use Assets

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

ii. Lease Liabilities

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

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

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

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

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

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

iii. Amounts recognized in profit or loss

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

iv. Amounts recognized in the statement of cash flows

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

17. Retirement Benefits Liability

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Income Taxes

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

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

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

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

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

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

19. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

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

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

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

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

- Credit Risk
- Liquidity Risk
- Market Risk

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

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

Credit Risk

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

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

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

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

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

	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due More than 120 Days	Impaired	Total
December 31, 2018						
Cash in banks	P82,180,501	P -	P -	P -	P -	P82,180,501
Trade and other receivables	743,270,866	104,759,320	614,636	69,785	-	848,714,407
Refundable deposits	2,145,883	-	-	-	-	2,145,883
	P827,597,050	P104,759,320	P614,636	P69,785	P -	P933,040,791

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

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

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

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

Credit Quality

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

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

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

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

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

Expected Credit Loss Assessment as at December 31, 2019

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

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

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

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

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

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

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

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

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

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

Liquidity Risk

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

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

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

**Excluding statutory obligations amounting to P2,546,405.*
***Including future interest payable with interest rates of 4.50%.*
****Including of future interest payable with interest rates of 4.00%*

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

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

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

Market Risk

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

Interest Rate Risk

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

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

Foreign Currency Exchange Risk

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

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

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

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

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

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

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

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

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

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

Capital Risk Management

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

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

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

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

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

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

20. Fair Values of Financial Instruments

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

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

Refundable Deposits

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

Notes Payable and Advances from a Stockholder

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

Lease Liabilities

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

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

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

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

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

22. Prior Period Restatements

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

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

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

23. Subsequent Events

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households, all public transportation are suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the supplementary information required for the taxable year ended December 31, 2019:

a. **VAT**

Output VAT	**P972,183,691**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P8,069,341,355**
Sale to government	**32,189,403**
Zero rated sales	**50,565,310**
Exempt sales	**3,429,043**
Total sales	**P8,155,525,111**
Input VAT	
Beginning of the year	**P91,102,251**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**97,565,440**
b. Importations other than capital goods	**738,110,519**
c. Others	**54,742,122**
Deductions from input tax	**(1,367,889)**
Other adjustments	**1,751,063**
Total allowable input VAT	**P981,903,506**
Total Vat payable (refundable) during the year	**(P9,719,815)**
Less: VAT payments during the year	**(19,023,013)**
Balance at the end of the year	**P28,742,828**

b. **Customs Duties and Tariff Fees:**

Landed cost of imports	**P6,150,920,995**
Customs duties paid or accrued	**404,911,839**
	P6,555,832,834

c. **Excise Taxes**

Imported excisable items:	
a. Spirits	**P1,795,245,538**
b. Wines	**30,014,518**
	P1,825,260,056

d. **Documentary Stamp Tax**

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On loan instruments	**P5,466,524**
On others	**1,095,106**
	P6,561,630

e. **Withholding Taxes**

Expanded withholding taxes	**P18,141,365**
Tax on compensation and benefits	**1,334,245**
	P19,475,610

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P20,249,272**
Others	**79,762**
	P20,329,034

g. **Tax Cases and Assessment**

On May 17, 2018, March 28, 2019 and June 19, 2019, the Company received Letters of Authority from the BIR to examine the Company's books of accounts and other accounting records for the periods January 1, 2016 to December 31, 2016, January 1, 2018 to December 31, 2018 and January 1, 2017 to December 31, 2017, respectively.

On September 16, 2019, the Company received Notice of Discrepancy for excise tax deficiency and its' related VAT for taxable years 2018 and 2017.

In August to October 2019, the Company paid the total deficiency taxes, including penalties and interest, in relation to these assessments amounting to P17,732,340.

As at December 31, 2019, the Company has no pending nor outstanding tax cases.

Information on tariff fees, paid or accrued, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

KPMG

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Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the years ended December 31, 2019 and 2018, on which we have rendered our report dated June 25, 2020.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

MONTOSCO, INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

	(Figures based on functional currency audited financial statements)
Unappropriated Retained Earnings, January 1, 2019	P643,053,859
Net income based on the face of audited financial statements	1,109,686,797
Less: Dividend declaration during the year	(50,000,000)
Unappropriated Retained Earnings, as adjusted, December 31, 2019	P1,702,740,656

"ANNEX B-4"

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	0	8	1	2	5	2	8

COMPANY NAME

MONTOSCO, INC.
(A Wholly-owned Subsidiary of
Cosco Capital, Inc.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1501 Federal Tower Dasmariñas
Street, Binondo, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 30	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co		(02) 242-0635	

CONTACT PERSON's ADDRESS

1501 Federal Tower, Dasmariñas Street, Binondo, Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MONTOSCO INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MONTOSCO, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JANNELLE O. UY
President & Chairman of the Board

MARIA CRISANTA A. RELOS
Treasurer

Signed this 11th day of April 2019

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017-010-R, valid until August 26, 2020
BSP - Selected External Auditors, Category A, valid for 3 year audit period (2017 to 2019)

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited the accompanying financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has only one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information in the accompanying Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR
Partner
CPA License No. 088825
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Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	2018	
ASSETS			
Current Assets			
Cash	5, 19	**P82,601,501**	P263,925,726
Trade and other receivables	6, 19	**848,714,407**	1,053,351,711
Inventories	7, 15	**2,541,957,090**	1,262,556,953
Prepaid expenses and other current assets	8	**740,298,607**	427,302,948
Total Current Assets		**4,213,571,605**	3,007,137,338
Noncurrent Assets			
Property and equipment - net	9	**9,170,411**	5,096,872
Refundable deposits	10, 19	**2,145,883**	2,037,453
Total Noncurrent Assets		**11,316,294**	7,134,325
		P4,224,887,899	P3,014,271,663
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	11, 19	**P582,320,705**	P183,718,013
Advances from a stockholder	13, 19	**659,500,000**	-
Notes payable	12, 19	**353,000,000**	700,000,000
Dividends payable	13, 14, 19	**200,000,000**	100,000,000
Income tax payable		**84,864,439**	60,764,797
Advances from Parent Company	13, 19	**-**	234,000,000
Total Current Liabilities		**1,879,685,144**	1,278,482,810
Noncurrent Liability			
Retirement benefits liability	17	**1,112,907**	1,550,561
Total Liabilities		**1,880,798,051**	1,280,033,371
Equity			
Capital stock	14	**750,000,000**	750,000,000
Retained earnings			
Unappropriated	14	**643,529,993**	984,279,425
Appropriated	14	**950,000,000**	-
Accumulated remeasurements on retirement benefits		**559,855**	(41,133)
Total Equity		**2,344,089,848**	1,734,238,292
		P4,224,887,899	P3,014,271,663

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2018	2017
NET SALES	*13*	**P5,291,847,624**	P3,647,917,229
COST OF GOODS SOLD	*15*	**4,019,765,423**	2,767,822,893
GROSS PROFIT		**1,272,082,201**	880,094,336
OPERATING EXPENSES			
Advertisement		**190,123,388**	111,354,403
Distribution costs		**76,069,173**	62,499,779
Outside services		**44,034,167**	28,179,248
Salaries and other employee benefits		**21,587,006**	18,213,055
Rent	*16*	**11,690,079**	15,354,658
Taxes and licenses		**10,699,402**	17,140,918
Utilities and communication		**7,059,934**	3,239,763
Insurance		**6,163,715**	7,034,651
Transportation and travel		**6,110,201**	5,213,951
Depreciation and amortization	*9*	**2,730,823**	2,793,476
Representation and entertainment		**1,514,791**	1,397,385
Miscellaneous		**14,575,670**	8,691,768
		392,358,349	281,113,055
INCOME FROM OPERATIONS		**879,723,852**	598,981,281
OTHER INCOME - Net			
Commission income		**53,674,117**	68,593,291
Foreign exchange gain (loss) - net		**32,586,368**	(19,031,679)
Interest expense	*12, 13*	**(13,445,517)**	(7,749,094)
Interest income	5	**2,397,647**	781,573
		75,212,615	42,594,091
INCOME BEFORE INCOME TAX		**954,936,467**	641,575,372
PROVISION FOR INCOME TAX	*18*	**245,685,899**	170,808,156
NET INCOME		**709,250,568**	470,767,216
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will not be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	*17*	**600,988**	-
Income tax effect		**-**	(12,340)
		600,988	(12,340)
TOTAL COMPREHENSIVE INCOME		**P709,851,556**	P470,754,876

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Capital Stock (Note 14)	Stock Dividends Distributable (Note 14)	Retained Earnings Unappropriated (Note 14)	Retained Earnings Appropriated (Note 14)	Accumulated Remeasurements on Retirement Benefits	Total
Balances as at December 31, 2016	P210,000,000	P540,000,000	P613,512,209	P -	(P28,793)	P1,363,483,416
Net income for the year	-	-	470,767,216	-	-	470,767,216
Other comprehensive loss for the year	-	-	-	-	(12,340)	(12,340)
Stock dividends issuances	540,000,000	(540,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	(100,000,000)	-	-	(100,000,000)
Balances as at December 31, 2017	750,000,000	-	984,279,425	-	(41,133)	1,734,238,292
Net income for the year	-	-	709,250,568	-	-	709,250,568
Other comprehensive income for the year	-	-	-	-	600,988	600,988
Cash dividends declared during the year	-	-	(100,000,000)	-	-	(100,000,000)
Appropriations during the year	-	-	(950,000,000)	950,000,000	-	-
Balances as at December 31, 2018	**P750,000,000**	**P -**	**P643,529,993**	**P950,000,000**	**P559,855**	**P2,344,089,848**

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P954,936,467**	P641,575,372
Adjustments for:			
Interest expense	*12, 13, 21*	**13,445,517**	7,749,094
Unrealized foreign exchange loss - net		**6,578,977**	3,047,788
Depreciation and amortization	*9*	**2,730,823**	2,793,476
Interest income	*5*	**(2,397,647)**	(781,573)
Retirement benefits costs	*17*	**283,334**	345,565
Operating income before working capital changes		**975,577,471**	654,729,722
Decrease (increase) in:			
Trade and other receivables		**203,575,979**	(202,602,216)
Inventories		**(1,279,400,137)**	212,561,049
Prepaid expenses and other current assets		**(312,995,659)**	(337,927,097)
Refundable deposits		**(108,430)**	1,197,276
Increase (decrease) in trade and other payables		**389,906,225**	(425,456,548)
Cash used in operations		**(23,444,551)**	(97,497,814)
Income taxes paid		**(221,586,257)**	(206,574,950)
Interest received	*5*	**2,397,647**	781,573
Retirement benefits paid	*17*	**(120,000)**	-
Net cash used in operating activities		**(242,753,161)**	(303,291,191)
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	**(6,804,362)**	(2,402,268)
CASH FLOWS FROM FINANCING ACTIVITIES	*21*		
Payments of:			
Advances from Parent Company	*13*	**(234,000,000)**	(290,000,000)
Notes payable		**(700,000,000)**	(175,000,000)
Interest		**(10,251,527)**	(6,808,362)
Proceeds from availment of:			
Advances from a stockholder	*13*	**659,500,000**	-
Notes payable		**353,000,000**	700,000,000
Net cash from financing activities		**68,248,473**	228,191,638
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(15,175)**	8,007
NET DECREASE IN CASH		**(181,324,225)**	(77,493,814)
CASH AT BEGINNING OF YEAR		**263,925,726**	341,419,540
CASH AT END OF YEAR	*5*	**P82,601,501**	P263,925,726

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
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NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Montosco, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 13, 2008. The principal activity of the Company is to engage in the business of trading consumer goods on wholesale basis.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. (the "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at the 1501 Federal Tower, Dasmariñas Street, Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on April 11, 2019.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards and Interpretations
The Company has adopted the following new or revised standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These standards are as follows:

- PFRS 9, *Financial Instruments (2014)* replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurements requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets and Financial Liabilities
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity (HTM) investments, loans and receivables and available for sale (AFS) financial assets.

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial Assets	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Cash in banks	Loans and receivables	Financial Assets at Amortized cost	P263,509,726	P263,509,726
Trade and other receivables	Loans and receivables	Financial Assets at Amortized cost	1,053,351,711	1,053,351,711
Refundable deposits	Loans and receivables	Financial Assets at Amortized cost	2,037,453	2,037,453
Total Financial Assets			**P1,318,898,890**	**P1,318,898,890**

  Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There were no financial assets or financial liabilities which the Company has previously designated as at FVTPL under PAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of PFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of PFRS 9.

Impairment of Financial Assets
PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" (ECL) model in relation to the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39. For assets in the scope of PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has assessed that the impact of providing ECL is immaterial. Thus, the Company has determined that the application of PFRS 9's impairment requirements as at January 1, 2018 did not result in an additional allowance for impairment.

General Hedging Accounting
The adoption of PFRS 9 with respect to hedging accounting has not had an impact on the Company's accounting policies since the Company has no hedging transactions.

The Company has used an exemption not to restate comparative information. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosure requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9 and the consequential amendments to PFRS 7.

- PFRS 15, *Revenue from Contracts with Customers,* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18 *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

  Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

For the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods.

Timing of Revenue Recognition
The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' warehouse, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue. Variable considerations are measured based on the most likely amount based on the agreement with customers.

The new standard did not have a material impact on the financial statements, including the Company's accounting policies with respect to its revenue streams.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Company makes foreign currency sales and purchases. The Company's accounting policy is aligned with the interpretation.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities at FVTPL, includes transaction costs.

Classification and Measurement of Financial Instruments - Policy Applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost of financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables [excluding statutory obligations and output Value-added Tax (VAT)], notes payable, advances from a stockholder, and dividends payable.

Classification and Measurement of Financial instruments - Policy Applicable before January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Company's loans and receivables include cash in banks, trade and other receivables, and refundable deposits.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017, the Company's other financial liabilities include trade and other payables (excluding statutory obligations and output VAT), notes payable, advances from Parent Company, and dividends payable.

Impairment of Financial Assets.

Policy Applicable from January 1, 2018

PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy Applicable before January 1, 2018
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2018 and 2017, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and water, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statements of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Furniture and fixtures	2
Office equipment	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses, at end of each reporting period, whether there is indication that its noncurrent nonfinancial assets which consist of property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue,* revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue.

Commission Income
Commission is recognized at a point in time when the related indirect sale of goods have been received and accepted by the buyer at their premises.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  Early adoption is permitted. The Company has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions and the Company's latest assessment of whether it will exercise any lease renewal options.

  So far, the most significant impact identified is that the Company will recognize new assets and liabilities for the operating lease of its office space and warehouse.

  In addition, the nature of expenses related to this lease will now change as PFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use of assets and interest expense on lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  Early adoption is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

The Company is currently assessing the potential impact of adopting this interpretation.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardships, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompany the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Determination on whether an Agreement Contains a Lease
The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at the inception date, and makes assessment on whether the arrangement is dependent on the use of the specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risk and rewards incidental to ownership to the Company.

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered and services that it rendered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse. Further, for commission income, control over the goods for the indirect sale is transferred upon buyer's acceptance of the goods at their premises.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

No impairment losses were recognized in 2018 and 2017 in respect of the Company's financial assets because management assessed that these are fully recoverable.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P850,860,290 and P1,055,389,164 as at December 31, 2018 and 2017, respectively (see Note 19).

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2018 and 2017 are P2,541,957,090 and P1,262,556,953, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2018 and 2017.

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the estimated useful lives of property and equipment in 2018 and 2017.

The carrying amounts of property and equipment as at December 31, 2018 and 2017 are P9,170,411 and P5,096,872, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P1,112,907 and P1,550,561 as at December 31, 2018 and 2017, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

As at December 31, 2018 and 2017, the Company has not recognized deferred income tax assets arising from temporary differences amounting to a total of P7,691,884 and P4,548,349, respectively (see Note 18).

5. Cash

This account consists of:

	Note	**2018**	2017
Cash on hand		**P421,000**	P416,000
Cash in banks	*19*	**82,180,501**	263,509,726
		P82,601,501	P263,925,726

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P2,397,647 and P781,573 in 2018 and 2017, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade			
Third parties		**P657,395,462**	P765,425,643
Related parties	13	**185,699,843**	284,419,163
Nontrade		**1,097,882**	808,890
Others		**4,521,220**	2,698,015
	19	**P848,714,407**	P1,053,351,711

Trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses incurred by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

There was no allowance for impairment losses on receivables as at December 31, 2018 and 2017.

7. Inventories

This account consists of:

	Note	2018	2017
At cost:			
Spirits		**P2,521,243,647**	P1,185,079,637
Wines		**20,713,443**	76,443,123
Water		**-**	1,034,193
	15	**P2,541,957,090**	P1,262,556,953

Cost of goods sold recognized in profit or loss amounted to P4,019,765,423 and P2,767,822,893 in 2018 and 2017, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Prepaid duties and taxes	**P543,115,123**	P188,806,480
Advances to suppliers	**105,397,992**	238,290,465
Input VAT	**91,102,251**	-
Prepaid import charges	**369,522**	137,703
Other prepaid expenses	**313,719**	68,300
	P740,298,607	P427,302,948

Prepaid duties and taxes include advance payment for excise taxes, custom's duties and seals for purchased goods not yet received.

Advances to suppliers pertain to partial downpayment made by the Company to suppliers which will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
December 31, 2016	P5,187,557	P2,295,229	P1,323,314	P1,759,428	P10,565,528
Additions	2,201,786	-	200,482	-	2,402,268
December 31, 2017	7,389,343	2,295,229	1,523,798	1,759,428	12,967,796
Additions	6,635,464	-	152,898	16,000	6,804,362
December 31, 2018	**14,024,807**	**2,295,229**	**1,676,694**	**1,775,428**	**19,772,158**
Accumulated Depreciation and Amortization					
December 31, 2016	2,036,574	599,496	997,764	1,443,614	5,077,448
Depreciation and amortization	1,382,070	791,564	337,176	282,666	2,793,476
December 31, 2017	3,418,644	1,391,060	1,334,940	1,726,280	7,870,924
Depreciation and amortization	1,800,905	706,140	184,631	39,147	2,730,823
December 31, 2018	**5,219,549**	**2,097,200**	**1,519,571**	**1,765,427**	**10,601,747**
Net Book Value					
December 31, 2017	P3,970,699	P904,169	P188,858	P33,148	P5,096,872
December 31, 2018	**P8,805,258**	**P198,029**	**P157,123**	**P10,001**	**P9,170,411**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 were charged as part of "Operating Expenses" in profit or loss.

10. Refundable Deposits

This account consists of:

	Note	**2018**	2017
Security deposits	*16*	**P2,007,564**	P1,914,634
Others		**138,319**	122,819
	19	**P2,145,883**	P2,037,453

11. Trade and Other Payables

This account consists of:

	Note	**2018**	2017
Trade payables	*19*	**P496,420,164**	P106,781,808
Non-trade payables	*19*	**75,505,513**	24,167,746
Accrued expenses	*19*	**6,495,002**	29,663,434
Statutory obligations		**3,900,026**	2,102,453
Output VAT - net		**-**	20,741,783
Others	*19*	**-**	260,789
		P582,320,705	P183,718,013

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest bearing and are generally on a 30-day payment term.

Accrued expenses consist of accruals for interest, utilities, advertisement and other operating expenses.

12. Notes Payable

This account pertains to unsecured, peso-denominated short-term notes from various local banks with maturities of less than one (1) year and bear annual interests from 3.75% to 6.00% in 2018 and 2.13% in 2017. These loans were intended for the Company's working capital requirements to finance inventory purchases.

Interest expense recognized in profit or loss relating to notes payable amounted to P7,560,695 and P1,791,094 for the years ended December 31, 2018 and 2017, respectively.

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance		Terms	Conditions
				Receivable	Payable		
Parent Company							
• Advances	2018	13c	P -	P -	P -	2 years; interest-bearing	Unsecured
	2017	13c	-	-	234,000,000		
• Interest expense	2018	13c	1,750,100	-	-	Annual interest at 1.8%, payable on a monthly basis	
	2017	13c	5,958,000	-	-		
• Dividends	2018	14	100,000,000	-	200,000,000	Due and demandable	Unsecured
	2017	14	100,000,000	-	100,000,000		
Entities under Common Control							
• Sales of goods	2018	6, 13a	1,313,414,818	185,699,843	-	30 days Credit term; non-interest bearing	Unsecured, no impairment
	2017	6, 13a	952,094,114	284,419,163	-		
• Rent expense	2018	13b	11,890,079	-	-		
	2017	13b	11,133,409	-	-		
Stockholder							
• Advances	2018	13d	659,500,000	-	659,500,000	1 year, interest-bearing	Unsecured
	2017	13d	-	-	-		
• Interest expense	2018	13d	4,134,722	-	4,134,722	Annual interest at 4.0%, payable on a monthly basis	Unsecured
	2017	13d	-	-	-		
	2018			P185,699,843	P863,634,722		
	2017			P284,419,163	P334,000,000		

a. In the normal course of business, the Company distributes wines, liquors and water to entities under common control.

b. The Company entered into operating lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years. The principal, including interest, was paid by the Company in 2018.

d. The Company received cash advances from a stockholder in a form of promissory notes. These advances earn fixed annual interest rate of 4.0% with maturities of one (1) year. The advances were intended for the Company's working capital requirements to finance inventory purchases.

There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock
The balances as at December 31, 2018 and 2017 are as follows:

	2018		2017	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized				
P100 par value	**7,500,000**	**P750,000,000**	7,500,000	P750,000,000
Issued and Outstanding				
Balance at beginning of year	7,500,000	P750,000,000	2,100,000	P210,000,000
Stock issuances	-	-	5,400,000	540,000,000
Balance at end of year	**7,500,000**	**P750,000,000**	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P210,000,000 divided into 2,100,000 common shares to P750,000,000 divided into 7,500,000 shares of common stock, both at P100 par value to accommodate the stock dividends declared.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P540,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends
On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date. Both dividends remain outstanding as at December 31, 2018.

Retained Earnings
Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code.

As at December 31, 2017, the Company has retained earnings in excess of its paid-up capital amounting to P234,279,425. These retained earnings will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances.

On December 13, 2018, the BOD approved the appropriation of P950,000,000 from the Company's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction is expected to be completed in December 2020.

15. Cost of Goods Sold

This account consists of:

	Note	**2018**	2017
Inventory at beginning of year		**P1,262,556,953**	P1,475,118,002
Net purchases		**5,299,165,560**	2,555,261,844
Total goods available for sale		**6,561,722,513**	4,030,379,846
Inventory at end of year	7	**2,541,957,090**	1,262,556,953
		P4,019,765,423	P2,767,822,893

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for its office space with an area of 150.84 square meters. The lease is for a period of two (2) years until June 30, 2016. The lease was renewed for another 3 years until June 30, 2019. The lease has an annual escalation rate of 5%. Rent expense amounted to P783,192 and P731,643 in 2018 and 2017, respectively.

b. The Company entered into a lease agreement with a third party for a warehouse with an area of 3,869 square meters. The lease is for a period of three (3) years commencing on November 1, 2014 until October 31, 2017. The lease agreement was not renewed.

c. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 5,770.84 square meters. The lease is for a period of two (2) years commencing on January 1, 2016 until December 31, 2017. The lease was renewed for another three (3) years until December 31, 2020. Rent expense amounted to P10,906,887 and P10,387,512 in 2018 and 2017, respectively.

The lease payments provides for, among others, security deposits amounting to P2,007,564 and P1,914,634 as at December 31, 2018 and 2017, respectively, which are shown under "Refundable Deposits" account in the statements of financial position (see Note 10).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P11,690,079 and P15,354,658 in 2018 and 2017, respectively.

Future minimum lease payments under noncancellable operating leases as at December 31 are as follows:

	2018	2017
Not later than one year	**P11,871,480**	P749,340
Later than one year but not later than five years	**12,024,844**	383,808
	P23,896,324	P1,133,148

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2018.

The following table shows the reconciliation from the opening balances to the closing balances for retirement benefits liability and its components:

	2018	2017
Balance at beginning of year	**P1,550,561**	P1,204,996
Recognized in Profit or Loss		
Interest cost	**83,420**	64,829
Current service cost	**199,914**	280,736
	283,334	345,565
Recognized in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Experience adjustments	**666,330**	-
Change in financial assumptions	**(315,195)**	-
Change in demographic assumptions	**(952,123)**	-
	(600,988)	-
Benefits paid	**(120,000)**	-
Balance at end of year	**P1,112,907**	P1,550,561

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" account under operating expenses in the statements of comprehensive income.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	2018
Discount rate	7.52%
Future salary increases	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 11.3 years as at December 31, 2018.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2018		2017	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P94,820)	P72,562	(P98,926)	P67,915
Salary increase rate	44,516	(22,258)	62,022	(31,011)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and noncontributory. Benefit claims under the retirement benefits plan obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P1,112,907	P1,816,821	P -	P -	P1,816,821

18. Income Taxes

The components of provision for income tax are shown below:

	2018	2017
Current	P245,685,899	P171,220,940
Deferred	-	(412,784)
	P245,685,899	P170,808,156

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The Company elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income in 2018 and 2017.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2018	2017
Income before income tax	**P954,936,467**	P641,575,372
Provision for income tax at the statutory income tax rate of 30%	**P286,480,940**	P192,472,611
Additions to (reductions from) income taxes resulting to the tax effects of:		
Availment of optional standard deduction	**(163,790,600)**	(114,147,292)
Non-deductible expenses	**121,692,160**	92,368,150
Change in unrecognized deferred income tax asset	**2,058,693**	-
Interest income subjected to final tax	**(719,294)**	(234,472)
Derecognition of deferred income tax asset	-	349,159
Provision for income tax	**P245,685,899**	P170,808,156

The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized because management believes that it is not probable that the tax benefits of these temporary differences will be availed of as the Company intends to continue its availment of the optional standard deduction in the subsequent years:

	2018	2017
Unrealized foreign exchange loss - net	**P6,578,977**	P3,047,788
Retirement benefits liability	**1,112,907**	1,500,561
	P7,691,884	P4,548,349

19. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2018**	2017
Cash in banks	*5*	**P82,180,501**	P263,509,726
Trade and other receivables	*6*	**848,714,407**	1,053,351,711
Refundable deposits	*10*	**2,145,883**	2,037,453
		P933,040,791	P1,318,898,890

As at December 31, 2018 and 2017, the aging per class of financial assets is as follows:

	December 31, 2018					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due More than 120 Days	Impaired	Total
Cash in banks	P82,180,501	P -	P -	P -	P -	P82,180,501
Trade and other receivables	743,270,666	104,759,320	614,636	69,785	-	848,714,407
Refundable deposits	2,145,883	-	-	-	-	2,145,883
	P827,597,050	P104,759,320	P614,636	P69,785	P -	P933,040,791

	December 31, 2017					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due More than 120 Days	Impaired	Total
Cash in banks	P263,509,726	P -	P -	P -	P -	P263,509,726
Trade and other receivables	833,065,992	184,336,352	35,949,367	-	-	1,053,351,711
Refundable deposits	2,037,453	-	-	-	-	2,037,453
	P1,098,613,171	P184,336,352	P35,949,367	P -	P -	P1,318,898,890

As at December 31, 2018 and 2017, no allowance for impairment losses on trade and other receivables was recognized.

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2018 and 2017, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P82,180,501	P -	P -	P82,180,501
Trade and other receivables	743,270,666	-	-	743,270,666
Refundable deposits	2,145,883	-	-	2,145,883
Total	P827,597,050	P -	P -	P827,597,050

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P263,509,726	P -	P -	P263,509,726
Trade and other receivables	833,065,992	-	-	833,065,992
Refundable deposits	2,037,453	-	-	2,037,453
Total	P1,098,613,171	P -	P -	P1,098,613,171

The Company assessed the credit quality of the following financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. Trade and other receivables and refundable deposits were assessed as high grade since these have a high probability of collection and there is no history of default.

Expected Credit Loss Assessment as at December 31, 2018
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and loan payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities as at December 31:

	December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P578,420,679	P578,420,679	P578,420,679	P -
Notes payable	353,000,000	355,958,250	355,958,250	-
Advances from a Stockholder	659,500,000	685,880,000	685,880,000	-
Dividends payable	200,000,000	200,000,000	200,000,000	-
Total	P1,790,920,679	P1,820,258,929	P1,820,258,929	P -

**Excluding statutory obligations amounting to P3,900,026.*

	December 31, 2017			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P160,873,777	P160,873,777	P160,873,777	P -
Notes payable	700,000,000	706,412,847	706,412,847	-
Advances from Parent Company	234,000,000	238,212,000	238,212,000	-
Dividends payable	100,000,000	100,000,000	100,000,000	-
Total	P1,194,873,777	P1,205,498,624	P1,205,498,624	P -

**Excluding statutory obligations and Output VAT amounting to P22,844,236.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk
Interest rate risks is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's exposure to the risk for changes in market interest rates relates mainly to the Company's notes payable, advances from a stockholder and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2018			
	USD	**SGD**	**EUR**	**PHP Equivalent**
Foreign currency - denominated monetary assets				
Cash	**41,406**	**-**	**-**	**2,183,099**
Trade receivables	**1,658,325**	**-**	**-**	**87,433,551**
	1,699,731	**-**	**-**	**89,616,650**
Foreign currency - denominated monetary liabilities				
Trade payable	**(165,970)**	**(21,100)**	**(7,868,164)**	**(484,099,184)**
Net foreign currency - denominated monetary assets (liabilities)	**1,533,761**	**(21,100)**	**(7,868,164)**	**(394,482,534)**

	December 31, 2017			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	206,431	-	-	10,307,120
Trade receivables	3,289,798	-	-	164,259,589
	3,496,229	-	-	174,566,709
Foreign currency - denominated monetary liabilities				
Trade payable	-	(35,406)	(466,798)	(29,148,710)
Net foreign currency - denominated monetary assets (liabilities)	3,496,229	(35,406)	(466,798)	145,417,999

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2018	2017
USD	**52.72**	49.93
SGD	**38.47**	37.32
EUR	**60.31**	59.61

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**6%**	**P4,851,593 increase**
SGD	**3%**	**24,352 decrease**
EUR	**2%**	**9,490,579 decrease**

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	5%	P8,728,336 increase
SGD	7%	92,495 decrease
EUR	9%	2,504,325 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Company manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may pay-off existing debts, return capital to stockholders or issue new shares.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables, Advances from a Stockholder, Advances from Parent Company, Notes Payable and Dividends Payable

The carrying amounts approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

21. Note to Statements of Cash Flows

Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	December 31, 2018				
	Notes Payable	Accrued Interests	Advances from a Stockholder and Parent Company	Dividends Payable	Total
Balances at beginning of year	P700,000,000	P940,732	P234,000,000	P100,000,000	P1,034,940,732
Payments of:					
Advances from Parent Company	-	-	(234,000,000)	-	(234,000,000)
Notes payable	(700,000,000)	-	-	-	(700,000,000)
Interest	-	(10,251,527)	-	-	(10,251,527)
Proceeds from availment of:					
Notes payable	353,000,000	-	-	-	353,000,000
Advances from a stockholder	-	-	659,500,000	-	659,500,000
Interest expense	-	13,445,517	-	-	13,445,517
Dividends declared	-	-	-	100,000,000	100,000,000
	(347,000,000)	3,193,990	425,500,000	100,000,000	181,693,990
Balances at end of year	P353,000,000	P4,134,722	P659,500,000	P200,000,000	P1,216,634,722

	December 31, 2017				
	Notes Payable	Accrued Interests	Advances from a Stockholder and Parent Company	Dividends Payable	Total
Balances at beginning of year	P175,000,000	P -	P524,000,000	P -	P699,000,000
Payments to:					
Advances from Parent Company	-	-	(290,000,000)	-	(290,000,000)
Notes payable	(175,000,000)	-	-	-	(175,000,000)
Interest	-	(6,808,362)	-	-	(6,808,362)
Proceeds from availment of:					
Notes payable	700,000,000	-	-	-	700,000,000
Interest expense	-	7,749,094	-	-	7,749,094
Dividends declared	-	-	-	100,000,000	100,000,000
	525,000,000	940,732	(290,000,000)	100,000,000	335,940,732
Balances at end of year	P700,000,000	P940,732	P234,000,000	P100,000,000	P1,034,940,732

22. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the supplementary information required for the taxable year ended December 31, 2018:

a. **VAT**

Output VAT	**P624,540,780**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P5,180,043,232**
Sale to government	**24,463,267**
Zero-rated sales	**85,922,459**
Exempt sales	**1,418,656**
	P5,291,847,614

Input VAT	
Beginning of the year	P -
Current year's domestic purchases:	
a. Goods other than capital goods	**91,797,291**
b. Services lodged under other accounts	**27,449,324**
VAT on importations	**569,073,553**
VAT payments and other adjustments	**27,322,863**
VAT credits used	**(624,540,780)**
Balance at the end of the year	**P91,102,251**

b. **Customs Duties and Tariff Fees:**

Landed cost of imports	**P4,742,279,612**
Customs duties paid or accrued	**334,098,708**
	P5,076,378,320

c. **Excise Taxes**

Imported excisable items:	
a. Spirits	**P1,272,816,415**
b. Wines	**12,908,666**
	P1,285,725,081

d. **Documentary Stamp Tax**

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On loan instruments	**P5,921,455**
On others	**789,571**
	P6,711,026

e. **Withholding Taxes**

Expanded withholding taxes	**P14,152,256**
Tax on compensation and benefits	**1,246,354**
	P15,398,610

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,810,755**
Others	**177,621**
	P3,988,376

g. **Tax Cases and Assessment**

As at December 31, 2018, the Company has no pending tax cases nor has received tax assessments notices from the BIR.

Information on tariff fees, paid or accrued, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX B-5"

KPMG

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REPORT OF INDEPENDENT AUDITORS

BUREAU OF INTERNAL REVENUE
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EXCISE LT REGULATORY DIV.

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Responsibilities of Management and Those Charged With Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-002511-041-2018
Issued February 6, 2018, valid until February 5, 2021
PTR No. 6615158MD
Issued January 3, 2018 at Makati City

April 26, 2018
Makati City, Metro Manila

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SATELLITE OFFICE SM MANILA
Electronic Records Management Division
MAY 11 2018
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MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	P263,925,726	P341,419,540
Trade and other receivables	5	1,053,351,711	853,925,392
Inventories	6	1,262,556,953	1,475,118,002
Prepaid expenses and other current assets	7	427,302,948	89,375,851
Total Current Assets		3,007,137,338	2,759,838,785
Noncurrent Assets			
Property and equipment - net	8	5,096,872	5,488,080
Refundable deposits	9	2,037,453	3,234,729
Total Noncurrent Assets		7,134,325	8,722,809
		P3,014,271,663	P2,768,561,594
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	P183,718,013	P608,353,931
Advances from Parent Company - current	12	234,000,000	290,000,000
Notes payable	11	700,000,000	175,000,000
Income tax payable		60,764,797	96,118,807
Dividends payable	13	100,000,000	-
Total Current Liabilities		1,278,482,810	1,169,472,738
Noncurrent Liabilities			
Retirement benefits liability	16	1,550,561	1,204,996
Advances from Parent Company - noncurrent	12	-	234,000,000
Deferred income tax liability - net	17	-	400,444
Total Noncurrent Liabilities		1,550,561	235,605,440
Total Liabilities		1,280,033,371	1,405,078,178
Equity			
Capital stock	13	750,000,000	210,000,000
Stock dividends distributable	13	-	540,000,000
Retained earnings	13	984,279,425	613,512,209
Accumulated remeasurements on retirement benefits		(41,133)	(28,793)
Total Equity		1,734,238,292	1,363,483,416
		P3,014,271,663	P2,768,561,594

See Notes to the Financial Statements.

BUREAU OF INTERNAL REVENUE
MAY 02 2018
EXCISE LT

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2017**	2016
NET SALES	*12a*	**P3,647,917,229**	P3,113,653,128
COST OF GOODS SOLD	*14*	**2,767,822,893**	2,373,019,245
GROSS PROFIT		**880,094,336**	740,633,883
OPERATING EXPENSES			
Advertisement		**111,354,403**	100,944,144
Distribution costs		**62,499,779**	24,448,651
Outside services		**28,179,248**	43,300,317
Salaries and other employee benefits		**18,213,055**	15,913,616
Taxes and licenses		**17,140,918**	5,611,970
Rent	*15*	**15,354,658**	16,484,343
Insurance		**7,034,651**	7,274,001
Transportation and travel		**5,213,951**	2,823,243
Depreciation and amortization	*8*	**2,793,476**	1,850,926
Representation and entertainment		**1,397,385**	1,366,388
Management fee	*12d*	**-**	70,000,000
Miscellaneous		**11,931,531**	9,682,268
		281,113,055	299,700,867
INCOME FROM OPERATIONS		**598,981,281**	440,933,016
OTHER INCOME (CHARGES) - Net			
Commission income		**68,593,291**	72,188,191
Interest expense	*11, 12c*	**(7,749,094)**	(12,335,226)
Foreign exchange gain (loss) - net	*18*	**(19,031,679)**	789,989
Interest income	*4*	**781,573**	349,956
		42,594,091	60,992,910
INCOME BEFORE INCOME TAX		**641,575,372**	501,925,926
PROVISION FOR INCOME TAX	*17*	**170,808,156**	150,516,098
NET INCOME		**470,767,216**	351,409,828
OTHER COMPREHENSIVE LOSS			
Item that will never be reclassified to profit or loss			
Remeasurement loss on retirement benefits	*16*	**-**	(41,133)
Income tax effect		**(12,340)**	12,340
		(12,340)	(28,793)
TOTAL COMPREHENSIVE INCOME		**P470,754,876**	P351,381,035

See Notes to the Financial Statements.

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MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 13)	Stock Dividends Distributable (Note 13)	Retained Earnings (Note 13)	Accumulated Remeasurements on Retirement Benefits	Total
As at December 31, 2015	P210,000,000	P -	P802,102,381	P -	P1,012,102,381
Net income for the year	-	-	351,409,828	-	351,409,828
Other comprehensive loss for the year	-	-	-	(28,793)	(28,793)
Total comprehensive income (loss)	-	-	351,409,828	(28,793)	351,381,035
Stock dividends declared		540,000,000	(540,000,000)	-	-
As at December 31, 2016	210,000,000	540,000,000	613,512,209	(28,793)	1,363,483,416
Net income for the year	-	-	470,767,216	-	470,767,216
Other comprehensive loss for the year	-	-	-	(12,340)	(12,340)
Total comprehensive income (loss)	-	-	470,767,216	(12,340)	470,754,876
Stock issuance	540,000,000	(540,000,000)	-	-	-
Cash dividends declared during the year	-	-	(100,000,000)	-	(100,000,000)
Transactions with owners	540,000,000	(540,000,000)	(100,000,000)	-	(100,000,000)
As at December 31, 2017	**P750,000,000**	**P -**	**P984,279,425**	**(P41,133)**	**P1,734,238,292**

See Notes to the Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P641,575,372	P501,925,926
Adjustments for:			
Interest expense	11, 12	7,749,094	12,335,226
Unrealized foreign exchange loss (gain) - net		3,047,788	(2,539,807)
Depreciation and amortization	8	2,793,476	1,850,926
Retirement benefits costs	16	345,565	1,163,863
Interest income	4	(781,573)	(349,956)
Operating income before working capital changes		654,729,722	514,386,178
Decrease (increase) in:			
Trade and other receivables		(202,602,216)	(135,961,135)
Inventories		212,561,049	137,540,203
Prepaid expenses and other current assets		(337,927,097)	(71,258,225)
Refundable deposits		1,197,276	(1,516,990)
Increase (decrease) in trade and other payables		(425,456,548)	470,935,642
Cash generated from (absorbed by) operations		(97,497,814)	914,125,673
Income taxes paid		(206,574,950)	(104,720,277)
Interest paid		(6,808,362)	(10,978,466)
Interest received		781,573	349,956
Net cash provided by (used in) operating activities		(310,099,553)	798,776,886
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	8	(2,402,268)	(5,367,691)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments to:			
Advances from Parent Company		(290,000,000)	(486,297,220)
Notes payable		(175,000,000)	(239,000,000)
Cash dividends paid		-	(50,000,0000)
Proceeds from availment of notes payable		700,000,000	175,000,000
Net cash provided by (used in) financing activities		235,000,000	(600,297,220)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		8,007	32,030
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(77,493,814)	193,144,005
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		341,419,540	148,275,535
CASH AND CASH EQUIVALENTS AT END OF YEAR		P263,925,726	P341,419,540

See Notes to the Financial Statements.

MAY 02 2018
EXCISE LT REGULATORY

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Montosco, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 13, 2008. The principal activity of the Company is to engage in the business of trading consumer goods on wholesale or retail basis. The Company started its commercial operations on June 1, 2011.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at the 1501 Federal Tower, Dasmariñas Street, Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

The accompanying financial statements as at and for the year ended December 31, 2017 and 2016 of the Company were approved and authorized for issue by the Board of Directors (BOD) on April 26, 2018.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Management's Use of Significant Judgments, Estimates and Assumptions
The Company's financial statements prepared in accordance with PFRS require management to exercise judgments, make accounting estimates and use assumptions that affect the application of accounting policies and the amounts reported in the financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

<u>Judgments</u>
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Operating Lease - Company as a Lessee
The Company entered into various lease agreements for its office space and warehouses as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Rent expense recognized in the profit or loss amounted to P15,354,658 and P16,484,343 in 2017 and 2016, respectively (see Note 15).

Impairment of Non-financial Assets
The Company assesses, at the end of each reporting period, whether there is any indication that its non-financial assets which pertain to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these non-financial asset which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment loss was recognized in 2017 and 2016 for the non-financial assets. The carrying amount of property and equipment as at December 31, 2017 and 2016 amounted to P5,096,872 and P5,488,080 as at December 31, 2017 and 2016, respectively (see Note 8).

Accounting Estimates and Assumptions
The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Receivables
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtors, their payment behavior and known market factors. The Company reviews the age and status of receivables, and identified accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the Company's recorded operating expenses and decrease current assets.

The carrying amount of receivables amounted to P1,053,351,711 and P853,925,392 as at December 31, 2017 and 2016, respectively (see Note 5).

Based on evaluation made by the management, no impairment indicator was noted on the Company's receivables in 2017 and 2016.

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2017 and 2016. The cost of inventories amounted to P1,262,556,953 and P1,475,118,002 as at December 31, 2017 and 2016, respectively (see Note 6).

Evaluating Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to the financial statements. There is no change in the estimated useful lives of property and equipment in 2017 and 2016.

The carrying amount of property and equipment amounted to P5,096,872 and P5,488,080 as at December 31, 2017 and 2016, respectively (see Note 8).

Estimation of Retirement Benefits Liability and Expense
The cost of defined benefits retirement plans, as well as the present value of the retirement obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P1,550,561 and P1,204,996 as at December 31, 2017 and 2016, respectively (see Note 16).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets arising from retirement benefits liability amounting to P361,499 as at December 31, 2016 (see Note 17).

3. Summary of Significant Accounting Policies and Financial Reporting Practices

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 20).

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The following interpretations and amendments to standards are not expected to have impact on the Company's financial statements:

- Annual Improvements to PFRSs 2014 - 2016 Cycle - Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities).*

<u>New Standards and Interpretations and Amendments to Standards Not Yet Adopted</u>
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following relevant and applicable new or amended standards in preparing these financial statements.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

The adoption of PFRS 9 will have no significant impact on the classification and measurement of the Company's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Company's financial statements since the Company has no transactions eligible for hedge accounting. However, the adoption will have an effect on the amount of the Company's credit losses. The management has not yet fully assessed the financial impact of these changes as of date.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange nonmonetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of PFRS 15 on the Company's financial statements.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of IFRIC 22 on the Company's financial statements.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  Future adoption of the standards will result in the recognition of the right-of-use of asset, lease liability and additional disclosures. Management is still evaluating the financial impact of the new standard on the Company's financial statements as of the reporting period.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The following interpretations to standards are not expected to have impact on the Company's financial statements:

- Transfers of Investment Property (Amendments to PAS 40, *Investment Property);*
- Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*);
- Applying PFRS 9 with PFRS 4, *Insurance Contracts* (Amendments to PFRS 4);
- Annual Improvements to PFRS 2014 - 2016 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* - Deletion of short-term exemptions for first-time adopters; and
  - Amendment to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an associate or joint venture at fair value;

- Prepayment Features with Negative Compensation (Amendments to PFRS 9); and
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).

Financial Instruments

Date of recognition

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition and classification of financial instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of cash and cash equivalents, loans and receivables, and other financial liabilities.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

As at December 31, 2017 and 2016, the Company's loans and receivables include cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Company's other financial liabilities include trade and other payables (excluding statutory obligations), notes payable, dividends payable and advances from Parent Company.

<u>Impairment of Financial Assets</u>
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities
Financial Assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset of transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, or either directly or indirectly; and or liability.

- Level 3 - Inputs for the asset or liability that are based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2017 and 2016, no financial asset or liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of wines and spirits, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Furniture and fixtures	2
Office equipment	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspend during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Non-financial Assets
The Company assesses, at end of each reporting period, whether there is indication that its non-financial assets which is property and equipment, may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the non-financial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an ordinary transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Common stock is classified as equity. The proceeds from the issuance of common stock are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Stock

Cash dividends on common stock are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividends are distribution of earnings in the form of Company shares. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common stock.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax (VAT), returns, discounts, and rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, under normal credit terms.

Interest Income

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Commission Income

Commission income is recognized as income at the same time as the costs are incurred which generally coincides upon performance of service.

Cost and Expense Recognition

Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Cost
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular, full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the net interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

<u>Leases</u>
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in other comprehensive income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statements of financial position.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2017**	2016
Cash on hand		**P416,000**	P406,800
Cash in banks	*18*	**263,509,726**	176,012,740
Cash equivalents	*18*	**-**	165,000,000
		P263,925,726	P341,419,540

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are money market placements made for varying period up to three months, and earn interest at the respective money market placement rate of 1.9% in 2017 and 2016.

Interest income recognized in profit or loss amounted to P781,573 and P349,956 in 2017 and 2016, respectively.

5. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade			
Third parties		**P765,425,643**	P729,945,140
Related parties	*12a*	**284,419,163**	116,338,022
Non-trade		**808,890**	7,636,207
Others		**2,698,015**	6,023
	18	**P1,053,351,711**	P853,925,392

Trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

There was no allowance for impairment losses on receivables as at December 31, 2017 and 2016.

6. Inventories

This account consists of:

	Note	2017	2016
At cost:			
Spirits		**P1,185,079,637**	P1,437,358,278
Wines		**76,443,123**	35,786,557
Water		**1,034,193**	1,973,167
	14	**P1,262,556,953**	P1,475,118,002

Cost of goods sold recognized in profit or loss amounted to P2,767,822,893 and P2,373,019,245 in 2017 and 2016, respectively (see Note 14).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**P238,290,465**	P73,521,051
Prepaid expenses:		
Duties and taxes	**188,806,480**	15,041,788
Other import charges	**137,703**	5,512
Others	**68,300**	807,500
	P427,302,948	P89,375,851

Advances to suppliers pertain to partial downpayment made by the Company to suppliers which will be applied against future billings.

8. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Total
Cost					
December 31, 2015	P2,401,843	P161,200	P980,422	P1,654,372	P5,197,837
Additions	2,785,714	2,134,029	342,892	105,056	5,367,691
December 31, 2016	5,187,557	2,295,229	1,323,314	1,759,428	10,565,528
Additions	2,201,786	-	200,482	-	2,402,268
December 31, 2017	**7,389,343**	**2,295,229**	**1,523,796**	**1,759,428**	**12,967,796**
Accumulated Depreciation and Amortization					
December 31, 2015	1,562,411	12,979	563,288	1,087,844	3,226,522
Depreciation and amortization	474,163	586,517	434,476	355,770	1,850,926
December 31, 2016	2,036,574	599,496	997,764	1,443,614	5,077,448
Depreciation and amortization	1,382,070	791,564	337,176	282,666	2,793,476
December 31, 2017	**3,418,644**	**1,391,060**	**1,334,940**	**1,726,280**	**7,870,924**
Net Book Value					
December 31, 2016	P3,150,983	P1,695,733	P325,550	P315,814	P5,488,080
December 31, 2017	**P3,970,699**	**P904,169**	**P188,856**	**P33,148**	**P5,096,872**

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 were charged as part of Operating Expenses.

9. Refundable Deposits

This account consists of:

	Note	2017	2016
Security deposits	*15*	**P1,914,634**	P3,168,359
Others		**122,819**	66,370
	18	**P2,037,453**	P3,234,729

10. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade	*18*	**P106,781,808**	P448,960,525
Accrued expenses	*18*	**29,663,434**	13,079,891
Non-trade	*18*	**24,167,746**	120,080,653
Output VAT - net		**20,741,783**	14,506,988
Statutory obligations		**2,102,453**	11,373,481
Others	*18*	**260,789**	352,393
		P183,718,013	P608,353,931

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Accrued expenses consist of accruals for interest, utilities, advertisement and other operating expenses.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest bearing and are generally on a 30-day payment term.

11. Notes Payable

This account pertains to unsecured, peso-denominated short-term notes from various local banks with maturities of less than one (1) year and bear fixed annual interests of 2.13% and 2.38% in 2017 and 2016. These loans were intended for the Company's working capital requirements to finance inventory purchases.

Interest expense recognized in profit or loss relating to notes payable amounted to P1,791,094 and P4,205,228 for the years ended December 31, 2017 and 2016, respectively.

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
Parent Company							
• Advances	2017	12c	P -	P -	P234,000,000	Payable on demand on the second year from the date of receipt	Unsecured
	2016	12c	234,000,000	-	524,000,000		
• Interest expense	2017	10, 12c	5,958,000	-	-	Annual interest at 1.8%, payable on a monthly basis	
	2016	10, 12c	11,478,417	-	-		
• Management fee	2017	12d	-	-	-		
	2016	12d	70,000,000	-	67,900,000	Due and demandable	Unsecured
• Dividends	2017	13	100,000,000	-	100,000,000	Due and demandable	Unsecured
	2016	13	540,000,000	-	540,000,000		
Entities under Common Control							
• Sales of goods	2017	5, 12a	952,094,114	284,419,163	-	30 days	Unsecured;
	2016	5, 12a	587,280,749	116,338,022	-	Credit term, non-interest bearing	no impairment
• Rent expense	2017	12b	11,133,409	-	-	Demandable,	Unsecured
	2016	12b	11,097,890	-	926,220	non-interest bearing	
• Others	2017		-	-	-		
	2016		162,401	-	162,401	Due and demandable	Unsecured
	2017			**P284,419,163**	**P334,000,000**		
	2016			P116,338,022	P1,132,988,621		

a. In the normal course of business, the Company distributes wines, liquors and water to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Notes 15a and 15c).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years.

d. The Company pays management fee to its Parent Company for the management consultancy and financial services by the Parent Company.

There is no key management compensation since the key management roles are functionally domiciled under Cosco.

Amounts owed by and owed to related parties are to be settled in cash.

13. Equity

Capital Stock

The balances as at December 31, 2017 and 2016 are as follows:

	2017 Number of Shares	2017 Amount	2016 Number of Shares	2016 Amount
Authorized				
P100 par value	**7,500,000**	**P750,000,000**	2,100,000	P210,000,000
Issued and outstanding				
Balance at beginning of year	**2,100,000**	**P210,000,000**	2,100,000	P210,000,000
Stock issuances	**5,400,000**	**540,000,000**	-	-
Balance at end of year	**7,500,000**	**P750,000,000**	2,100,000	P210,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P210.0 million divided into 2,100,000 shares of common stock to P750.0 million divided into 7,500,000 shares of common stock, both at P100 par value to accommodate the stock dividends declared as discussed below.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P540,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends
Cash Dividends
On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date.

Stock Dividends
On December 8, 2016, the Company's BOD approved the declaration of stock P257.14 per share or an aggregated amount of dividends of P540,000,000, distributable to stockholders of record as of the same date. Accordingly, the stock dividends declared have been presented as stock dividends distributable in the equity section of the 2016 statement of financial position and statement of changes in equity.

Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code.

As at December 31, 2017, the Company has excess retained earnings amounting to P234,279,425 over its paid-up capital amounting to P750,000,000. These retained earnings will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances.

14. Cost of Goods Sold

This account consists of:

	Note	2017	2016
Inventory at beginning of year		**P1,475,118,002**	P1,612,658,205
Net purchases		**2,555,261,844**	2,235,479,042
Total goods available for sale		**4,030,379,846**	3,848,137,247
Inventory at end of year	6	**1,262,556,953**	1,475,118,002
		P2,767,822,893	P2,373,019,245

15. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for its office space with an area of 150.84 square meters. The lease is for a period of two (2) years until June 30, 2016. The lease was renewed for another 3 years until June 30, 2019. The lease has an annual escalation rate of 5%. Rent expense amounted to P731,643 and P693,051 in 2017 and 2016, respectively.

b. The Company entered into a lease agreement with a third party for a warehouse with an area of 3,869 square meters. The lease is for a period of three (3) years commencing on November 1, 2014 until October 31, 2017. The lease agreement was not renewed.

c. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 5,770.84 square meters. The lease is for a period of two (2) years commencing on January 1, 2016 until December 31, 2017, renewable upon mutual consent of both parties. Rent expense amounted to P10,387,512 in 2017 and 2016.

The lease payments provides for, among others, security deposits amounting to P1,914,634 and P3,168,359 as at December 31, 2017 and 2016, respectively, which are shown under "Refundable deposits " in the statements of financial position (see Note 9).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P15,354,658 and P16,484,343 in 2017 and 2016, respectively.

Future minimum lease under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**P749,340**	P15,125,406
One year but not more than five years	**383,808**	1,243,256
	P1,133,148	P16,368,662

16. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic eAct No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016.

The succeeding table summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2017	2016
Balance at beginning of year	**P1,204,996**	P -
Recognized in profit or loss		
Interest cost	**64,829**	42,374
Current service cost	**280,736**	280,736
Past service cost	**-**	840,753
	345,565	1,163,863
Recognized in other comprehensive income		
Actuarial loss (gain) arising from:		
Financial assumptions	**-**	(76,283)
Experience adjustments	**-**	117,416
	-	41,133
Balance at end of year	**P1,550,561**	P1,204,996

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" under Operating Expenses in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits in 2016 are as follows:

Discount rate	5.38%
Future salary increases	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 18.31 years as at December 31, 2016.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2017		2016	
	Defined Benefit Liability		Defined Benefit Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P98,926)**	**P67,915**	(P194,287)	P241,871
Salary increase rate	**62,022**	**(31,011)**	231,511	(190,188)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and noncontributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement obligation.

Maturity analysis of the benefit payments is as follows:

	December 31, 2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P1,204,996	P779,807	P -	P -	P779,807

17. Income Taxes

The components of provision for income tax are shown below:

	2017	2016
Current	**P171,220,940**	P150,261,646
Deferred	**(412,784)**	254,452
	P170,808,156	P150,516,098

In 2017, the Company opted to apply optional standard deduction (OSD) which is equivalent to 40% of total gross income.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2017	2016
Income before income tax	**P641,575,372**	P501,925,926
Provision for income tax at the statutory income tax rate of 30%	**P192,472,611**	P150,577,778
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**92,368,150**	43,307
Derecognition of deferred tax asset	**349,159**	-
Interest income subjected to final tax	**(234,472)**	(104,987)
Availment of optional standard deduction	**(114,147,292)**	-
	P170,808,156	P150,516,098

The components of the Company's net deferred income tax liability are as follows:

	2016
Unrealized foreign exchange gain - net	(P761,943)
Retirement benefits liability	361,499
	(P400,444)

The movements of net deferred income tax liability are accounted for as follows:

	2017	2016
Amount charged to profit or loss	**(P412,784)**	P254,452
Amount charged to OCI relating to remeasurement on defined benefits plan	**12,340**	(12,340)
Increase (decrease) in net deferred income tax liability	**(P400,444)**	P242,112

18. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	2017	2016
Cash in banks and cash equivalents	4	**P263,509,726**	P341,012,740
Trade and other receivables	5	**1,053,351,711**	853,925,392
Refundable deposits	9	**2,037,453**	3,234,729
		P1,318,898,890	P1,198,172,861

As at December 31, 2017 and 2016, the aging per class of financial assets is as follows:

	December 31, 2017					
	Neither Past Due nor Impaired	**Past Due**				
		1 to 30 Days	**31 to 120 Days**	**More than 120 Days**	**Impaired**	**Total**
Cash in banks cash equivalents	**P263,509,726**	**P -**	**P -**	**P -**	**P -**	**P263,509,726**
Trade and other receivables	**833,065,992**	**184,336,352**	**35,949,367**	**-**	**-**	**1,053,351,711**
Refundable deposits	**2,037,453**	**-**	**-**	**-**	**-**	**2,037,453**
	P1,098,613,171	**P184,336,352**	**P35,949,367**	**P -**	**P -**	**P1,318,898,890**

	December 31, 2016					
	Neither Past Due nor Impaired	Past Due				
		1 to 30 Days	31 to 120 Days	More than 120 Days	Impaired	Total
Cash in banks cash equivalents	P341,012,740	P -	P -	P -	P -	P341,012,740
Trade and other receivables	832,478,983	11,019,713	8,469,141	1,957,555	-	853,925,392
Refundable deposits	3,234,729	-	-	-	-	3,234,729
	P1,176,726,452	P11,019,713	P8,469,141	P1,957,555	P -	P1,198,172,861

As at December 31, 2017 and 2016, no allowance for impairment losses on trade and other receivables was recognized.

Based on the historical default rates, the Company believes that, apart from above, no impairment allowance is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2017 and 2016, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets as at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks and cash equivalents	**P263,925,726**	**P -**	**P -**	**P263,925,726**
Trade and other receivables	**-**	**1,040,914,689**	**12,437,022**	**1,053,351,711**
Refundable deposits	**-**	**2,037,453**	**-**	**2,037,453**
Total	**P263,925,726**	**P1,042,952,142**	**P12,437,022**	**1,318,898,890**

	December 31, 2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P341,012,740	P -	P -	P341,012,740
Trade and other receivables	-	832,478,983	21,446,409	853,925,392
Refundable deposits	-	3,234,729	-	3,234,729
Total	P341,012,740	P835,713,712	P21,446,409	P1,198,172,361

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. Standard grade receivables include those that are collected on their due dates event without an effort from the Company to follow them up. Receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under substandard grade receivables.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P160,873,777	P160,873,777	P160,873,777	P -
Notes payable	700,000,000	706,412,847	706,412,847	-
Advances from Parent Company	234,000,000	238,212,000	238,212,000	-
Dividends payable	100,000,000	100,000,000	100,000,000	-
Total	P1,194,873,777	P1,205,498,624	P1,205,498,624	P -

Excluding statutory obligations and Output VAT.

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P582,473,462	P582,473,462	P582,473,462	P -
Notes payable	175,000,000	175,396,844	175,396,844	-
Advances from Parent Company	524,000,000	537,833,500	9,563,000	528,270,500
Total	P1,281,473,462	P1,295,703,806	P767,433,306	P528,270,500

Excluding statutory obligations and Output VAT.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

The Company's interest rate risk management policy centers on reducing the Company's exposure to changes in interest rates. Exposure to changes in market interest rates relate primarily to the Company's cash in banks and notes payable.

As at December 31, 2017 and 2016, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Note	2017	2016
Fixed Rate Financial Instruments			
Financial Asset			
Cash in banks	5	**P263,509,726**	P176,012,740
Financial Liabilities			
Advances from Parent Company	13c	**(234,000,000)**	(524,000,000)
Notes payable	12	**(700,000,000)**	(175,000,000)
		(934,000,000)	(699,000,000)
		(P670,490,274)	(P522,987,260)

The Company does not account for any fixed rate financial assets and financial liabilities at FVPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and liabilities. The currencies in which these transactions are primarily denominated are United States dollar (USD), Singaporean dollar (SGD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2017			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	**206,431**	**-**	**-**	**10,307,120**
Trade receivables	**3,289,798**	**-**	**-**	**164,259,589**
	3,496,229	**-**	**-**	**174,566,709**
Foreign currency - denominated monetary liabilities				
Trade payable	**-**	**35,406**	**466,798**	**29,148,710**
Net foreign currency - denominated monetary assets (liabilities)	**3,496,229**	**(35,406)**	**(466,798)**	**145,417,999**

	December 31, 2016			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary assets				
Cash	795,866	-	-	39,644,478
Trade receivables	1,902,890	-	-	94,788,655
	2,698,756	-	-	134,433,133
Foreign currency - denominated monetary liabilities				
Trade payable	-	51,417	1,679,588	88,836,883
Net foreign currency - denominated monetary assets (liabilities)	2,698,756	(51,417)	(1,679,588)	45,596,250

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2017	2016
USD	**49.93**	49.81
SGD	**37.32**	34.35
EUR	**59.61**	51.84

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**5%**	**P6,109,835 increase**
SGD	**7%**	**64,751 decrease**
EUR	**9%**	**1,753,117 decrease**

	December 31, 2016	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	1%	P941,032 increase
SGD	5%	61,823 decrease
EUR	3%	1,828,481 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

19. Fair Values of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables, Notes Payable and Dividends Payable

The carrying amounts approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Refundable Deposits and Advances from Parent Company

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

20. Reconciliation of Movements of Liabilities to Cash Flows Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2017 are as follow:

	Notes Payable	Accrued Interests	Advances from a Related Party	Dividends Payable	Total
Balance at beginning of year	P175,000,000	P -	524,000,000	P -	P699,000,000
Cash flow from financing activities					
Proceeds from availment of notes payable	700,000,000	-	-	-	700,000,000
Payment of principal	(175,000,000)	-	(290,000,000)	-	(465,000,000)
Interest expense	-	7,749,094		-	7,749,094
Interest paid	-	(6,808,362)		-	(6,808,362)
Dividends paid	-	-	-	100,000,000	100,000,000
	525,000,000	940,732	(290,000,000)	100,000,000	335,940,732
Balance at end of year	P700,000,000	P940,732	P234,000,000	P100,000,000	P1,034,940,732

21. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2017:

A. VAT

Output VAT	**P428,690,826**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P3,572,423,554**
Zero-rated sales	**75,493,675**
	P3,647,917,229

Input VAT	
Beginning of the year	P -
Current year's domestic purchases:	
a. Goods other than capital goods	90,196,676
b. Services lodged under other accounts	14,647,677
VAT on importations	229,143,168
Claims for tax credit/refund and other adjustments	(333,987,521)
Balance at the end of the year	P -

B. Customs Duties and Tariff Fees:

Landed cost of imports	P1,909,526,399
Customs duties paid or accrued	125,698,938
	P2,035,225,337

C. Excise Taxes

Imported excisable items:	
a. Spirits	P520,619,760
b. Wines	38,928,982
	P559,548,742

D. Documentary Stamp Tax

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On issuance of shares of stocks	P2,700,000
On loan instruments	1,158,055
On others	886,895
	P4,744,950

E. Withholding Taxes

Tax on compensation and benefits	P1,990,533
Creditable withholding taxes	12,058,081

F. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	P3,455,897
Others	1,289,921
	P4,745,818

G. Tax Cases and Assessment

As at December 31, 2017, the Company has no pending tax cases nor has received tax assessments notices from the BIR.

Information on tariff fees, paid or accrued, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the accompanying financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the years ended December 31, 2017 and 2016, and have issued our report dated April 26, 2018.

Our audit was made for the purpose of forming an opinion on the financial statements of the Company taken as a whole. Supplementary information included in the following accompanying additional components is the responsibility of the Company's management:

- Schedule of Philippine Financial Reporting Standards and Interpretations; and
- Reconciliation of Retained Earnings Available for Dividend Declaration.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and are not a required part of the basic financial statements. Such supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
Tax Identification No. 225-068-761
BIR Accreditation No. 08-002511-041-2018
Issued February 6, 2018, valid until February 5, 2021
PTR No. 6615158MD
Issued January 3, 2018 at Makati City

April 26, 2018
Makati City, Metro Manila

MONTOSCO, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters		✓	
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✓	
PFRS 3 (Revised)	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
PFRS 8	Operating Segments			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments			✓
PFRS 9	Financial Instruments		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard			✓
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers		✓	
PFRS 16	Leases		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓

HILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011). Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures		✓	
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36. Recoverable Amount Disclosures for Non-Financial Assets			✓
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities			✓
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration		✓	
IFRIC 23	Uncertainty over Income Tax Treatments		✓	
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
PIC Q&A 2007-01-Revised	PAS 1 103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern			✓
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines			✓
PIC Q&A 2010-02	PAS 1R 16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position			✓
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✓
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✓
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✓
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015	✓		
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016	✓		
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts			✓
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017	✓		
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy			✓
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test			✓
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements			✓
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓

Legend:

Adopted *- means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.*

Not Adopted *- means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.*

Not Applicable *- means the standard or interpretation is not relevant at all to the operations of the entity.*

MONTOSCO, INC.
1501 Federal Tower, Dasmariñas Street, Binondo, Manila
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
DECEMBER 31, 2017

Unappropriated Retained Earnings, beginning		**P613,512,209**
Adjustment in previous year's reconciliation:		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)		**(6,391,070)**
Unappropriated Retained Earnings, as adjusted, beginning		**607,121,139**
Net Income based on the face of audited financial statements	P470,767,216	
Less: Non-actual income		
Unrealized foreign exchange gain - net (except those attributable to cash and cash equivalents)	3,039,781	
Net Income Actual/Realized		**473,806,997**
Less: Dividend declaration during the year		**100,000,000**
Unappropriated Retained Earnings, as adjusted, ending		**P980,928,136**

"ANNEX C"

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor, Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. CS201002286

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

MERITUS PRIME DISTRIBUTIONS, INC.
(Amending Article III thereof)

copy annexed, adopted on September 14, 2018 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 1st day of April, Twenty Nineteen.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

STA/qba

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application	SEC Registration Number
AMENDMENT	CS201002286

Former Company Name

MERITUS PRIME DISTRIBUTIONS, INC.

AMENDED TO:
New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

UNIT 704 FEDERAL TOWER
DASMARIÑAS ST., BINONDO, MANILA

ZIP CODE: 1006

COMPANY INFORMATION

Company Email Address	Company's Telephone Number/s	Mobile Number
info@meritusph.com	243-6630	

CONTACT PERSON INFORMATION

The designated person MUST be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Evelyn B. Binanitan		(02) 522-8801	

Contact Person's Address

No. 900 Romualdez St., Paco, Manila

To be accomplished by CRMD Personnel

		Date	Signature
Assigned Processor	______	______	______
	______	______	______
	______	______	______

Document I.D.

Received by Corporate Filing and Records Division (CFRD) ______ ______

Forwarded to:

- [ ] Corporate and Partnership Registration Division ______ ______
- [ ] Green Lane Unit ______ ______
- [ ] Financial Analysis and Audit Division ______ ______
- [ ] Licensing Unit ______ ______
- [ ] Compliance Monitoring Division ______ ______

AMENDED ARTICLES OF INCORPORATION

OF

MERITUS PRIME DISTRIBUTIONS, INC.

KNOW ALL MEN BY THESE PRESENTS:

The we, all of legal age, citizens and residents of the Republic of the Philippines, this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Republic of the Philippines.

AND WE HEREBY CERTIFY:

FIRST: The name of this corporation shall be:

MERITUS PRIME DISTRIBUTIONS, INC.

SECOND: A. That the primary purpose of this corporation is

To carry on the business of buying, selling, importing, exporting, manufacturing, repacking, preparing, bottling and distribution on wholesale of all kinds of wines and spirits, liquors, beers and other alcoholic and non-alcoholic beverages and drinks, fresh and processed foods and other consumer products and accessories as allowed by law; of dealing in and working with all kinds of ingredients, materials, articles, appliances, supplies, property, processes, machine, tools and equipment used in, necessary, convenient or incidental to the purchase, sale, import, export, manufacture, repacking, bottling and distribution of such products; and in pursuance thereof, it shall purchase, acquire, sell, dispose, and license all patent rights improved methods, trade names, trademarks and other intellectual property rights to such products, property and processes, suitable, necessary, useful or advisable in connection with any of these businesses set forth.

B. That the corporation shall have all the express powers of a corporation as provided for under Section 36 of the Corporation Code of the Philippines.

THIRD: That the place where the principal office of the corporation is to be established is at Unit 704 Federal Tower, Dasmariñas St. Brgy. 282, Zone 026, San Nicolas, Manila 1010 (As amended on September 14, 2018 by the Board of Directors and by the Stockholders and the Corporation representing at least 2/3 of the entire issued and outstanding capital stock.)

FOURTH: That the term of for which the corporation is to exist is fifty (50) years from the year from and after the date of issuance of the certificate of incorporation.

FIFTH: That the names, nationalities, and residents of the incorporators are as follows;

Name	Nationality	Residence
Maridel Behagan	Filipino	[redacted]
Lilia Gonzales	Filipino	[redacted]
Girlie M. Sy	Filipino	[redacted]

Mary Jane Sim	Filipino	[redacted], [redacted]
Melissa Jean Fung	Filipino	[redacted]

SIXTH: That the number of directors of said corporation shall be Five (5) and that the names, nationalities and residences of the first directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Maridel Behagan	Filipino	[redacted]
Lilia Gonzales	Filipino	[redacted]
Girlie M. Sy	Filipino	[redacted]
Mary Jane Sim	Filipino	[redacted]
Melissa Jean Fung	Filipino	[redacted]

SEVENTH: That the authorized capital stock of the corporation is Seven Hundred Fifty Million (P750,000,000.00) pesos in lawful money of the Philippines, divided into Seven Million Five Hundred (7,500,000,000) shares with the par value of One Hundred Pesos (P100.00) each.
(As amended by all the members of the Board of Directors and all stockholders representing at least two/thirds (2/3) of the entire issued and outstanding capital stock at a special meeting held on December 8, 2016).

EIGHT: That at least 25% of the authorized capital stock has been subscribed and at least 25% of the total subscription has been paid as follows:

Name	Nationality	No. of Shares Subscribed	Amount Subscribed	Amount Paid
Maridel Behagan	Filipino	25,000	2,500,000.00	625,500.00
Lilia Gonzales	Filipino	25,000	2,500,000.00	625,500.00
Girlie M. Sy	Filipino	25,000	2,500,000.00	625,000.00
Mary Jane Sim	Filipino	25,000	2,500,000.00	625,000.00
Melissa Jean Fung	Filipino	25,000	2,500,000.00	625,000.00
Total		125,000	12,500,000.00	3,125,000.00

NINTH: No transfer of stock or interest which would reduce the stock ownership of Filipino citizens to less than the required percentage of the capital stock as provided by existing laws shall be allowed or permitted to be recorded in the proper books of the corporation and this restriction shall be indicated in all or its stock certificates issued by the corporation.

TENTH: That Mary Jane Sim has been elected by the subscribers as treasurer of the Corporation to act as such until his/her successor is duly elected and qualified in accordance with the by-laws; and that as such Treasurer, he/she has been authorized to receive for and in the name and for the benefit of the corporation, all subscriptions paid by the subscribers.

ELEVENTH: That the incorporators undertake to change the name of the corporation immediately upon receipt of notice or directive from the Securities and Exchange Commission that another corporation, partnership or person has acquired a prior right to the use of the name or that the name has been declared misleading, deceptive confusingly similar to a registered name, or contrary to public morals, good customs or public policy.

In Witness whereof, we have set out hands this 10th day of February, 2010 at Manila.

(Signed)
MARIDEL BEHAGAN
[redacted]

(Signed)
LILIA GONZALES
[redacted]

(Signed)
GIRLIE M. SY
[redacted]

(Signed)
MARY JANE SIM
[redacted]

(Signed)
MELISSA JEAN FUNG
[redacted]

WITNESSES:

____________________ ____________________

ACKNOWLEDGEMENT

Republic of the Philippines)
Manila.) S.S.

BEFORE ME, a Notary Public in and for Manila Philippines, this 10th day of February, 2010, personally appeared:

Name	Community Tax Certificate No.	Date & Place Issued
Maridel Behagan	02692646	Jan. 19, 2010/Manila
Lilia Gonzales	01446849	Feb. 9, 2010/Manila
Girlie M. Sy	12249799	Feb. 9, 2010/Manila
Mary Jane Sim	12249819	Jan. 19, 2010/Manila
Melissa Jean Fung	12249808	Jan. 19, 2010/Manila

all known to me and to me known to be the same persons who executed the foregoing ARTICLES OF INCORPORATION and acknowledged to me that the same is their free and voluntarily act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the first above written.

Doc. No. 110;
Page No. 22;
Book No. 1;
Series of 2010

(SIGNED)
ATTY. RONALD SEGUNDINO C. CHING
NOTARY PUBLIC-CITY OF MANIIA
ADMIN. NO. 2009-193-UNTIL DEC. 31, 2010
ROLL NO. 54899
NO. 794111/01-04-2010 MANILA IV
PTR NO. MLA. 8237440/01-04-2010/ MANILA

"ANNEX C-1"

(STOCK)

BY-LAWS

OF
MERITUS PRIME DISTRIBUTIONS, INC.

(Name of Corporation)

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay the value of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificate – The stockholders shall be entitled to one or more certificates for fully paid stock subscription in his name in the books of the corporation. The certificates contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificate shall be singed by the President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Share - Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation. The Secretary shall cancel the stock certificates and issue new certificates to the transferee.

No share of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporations.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any stock certificate is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Sesction 1. Annual / Regular Meetings – The annual / regular meeting of stockholders shall be held at the principal office on _June 20th___ of each year, if legal holiday then on the day following.

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at anytime be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock, (b) President.

Section 3. Place of Meeting – Stockholders meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called.

When meeting of stockholders is adjourned to another or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum – Unless otherwise provided by law, in all regular or special meeting if stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting – Meeting of the stockholders shall be presided over by the President, or in his absence, by a chairman to be chosen by the stockholders. The Secretary, shall act as Secretary of every meetings, but if not present, the chairman of the meeting shall appoint a secretary of the meeting.

Section 7. Manner of Voting – At all meetings of stockholder, a stockholder may vote in person or by proxy. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the Secretary. All proxies must be in the hands of the Secretary before the time set for the meeting. Proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary, prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books or Fixing of Record Date – For the purpose of determining the stockholders entitled to notice of to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any dividend, the Board of Directors may provide that the stock and transfer books be closed for ten (10) working days immediately preceding such meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such powers as may be granted by law, the Board of Directors shall also have the following powers:

a) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b) To purchase, receive, take or otherwise acquire for and in the name of the corporation, any and all properties, rights, or privileges, including securities and bonds of other corporations, for such consideration and upon such terms and conditions as the Board may deem proper or convenient;

c) To invest the funds of the corporation in other corporations or for purposes other that those for which the corporation was organized, subject to such stockholders approval as may be required by law;

d) To incur such indebtedness as the Board may deem necessary, to issue evidence of indebtedness including without limitation, notes, deeds of trust, bonds, debentures, or securities, subject to such stockholders approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties of the corporation;

e) To establish pension, retirement, bonus, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation;

f) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation of its officer are either plaintiffs or defendants in connection with the business of the corporation;

g) To delegate, form time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business of the corporation to any standing or special committee or to any officer or agent and to appoint any person to be agent of the corporation which such powers and upon such terms as may be deemed fit;

h) To implement these by-laws and to act on any matter not covered by these by-laws provided such matter does not require the approval or consent of the stockholders under Corporation Code.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filed by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of the stockholders called for the purpose, after giving notice as prescribed in these by-laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held once a month on such dates and at places as may be called by the Chairman of the Board, or upon the request of a majority of the Directors.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary of each director personally, or by telephone, telegram, or by written message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings – Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, by any other director chosen by the Board. The Secretary shall act as secretary of every meeting, if not present, the Chairman of the meeting shall appoint a secretary of the meeting.

Section 8. Compensation – By-resolution of the Board, each director shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority if the outstanding capital stock at a regular or special meeting of the stockholders.

ARCTILE IV

OFFICER

Section 1. Election / Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the President, the Vice-President, the Treasurer, and the Secretary at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper. Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. President – The President shall be the Chief Executive Office of the corporation and shall exercise the following functions.

a) To preside at the meetings of the stockholders;

b) To initiate and develop corporate objective and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c) To supervise and manage the business affairs of the corporation upon the direction of the Board of Directors;

d) To implement the administrative and operational policies of the corporation under this supervision and control;

e) To appoint, remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f) To oversee the preparation of the budgets and the statements of accounts of the corporation;

g) To represent the corporation at all functions and proceedings;

h) To execute on behalf of the corporation all contracts, agreement and other instruments affecting the interests of the corporation which require the approval of the Board of Directors.

i) To make reports to the Board of Directors and stockholders;

j) To sign certificates of stock;

k) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

Section 3. The Vice-President – He shall, if qualified, act as President in the absence of the latter. He shall have such other powers and duties as may from time to time be assigned to him by the Board of Directors or by the President.

Section 4. The Secretary – The Secretary must be a resident and citizen of the Philippines. He shall have the following specific powers and duties;

a) To record the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b) To keep record books showing the details required by the law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c) To keep the corporate seal and affix it all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.

f) To act as inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine questions in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as are proper to conduct the election.

g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 5. The Treasurer – The Treasurer of the corporation shall have the following duties;

a) To keep full and accurate accounts of receipts and disbursement in the books of the corporation;

b) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the money's funds, securities, bonds, and similar valuable effects belonging to the corporations which may come under his control;

d) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, or the President may, from time to time require;

e) To prepare such financial reports, statements, certifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 6. Term of Office – The term of office of all officers shall have one (1) year and until their successors are duly elected and qualified.

Section 7. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 8. Compensation – The officers shall receive such remuneration as the Board of Directors may determine. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise and receiving compensation thereof.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch officers, either within or outside the Philippines as the Board of Directors may designate.

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditor – At the regular stockholders meeting the external of the corporation for the ensuring year shall be appointed. The external auditor shall examine, verify and report on the earnings and expenses of the corporation.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin of the first day of January and end on the last day December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law.

ARTICLE VII

SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLES VIII

AMENDMENTS

Section 1. These by-laws may be amended or replaced by the affirmative vote of at least a majority if the Board Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders meeting called for that purpose. However, the power of amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

IN WITNESS WHEREOF, we the undersigned stockholders have adopted the foregoing by-laws and hereunto affixed our signatures this 10th day of February, 200 10 at Manila.

(Note: 1. If filed with Articles of Incorporation, these by-laws should be signed by all incorporations;

2. If filed after incorporators, should be signed by majority of the subscribers and should submit director's certificate for the adoption of the by-laws)

MARIDEL BEHAGAN	LILIA GONZALES
[redacted]	[redacted]
GIRLIE M. SY	MARY JANE SIM
[redacted]	[redacted]
MELISSA JEAN FUNG	
[redacted]	TIN-
D	
TIN-	TIN-
D	
TIN-	TIN-
D	
TIN-	TIN-
D	
TIN-	TIN-

"ANNEX C-2"

AMENDED GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2020

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

=============================== PLEASE PRINT LEGIBLY ===============================

CORPORATE NAME: MERITUS PRIME DISTRIBUTIONS, INC.		**DATE REGISTERED:** February 17, 2010
BUSINESS/TRADE NAME: MERITUS PRIME DISTRIBUTIONS, INC.		**FISCAL YEAR END:** December 31st
SEC REGISTRATION NUMBER: CS201002286		
DATE OF ANNUAL MEETING PER BY-LAWS: 20th day of June		**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 007-613-210
ACTUAL DATE OF ANNUAL MEETING: August 18, 2020		**WEBSITE/URL ADDRESS:** www.merituspn.com
COMPLETE PRINCIPAL OFFICE ADDRESS: Unit 704 Federal Tower, Dasmariñas St., Brgy. 282, Zone 026, San Nicolas, Manila		**E-MAIL ADDRESS:** info@merituspn.com
COMPLETE BUSINESS ADDRESS: Unit 704 Federal Tower, Dasmariñas St., Brgy. 282, Zone 026, San Nicolas, Manila		**FAX NUMBER:** (02) 83539680
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: R.G. Manabat & Company / Gregorio I. Sambrano, Jr.	**SEC ACCREDITATION NUMBER (if applicable):** N/A	**TELEPHONE NUMBER(S):** (02) 8242-0635
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: To carry on the business of buying, selling, importing, manufacturing, repacking, preparing, bottling and distribution on wholesale of all kinds of wines, spirits, liquors, beers and others.	**INDUSTRY CLASSIFICATION:** Wholesale Trade and Commission Trade, Except Motor Vehicle	**GEOGRAPHICAL CODE:** N/A

=============================== INTERCOMPANY AFFILIATIONS ===============================

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Cosco Capital, Inc.	147669	No. 900 Romualdez St., Paco, Manila
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
N/A	N/A	N/A

NOTE: USE ADDITIONAL SHEET IF NECESSARY

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=============================== PLEASE PRINT LEGIBLY ===============================

Corporate Name:	MERITUS PRIME DISTRIBUTIONS, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ◉ No

Please check the appropriate box:

1.

- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.

- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.

- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:

- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:

- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business:	To carry on the business of buying, selling, importing, exporting, manufacturing, repacking, preparing, bottling and distribution on wholesale of all kinds of wines, spirits, liquors, beers and other alcoholic beverages and others

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ◉ No

AMENDED GENERAL INFORMATION SHEET
STOCK CORPORATION

================================== PLEASE PRINT LEGIBLY ==================================

CORPORATE NAME:	MERITUS PRIME DISTRIBUTIONS, INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	7,500,000	100.00	750,000,000.00
	TOTAL	7,500,000	TOTAL P	750,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON	7,500,000	100.00		750,000,000.00	100.00%
		COMMON					
		TOTAL	7,500,000	TOTAL	TOTAL P	750,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A		N/A	N/A
Percentage of Foreign Equity :		TOTAL	0	TOTAL	TOTAL P	0.00	0.00%
					TOTAL SUBSCRIBED P	750,000,000.00	100.00%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	7	COMMON	7,500,000	100.00	750,000,000.00	100.00%
		TOTAL	7,500,000	TOTAL P	750,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A	N/A	N/A
		TOTAL	0	TOTAL P	0.00	0.00%
				TOTAL PAID-UP P	750,000,000.00	100.00%

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

PLEASE PRINT LEGIBLY

CORPORATE NAME:	MERITUS PRIME DISTRIBUTIONS, INC.							
DIRECTORS / OFFICERS								
NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. CAMILLE CLARISSE P. CO [redacted]	Filipino	N	C	F	Y	Chairman and President	N/A	[redacted]
2. LUCIO L. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
3. SUSAN P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
4. FERDINAND VINCENT P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
5. PAMELA JUSTINE P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
6. MARIDEL BEHAGAN [redacted]	Filipino	N	N	F	N	Vice-President	N/A	[redacted]
7. EVELYN B. BINANITAN [redacted]	Filipino	N	N	F	N	Corporate Secretary	N/A	[redacted]
8. CATHERINE W. CAI [redacted]	Filipino	N	N	F	N	Treasurer	N/A	[redacted]

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.

FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.

FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.

FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.

FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.

FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

CORPORATE NAME:	**MERITUS PRIME DISTRIBUTIONS, INC.**		
TOTAL NUMBER OF STOCKHOLDERS:	7	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES I**	1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	**1,494,110,151.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
1 COSCO CAPITAL, INC. FILIPINO [redacted]	COMMON	7,499,994	749,999,400.00	100.00%	749,999,400.00	[redacted]
	TOTAL	7,499,994	**749,999,400.00**			
2. LUCIO L. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	**1**	**100.00**			
3. SUSAN P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	**1**	**100.00**			
4. FERDINAND VINCENT P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	**1**	**100.00**			
5. PAMELA JUSTINE P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	**1**	**100.00**			
6. CAMILLE CLARISSE P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	**1**	**100.00**			
7. KATRINA MARIE P. CO FILIPINO [redacted]	COMMON	1	100.00	0.00%	100.00	[redacted]
	TOTAL	**1**	**100.00**			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL				**100.00%**	**750,000,000.00**	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

***Note:** For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.*

AMENDED GENERAL INFORMATION SHEET

STOCK CORPORATION

=================================== PLEASE PRINT LEGIBLY ===================================

CORPORATE NAME: MERITUS PRIME DISTRIBUTIONS, INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N/A	N/A	N/A

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N/A	

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR : 393,606,397

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	N/A	N/A
5.2 STOCK	N/A	N/A
5.3 PROPERTY	N/A	N/A
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
N/A	N/A	N/A

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
1,174,429.00	8	28	36

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, EVELYN B. BINANITAN Corporate Secretary of MERITUS PRIME DISTRIBUTIONS, INC. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this SEP 14 2020 day of September, 2020 in the City of Manila.

EVELYN B. BINANITAN
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in the City of Manila on SEP 14 2020 by affiant who personally appeared before me and exhibited to me her Tax Identification Card with no. [redacted] issued by the Bureau of Internal Revenue.

Doc. No. 101
Page No. 38
Book No. 24
Series of 2020.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9120218/01-02-2020/Mla.
MCLE Compliance No. VI-0022488/04-16-19
No. 900 Romualdez St., Paco, Manila

"ANNEX C-3"

Meritus Prime
Distributions Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MERITUS PRIME DISTRIBUTIONS, INC.** (the **"Company"**) is responsible for the preparation and fair presentation of the separate financial statements, including the schedule attached therein, as at and for the years ended **December 31, 2019 and 2018,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedule attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CAMILLE CLARISSE P. CO
President and Chairman of the Board

CATHERINE W. CAI
Treasurer

Signed this 9th day of June 2020

Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila
Tel Nos. (02) 242-0635/242-0645 | Fax No. 353-9680

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: CS201002286

COMPANY NAME

MERITUS PRIME DISTRIBUTIONS, INC. (A Wholly-owned Subsidiary of Cosco Capital, Inc.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Unit 704 Federal Tower Dasmariñas St. Binondo Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 20	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co.		(02) 242-0635	

CONTACT PERSON's ADDRESS

704 Federal Tower, Dasmarinas Street, Binondo Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MERITUS PRIME DISTRIBUTIONS, INC.

(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
RECEIVED
29 JUN 2020
WILFREDO A. ALDAY
Revenue Officer - Collection

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**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited the accompanying financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2019, on which we have rendered our report dated June 25, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano. Jr.
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Partner
CPA License No. 088825
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Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31, 2019	December 31, 2018 (As restated - see Note 22)	January 1, 2018 (As restated - see Note 22)
ASSETS				
Current Assets				
Cash	5, 19	**P44,277,185**	P52,180,421	P74,641,298
Trade and other receivables - net	6, 19	**379,028,186**	254,266,729	336,739,024
Inventories	7	**717,189,440**	561,595,644	624,566,976
Prepaid expenses and other current assets	8	**348,493,202**	350,652,488	242,202,868
Total Current Assets		**1,488,988,013**	1,218,695,282	1,278,150,166
Noncurrent Assets				
Right-of-use assets - net	16	**2,458,959**	5,336,946	8,214,934
Property and equipment - net	9	**924,248**	1,896,032	3,021,269
Refundable deposits	10, 19	**883,080**	873,936	842,310
Deferred income tax assets - net	18	**855,851**	876,124	1,081,766
Total Noncurrent Assets		**5,122,138**	8,983,038	13,160,279
		P1,494,110,151	P1,227,678,320	P1,291,310,445
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11	**P33,791,646**	P51,564,573	P54,514,583
Loans payable	12, 19	**296,000,000**	-	100,000,000
Income tax payable		**16,214,652**	12,018,068	7,051,346
Lease liabilities - current	16, 19	**2,913,534**	3,096,405	2,842,870
Dividends payable	14, 19	**-**	75,000,000	50,000,000
Advances from Parent Company		**-**	-	20,000,000
Total Current Liabilities		**348,919,832**	141,679,046	234,408,799
Noncurrent Liabilities				
Retirement benefits liability	17	**760,153**	764,908	1,491,441
Lease liabilities - noncurrent	16, 19	**-**	2,913,534	6,009,939
Total Noncurrent Liabilities		**760,153**	3,678,442	7,501,380
Total Liabilities		**349,679,985**	145,357,488	241,910,179
Equity				
Capital stock	14	**P750,000,000**	P750,000,000	P750,000,000
Retained earnings	14	**393,606,397**	331,555,404	299,297,501
Accumulated remeasurements on retirement benefits	17	**823,769**	765,428	102,765
Total Equity		**1,144,430,166**	1,082,320,832	1,049,400,266
		P1,494,110,151	P1,227,678,320	P1,291,310,445

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	2019	2018 (As restated - see Note 22)
		Years Ended December 31	
NET SALES	13	**P958,828,756**	P923,272,269
COST OF GOODS SOLD	15	**780,137,292**	722,487,888
GROSS PROFIT		**178,691,464**	200,784,381
OPERATING EXPENSES			
Outside services		**14,765,449**	22,885,866
Advertising		**12,850,187**	53,151,355
Salaries and other employee benefits	17	**12,377,632**	12,672,637
Taxes and licenses		**6,398,861**	3,963,372
Deficiency taxes		**6,278,733**	4,693,252
Distribution cost		**4,572,407**	6,121,895
Depreciation and amortization	9, 16	**3,883,119**	4,028,554
Transportation and travel		**2,526,242**	2,791,031
Insurance		**1,844,564**	2,925,172
Representation and entertainment		**671,203**	1,010,694
Miscellaneous		**2,644,878**	2,046,512
		68,813,275	116,290,340
INCOME FROM OPERATIONS		**109,878,189**	84,494,041
OTHER CHARGES - Net			
Interest expense	12, 13,16	**(14,785,316)**	(1,163,628)
Foreign exchange losses - net		**(4,459,441)**	(1,499,373)
Interest income	5	**187,919**	1,763,212
Bank charges		**(107,404)**	(158,730)
Commission expense		**-**	(285,121)
		(19,164,242)	(1,343,640)
INCOME BEFORE INCOME TAX		**90,713,947**	83,150,401
PROVISION FOR INCOME TAX	18	**28,662,954**	25,892,498
NET INCOME		**62,050,993**	57,257,903
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gains on retirement benefits	17	**83,345**	946,662
Income tax effect	18	**(25,004)**	(283,999)
		58,341	662,663
TOTAL COMPREHENSIVE INCOME		**P62,109,334**	P57,920,566

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RRS, MANILA - RDO-29 TONDO/SAN NICOLAS
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MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Capital Stock (Note 14)	Retained Earnings (Note 14)	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
Balances at January 1, 2018, as previously reported		P750,000,000	P299,491,129	P102,765	P1,049,593,894
Restatements	22	-	(193,628)	-	(193,628)
Balances at January 1, 2018, as restated		750,000,000	299,297,501	102,765	1,049,400,266
Net income for the year, as previously reported		-	57,282,485	-	57,282,485
Restatements	22	-	(24,582)	-	(24,582)
Net income for the year, as restated		-	57,257,903	-	57,257,903
Other comprehensive income for the year		-	-	662,663	662,663
Total comprehensive income for the year, as restated		-	57,257,903	662,663	57,920,566
Cash dividends declared		-	(25,000,000)	-	(25,000,000)
Balances at December 31, 2018, as restated		750,000,000	331,555,404	765,428	1,082,320,832
Net income for the year		-	**62,050,993**	-	**62,050,993**
Other comprehensive income for the year		-	-	**58,341**	**58,341**
Total comprehensive income for the year		-	**62,050,993**	**58,341**	**62,109,334**
Balances at December 31, 2019		**P750,000,000**	**P393,606,397**	**P823,769**	**P1,144,430,166**

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 22)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P90,713,947**	P83,150,401
Adjustments for:			
Interest expense	*12,13,16*	**14,785,316**	1,163,628
Depreciation and amortization	*9, 16*	**3,883,119**	4,028,554
Retirement benefits costs	*17*	**211,090**	220,129
Interest income	*5*	**(187,919)**	(1,763,212)
Unrealized foreign exchange loss (gain) - net		**1,690**	(21,409)
Operating income before working capital changes		**109,407,243**	86,778,091
Decrease (increase) in:			
Trade and other receivables		**(124,761,457)**	82,472,295
Inventories		**(155,593,796)**	62,971,332
Prepaid expenses and other current assets		**2,159,286**	(108,449,620)
Decrease in trade and other payables		**(18,515,943)**	(2,874,340)
Cash generated from (used in) operations		**(187,304,667)**	120,897,758
Income taxes paid		**(24,471,101)**	(21,004,133)
Retirement benefits paid	*17*	**(132,500)**	-
Interest received	*5*	**187,919**	1,763,212
Net cash from (used in) operating activities		**(211,720,349)**	101,656,837
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	**(33,348)**	(25,329)
Increase in refundable deposits	*10*	**(9,144)**	(31,626)
Cash used in investing activities		**(42,492)**	(56,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable	*21*	**394,000,000**	-
Payments of:			
Loans payable	*21*	**(98,000,000)**	(100,000,000)
Dividends	*14, 21*	**(75,000,000)**	-
Interest on loans	*12, 21*	**(13,815,902)**	(885,698)
Lease liabilities	*16*	**(3,312,172)**	(3,197,307)
Advances from parent company	*13, 21*	**-**	(20,000,000)
Net cash from (used in) financing activities		**203,871,926**	(124,083,005)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(P12,321)**	P22,246
NET DECREASE IN CASH		**(7,903,236)**	(22,460,877)
CASH AT BEGINNING OF YEAR		**52,180,421**	74,641,298
CASH AT END OF YEAR	*5*	**P44,277,185**	P52,180,421

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers, and other alcoholic and non-alcoholic beverages and drinks.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

This is the first set of the Company's annual financial statements in which PFRS 16, *Leases*, has been applied. Changes to significant accounting policies are described in Note 3.

Basis of Measurement

The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency

The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements

The accompanying financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Company's Board of Directors (BOD) on June 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following new standard starting January 1, 2019 and accordingly, changed its accounting policies.

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance, and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification, and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Company applied PFRS 16 using the retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2018. Accordingly, the comparative information presented, as at and for the year ended December 31, 2018, is restated.

  The Company used the following practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17:

  - Applied a single discount rate to a portfolio of leases with similar characteristics;
  - Applied the exemption not to recognize right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the date of initial application;
  - Excluded initial direct costs from measuring the right of-use asset at the date of initial application; and
  - Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

  Impact on Financial Statements

  In transition to PFRS 16 on January 1, 2019 using the retrospective approach, the Company recognized right-of-use assets and lease liabilities on the commencement date of the lease agreement. Consequently, the cumulative effect of the transition was recognized on January 1, 2018. The impact on transition as at January 1, 2018 is presented in notes for prior period restatement (see Note 22)

As at January 1, 2018, the Company recognized ROU assets and lease liabilities amounting to P8,214,934 and P8,852,809, respectively. As at December 31, 2019 and 2018, the carrying amounts of ROU assets and lease liabilities are as follows:

	Note	2019	2018
ROU Assets - net	*16*	**P2,458,959**	P5,336,946
Lease liabilities	*16*	**2,913,534**	6,009,939

When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of date of lease commencement date. The weighted average rate applied is 4.74%.

The Company has also adopted the following amendments to standards and interpretations which did not have any significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation (Amendments)*
- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)*
- Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2019.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations), dividends payable, loans payable and lease liabilities as at December 31, 2019 and 2018.

Impairment of Financial Assets
The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant.to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Furniture and fixtures	2
Office equipment	2
Leasehold improvements	3 or lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as Lessee

The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for accrued rent payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the ROU asset reflects that the Company will exercise a purchase option. In that case, the ROU asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The ROU asset is presented as a separate line item in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the depreciation charge for the ROU asset. The interest expense on lease liability is presented under "Costs and expenses" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  The Company plans to adopt the amendments to standard on the required effective date.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a.) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b.) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c.) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d.) clarifying the explanatory paragraphs accompany the definition; and

  (e.) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates, and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The Company uses an allowance matrix to measure the ECLs of its trade receivables from individual customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates computed were based on actual credit loss experience over the last three years. As the profile of the Company's trade receivables is substantially current and past due trade receivables are no more than one year, the computed estimated allowance using the loss rates is not significant to the Company's financial statements.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P379,911,266 and P255,140,665 as at December 31, 2019 and 2018, respectively (see Notes 6, 10 and 19).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2019 and 2018 are P717,189,440 and P561,595,644, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2019 and 2018.

Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful life of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful life of property and equipment in 2019 and 2018.

The carrying amounts of property and equipment as at December 31, 2019 and 2018 amounted to P924,248 and P1,896,032, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs

The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P760,153 and P764,908 as at December 31, 2019 and 2018, respectively (see Note 17).

Recognition of Deferred Income Tax Assets

The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P855,851 and P876,124 as at December 31, 2019 and 2018, respectively (see Note 18).

5. Cash

This account consists of:

	Note	2019	2018
Cash on hand		**P164,000**	P191,000
Cash in banks	*19*	**44,113,185**	51,989,421
		P44,277,185	P52,180,421

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P187,919 and P1,763,212 in 2019 and 2018, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	2019	2018
Trade:			
Related parties	*13*	**P247,536,614**	P167,548,864
Third parties		**65,462,999**	55,195,223
Non-trade		**67,344,199**	32,699,199
Receivable from employees		**188,296**	327,365
	19	**380,532,108**	255,770,651
Less allowance for impairment losses on trade receivables		**1,503,922**	1,503,922
	19	**P379,028,186**	P254,266,729

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 60-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

7. Inventories

This account consists of:

	Note	2019	2018
At cost:			
Spirits		**P668,311,496**	P521,809,925
Wines		**48,877,944**	39,785,719
	15	**P717,189,440**	P561,595,644

Cost of goods sold recognized in profit or loss amounted to P780,137,292 and P722,487,888 in 2019 and 2018, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers	**P325,526,836**	P303,986,181
Prepaid expenses:		
Duties and taxes	**14,055,381**	46,430,770
Input VAT	**7,143,422**	-
Other import charges	**885,411**	34,537
Others	**882,152**	201,000
	P348,493,202	P350,652,488

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
December 31, 2017	P8,953,451	P1,051,430	P560,377	P1,794,809	P12,360,067
Additions	-	20,955	4,374	-	25,329
December 31, 2018	8,953,451	1,072,385	564,751	1,794,809	12,386,396
Additions	-	-	33,348	-	33,348
December 31, 2019	**8,953,451**	**1,072,385**	**598,099**	**1,794,809**	**12,418,744**
Accumulated Depreciation and Amortization					
December 31, 2017	6,254,904	805,523	483,562	1,794,809	9,338,798
Depreciation and amortization	922,269	174,105	54,192	-	1,150,566
December 31, 2018	7,177,173	979,628	537,754	1,794,809	10,489,364
Depreciation and amortization	886,452	90,834	27,846	-	1,005,132
December 31, 2019	**8,063,625**	**1,070,462**	**565,600**	**1,794,809**	**11,494,496**
Carrying Amounts					
December 31, 2018	P1,776,278	P92,757	P26,997	P -	P1,896,032
December 31, 2019	**P889,826**	**P1,923**	**P32,499**	**P -**	**P924,248**

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P9,712,032 and P7,427,899 as at December 31, 2019 and 2018, respectively.

10. Refundable Deposits

This account consists of:

	Note	2019	2018
Security deposits	*16*	**P715,229**	P706,085
Others		**167,851**	167,851
	19	**P883,080**	P873,936

11. Trade and Other Payables

This account consists of:

	Note	2019	2018
Trade payables	*19*	**P11,226,047**	P8,137,340
Nontrade payables:			
Third parties	*19*	**19,534,167**	30,292,247
Related parties	*13, 19*	**1,511,480**	1,086,113
Accrued expenses	*19*	**686,733**	389,768
Statutory obligations		**511,203**	868,348
Output VAT - net		-	10,538,341
Others	*19*	**322,016**	252,416
		P33,791,646	P51,564,573

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies, interest payable on loans and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term, except for related party balance which is due on demand.

Accrued expenses consist mainly of accruals for utilities and other operating charges.

12. Loans Payable

In 2019, the Company entered into various unsecured, short-term loans with a maturity of less than one year from Metropolitan Bank and Trust Company and Asia United Bank totaling to P81,000,000 with a fixed annual interest of 4.50% to 5.50% and P215,000,000 with fixed annual interest of 4.75% to 6.00%, respectively. The proceeds from these loan availments were intended to finance the Company's working capital requirements.

Interest expense recognized in profit or loss relating to these loans amounted to P14,569,549 and P750,191 in 2019 and 2018, respectively. As at December 31, 2019, outstanding interest payable related to these loans recorded as part of "Non-trade payables" under "Trade and other payables" account in the statement of financial position amounted to P753,647 (see Note 11).

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

			Transactions	Outstanding Balance			
Category	Year	Note	During the Year	Trade Receivables	Nontrade Payable	Terms	Conditions
Parent Company							
• Interest	2019		P -	P -	P -	Monthly	Unsecured
	2018		59,000	-	-		
Entities under Common Control							
• Sale of goods	2019	6, a	734,974,442	247,536,614	-	30 days credit term; non-interest-bearing	Unsecured; no impairment
	2018	6, a	698,465,965	167 548,864	-		
• Lease expense	2019	16, b	3,093,754	-	-	Monthly; non-interest-bearing	Unsecured
	2018	16, b	3,232,425	-	-		
• Advances	2019	11, c	1,511,480	-	1,511,480	Due on demand; non-interest bearing	Unsecured
	2018	11, c	1,086,113	-	1,086,113		
	2019			P247,536,614	P1,511,480		
	2018			P167,548,864	P1,086,113		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. Cash advances obtained from entities under common control for working capital requirements.

d. In 2018, the Company paid advances from parent company amounted to P20,000,000. No new advances were made in 2019.

e. There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock
The balances as at December 31, 2019 and 2018 are as follows:

	Number of Shares	Amount
Authorized		
P100 par value	7,500,000	P750,000,000
Issued and Outstanding		
Balance at beginning and end of year	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

Declaration of Dividends
On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000,000, payable to stockholders of record as of the same date.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends of P3.33 per share or an aggregate amount of P25,000,000, payable to stockholders of record of the same date.

All outstanding dividends were paid in 2019.

15. Cost of Goods Sold

This account consists of:

	Note	2019	2018
Inventory at beginning of year		**P561,595,644**	P624,566,976
Add: Net purchases		**935,731,088**	659,516,556
Total goods available for sale		**1,497,326,732**	1,284,083,532
Less: Inventory at end of year	7	**717,189,440**	561,595,644
		P780,137,292	P722,487,888

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020.

On transition to PFRS 16, the Company recognized retrospectively ROU assets and lease liabilities in relation to lease agreements (a) and (b). As at January 1, 2018, the ROU assets and lease liabilities recognized amounted to P8,214,934 and P8,852,809, respectively.

The movement of the ROU assets and lease liabilities for the years ended December 31, 2019 and 2018 are as follows:

i. Right-of-Use Assets

	Note	2019	2018 (As restated - see Note 22)
Balance at beginning of year		**P5,336,946**	P8,214,934
Amortization charge for the year	*13*	**(2,877,987)**	(2,877,988)
Balance at end of year		**P2,458,959**	P5,336,946

ii. Lease Liabilities

	Note	2019	2018 (As restated - see Note 22)
Balance at beginning of year		**P6,009,939**	P8,852,809
Interest charge for the year	*13*	**215,767**	354,437
Payments made		**(3,312,172)**	(3,197,307)
Balance at end of year		**P2,913,534**	P6,009,939

Maturity analyses of the undiscounted lease liabilities as at December 31, 2019 and 2018 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P2,982,781**	**P69,247**	**P2,913,534**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P3,312,172	P215,767	P3,096,405
Later than one year but not later than five years	2,982,781	69,247	2,913,534
Balance at December 31, 2019	P6,294,953	P285,014	P6,009,939

As at December 31, 2019 and 2018, the Company's lease liabilities are classified in the statements of financial positions as follows:

	2019	2018 (As restated - see Note 22)
Current	**P2,913,534**	P3,096,405
Noncurrent	**-**	2,913,534
	P2,913,534	P6,009,939

iii. Amounts recognized in profit or loss

	2019	2018 (As restated - see Note 22)
Interest on lease liabilities	**P215,767**	P354,437
Amortization expense	**2,877,987**	2,877,988
	P3,093,754	P3,232,425

iv. Amounts recognized in the statement of cash flows

	2019	2018 (As restated - see Note 22)
Total cash outflow for leases	**P3,312,172**	P3,197,307

The lease agreements provide for, among others, security deposits amounting to P715,229 and P706,085 as at December 31, 2019 and 2018, respectively, which are shown under "Refundable deposits" account in the statements of financial position (see Note 10).

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its permanent, regular, and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2019.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2019	2018
Balance at beginning of year	**P764,908**	P1,491,441
Recognized in profit or loss		
Interest cost	**57,598**	80,240
Current service cost	**153,492**	139,889
	211,090	220,129
Recognized in other comprehensive income		
Actuarial gain arising from:		
Financial assumptions	**438,219**	(266,274)
Demographic assumptions	**(862,118)**	(253,953)
Experience adjustments	**340,554**	(426,435)
	(83,345)	(946,662)
Benefits paid	**(132,500)**	-
Balance at end of year	P760,153	P764,908

The retirement benefits cost is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2019 and 2018 are as follows:

	2019	2018
Discount rate	**5.21%**	7.53%
Future salary increases	**8.00%**	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 13.4 and 13.2 years as at December 31, 2019 and 2018, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2019		2018	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P47,206)**	**P32,002**	(P65,247)	P49,948
Salary increase rate	**68,414**	**(53,211)**	30,596	(15,298)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement benefits obligation.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	**P760,153**	**P1,147,119**	**P -**	**P363,968**	**P783,151**

	December 31, 2018				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P764,908	P783,151	P -	P -	P783,151

18. Income Taxes

The components of provision for income tax are shown below:

	2019	2018
Current	**P28,667,685**	P25,970,854
Deferred	**(4,731)**	(78,356)
	P28,662,954	P25,892,498

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2019	2018
Income before income tax	**P90,713,947**	P83,150,401
Provision for income tax at the statutory income tax rate of 30%	**P27,214,184**	P24,945,120
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**1,505,146**	1,476,341
Interest income subjected to final tax	**(56,376)**	(528,963)
Provision for income tax	P28,662,954	P25,892,498

The components of the Company's net deferred income tax assets are as follows:

	Net Balance at December 31, 2018 (as restated)	Recognized During the Year	Net Balance at December 31, 2019
Deferred income tax assets (liability) recognized in profit or loss:			
Retirement benefits liability	P557,513	P63,327	P620,840
Allowance for impairment on trade receivables	451,177	-	451,177
PFRS 16, *Leases* adjustment	201,897	(65,526)	136,371
Unrealized foreign exchange loss (gain) - net	(6,423)	6,930	507
	1,204,164	4,731	1,208,895
Deferred income tax liability recognized directly in other comprehensive income:			
Retirement benefits liability	(328,040)	(25,004)	(353,044)
Deferred income tax assets - net	P876,124	(P20,273)	P855,851

	Net Balance at December 31, 2017 (as restated)	Recognized During the Year	Net Balance at December 31, 2018 (as restated)
Deferred income tax assets (liability) recognized in profit or loss:			
Retirement benefits liability	P491,474	P66,039	P557,513
Allowance for impairment on trade receivables	451,177	-	451,177
PFRS 16, *Leases* adjustment	191,362	10,535	201,897
Unrealized foreign exchange loss (gain) - net	(8,205)	1,782	(6,423)
	1,125,808	78,356	1,204,164
Deferred income tax liability recognized directly in other comprehensive income:			
Retirement benefits liability	(44,042)	(283,998)	(328,040)
Deferred income tax assets - net	P1,081,766	(P205,642)	P876,124

19. Financial Risk and Capital Management

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure is as follows:

	Note	**2019**	2018
Cash in banks	*5*	**P44,113,185**	P51,989,421
Trade and other receivables - net	*6*	**379,028,186**	254,266,729
Refundable deposits	*10*	**883,080**	873,936
		P424,024,451	P307,130,086

As at December 31, 2019 and 2018, the aging per class of financial assets is as follows:

	December 31, 2019				
	Neither Past Due nor Impaired	**Past Due**		**Past Due and Impaired**	**Total**
		1 to 30 Days	**31 to 120 Days**		
Cash in banks	**P44,113,185**	**P -**	**P -**	**P -**	**P44,113,185**
Trade and other receivables	**193,059,201**	85,815,657	100,153,328	**1,503,922**	**380,532,108**
Refundable deposits	**883,080**	-	-	-	**883,080**
	P238,055,466	P85,815,657	P100,153,328	**P1,503,922**	**P425,528,373**

	December 31, 2018				
	Neither Past Due nor Impaired	Past Due		Past Due and Impaired	Total
		1 to 30 Days	31 to 120 Days		
Cash in banks	P51,989,421	P -	P -	P -	P51,989,421
Trade and other receivables	189,569,830	54,738,482	9,958,417	1,503,922	255,770,651
Refundable deposits	873,936	-	-	-	873,936
	P242,433,187	P54,738,482	P9,958,417	P1,503,922	P308,634,008

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

As at December 31, 2019 and 2018, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration
The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

As at December 31, 2019 and 2018, the cash in banks, trade receivables and refundable deposits which are neither past due nor impaired are categorized under high grade quality.

The credit quality of financial assets was determined as follows:

a. Cash in banks - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Trade and other receivables - the credit quality is assessed as high grade since these have a high probability of collection and there is no history of default.

c. Refundable deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment as at December 31, 2019
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P32,526,796	P32,526,796	P32,526,796	P -
Loans payable**	296,753,647	297,897,675	297,897,675	-
Lease liabilities	2,913,534	2,982,781	2,982,781	-
	P332,193,977	P333,407,252	P333,407,252	P -

*Excluding statutory obligations and accrued interest payable amounting to P511,203 and P753,647, respectively (see Notes 11 and 12).
**Including accrued interest payable amounting to P753,647 and future interest payable with interest rates of 4.50% to 6.00% (see Note 12).

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P40,157,884	P40,157,884	P40,157,884	P -
Dividends payable	75,000,000	75,000,000	75,000,000	-
Lease liabilities	6,009,939	6,294,953	3,312,172	2,982,781
	P121,167,823	P121,452,837	P118,470,056	P2,982,781

*Excluding statutory obligations and Output VAT amounting to P11,406,689 (see Note 11).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk
Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in the market interest rates.

The Company's exposure to the risks for changes in market interest rates relates mainly to the Company's loans payable and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2019			
	USD	SGD	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Asset				
Cash in banks	151,494	-	-	7,687,414
Foreign Currency - Denominated Monetary Liability				
Trade payables	606	34	2,935	135,891
Net Foreign Currency - Denominated Monetary Asset (Liability)	150,888	(34)	(2,935)	7,551,523

	December 31, 2018			
	USD	SGD	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Asset				
Cash in banks	152,275	-	-	8,028,557
Foreign Currency - Denominated Monetary Liability				
Trade payables	1,823	-	2,935	273,120
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	150,452	-	(2,935)	7,755,437

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2019	2018
USD	50.76	52.58
SGD	37.50	38.47
EUR	56.36	60.31

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2019	
	Percentage Decrease in Foreign Exchange Rates	Increase (decrease) in Income before Income Tax
USD	(3%)	(P267,519)
SGD	(3%)	32
EUR	(7%)	10,834

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	Increase (decrease) in Income before Income Tax
USD	5%	P395,538
SGD	3%	-
EUR	1%	(1,770)

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, retained earnings and accumulated remeasurements on retirement benefits.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding statutory obligations and Output VAT) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Loans Payable and Advances from Parent Company

The estimated fair value of loans and advances from Parent Company is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans payable and advances from Parent Company is considered immaterial by management.

Lease Liabilities
The fair value of lease liabilities was estimated as the present value of all future cash flows discounted using the incremental borrowing rate.

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2019 are as follow:

	December 31, 2019			
	Loans Payable	Accrued Interest	Dividends Payable	Total
Balances at beginning of year	P -	P -	P75,000,000	P75,000,000
Proceeds from loans payable	394,000,000	-	-	394,000,000
Payment of principal	(98,000,000)	-	-	(98,000,000)
Interest expense	-	14,569,549	-	14,569,549
Interest paid	-	(13,815,902)	-	(13,815,902)
Payment of dividends	-	-	(75,000,000)	(75,000,000)
Balances at end of year	P296,000,000	P753,647	P -	P296,753,647

	December 31, 2018				
	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balances at beginning of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507
Proceeds from loans payable	-	-	-	-	-
Payment of principal	(100,000,000)	-	(20,000,000)	-	(120,000,000)
Interest expense	-	809,191	-	-	809,191
Interest paid	-	(885,698)	-	-	(885,698)
Dividends declared	-	-	-	25,000,000	25,000,000
Balances at end of year	P -	P -	P -	P75,000,000	P75,000,000

22. Prior Period Restatements

The Company restated its statements of financial position as at December 31, 2018 and January 1, 2018 and profit or loss for the year ended December 31, 2018 in accordance with PAS 8 as effect of the adoption of the PFRS 16 (see Note 16). These restatements have material impact on the statements of financial position and profit or loss as at the beginning of the earliest period presented. The following tables summarizes the impacts on the Company's financial statements.

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
ROU asset - net	P -	P5,336,946	P5,336,946
Deferred income tax assets - net	782,605	93,519	876,124
Lease liabilities - current	-	3,096,405	3,096,405
Lease liabilities - net of current portion	-	2,913,534	2,913,534
Accrued rent expense	361,264	(361,264)	-
Retained earnings	331,773,614	(218,210)	331,555,404
Statement of Comprehensive Income			
Depreciation and amortization	P1,150,566	P2,877,988	P4,028,554
Rent expense	3,197,308	(3,197,308)	-
Interest expense	809,191	354,437	1,163,628
Provision for income tax	25,903,033	(10,535)	25,892,498
Net income	57,282,485	(24,582)	57,257,903
Statement of Cash Flows			
Net cash from operating activities	P98,459,530	3,197,307	P101,656,837
Net cash used financing activities	(120,885,698)	(3,197,307)	(124,083,005)

January 1, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
ROU Asset - net	P -	P8,214,934	P8,214,934
Deferred income tax assets - net	998,783	82,983	1,081,766
Lease liabilities - current	-	2,842,870	2,842,870
Lease liabilities - net of current portion	-	6,009,939	6,009,939
Accrued rent expense	361,264	(361,264)	-
Retained earnings	299,491,129	(193,628)	299,297,501

23. Subsequent Events

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine was implemented in all households, all public transportation were suspended, provision for food and essential health services was regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2019:

a. VAT

Output VAT	**P111,938,568**
Basis of the Output VAT:	
Vatable sales	**P932,821,399**
Zero-rated sales	**25,800,319**
Exempt sales	**207,038**
Total sales	**P958,828,756**
Input VAT	
Beginning of the year	**P -**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**5,861,987**
b. Importations other than capital goods	**105,023,854**
c. Others	**7,405,050**
Deductions from input tax and other adjustments	**(84,898)**
Total allowable input VAT	**P118,205,993**
Total Vat payable (refundable) during the year	**(P6,267,425)**
Less: VAT payments during the year	**(875,997)**
Net VAT payable (refundable) at the end of the year	**(P7,143,422)**

b. Customs Duties

Landed cost of imports	**P875,198,783**
Customs duties paid or accrued	**63,641,787**
	P938,840,570

c. Excise Taxes

Imported excisable items	
a. Spirits	**P188,811,842**
b. Wines	**13,351,278**
	P202,163,120

d. Documentary Stamp Tax

On loan instruments	**P2,163,411**
On others	**303,920**
	P2,467,331

e. **Withholding Taxes**

Tax on compensation and benefits	**P533,414**
Expanded withholding taxes	**2,248,649**
	P2,782,063

f. **All Other Taxes (Local and National)**

Other taxes paid during the year included under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,843,295**
Others	**88,235**
	P3,931,530

g. **Tax Cases**

On July 25, 2019, the Company received a Letter of Authority from the BIR to examine the Company's books of accounts and other accounting records for the period January 1, 2018 to December 31, 2018.

On September 16, 2019, the Company received Notice of Discrepancy for excise tax deficiency and its' related VAT for taxable years 2018 and 2017.

In October 2019, the Company paid the total deficiency taxes, including penalties and interest, in relation to these assessments amounting to P6,278,733.

As at December 31, 2019, the Company has no pending nor outstanding tax cases.

Information on tariff fee paid or accrued are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX C-4"

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 0 0 2 2 8 6

COMPANY NAME

M E R I T U S   P R I M E   D I S T R I B U T I O N S ,
I N C .   (A   W h o l l y - o w n e d
S u b s i d i a r y   o f   C o s c o
C a p i t a l ,   I n c .)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

U n i t   7 0 4   F e d e r a l   T o w e r
D a s m a r i ñ a s   S t .
B i n o n d o   M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 20	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co.		(02) 242-0635	

CONTACT PERSON's ADDRESS

704 Federal Tower, Dasmarinas Street, Binondo Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MERITUS PRIME DISTRIBUTIONS, INC.** (the "Company") is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CAMILLE CLARISSE P.CO
President & Chairman of the Board

CATHERINE W. CAI
Treasurer

Signed this 11th day of April 2019

KPMG

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6787 Ayala Avenue, Makati City
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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited the accompanying financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

PRC-BOA Registration No. 0003, valid until March 15, 2020
SEC Accreditation No. 0004-FR-5, Group A, valid until November 15, 2020
IC Accreditation No. F-2017/010-R, valid until August 20, 2020
BSP - Selected External Auditors, Category A, valid for 3-year audit period (2017 to 2019)

KPMG

R.G. Manabat & Co.
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Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
Email	ph-inquiry@kpmg.com.ph

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2018, on which we have rendered our report dated April 29, 2019.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information in the accompanying Schedule of Philippine Financial Reporting Standards and Interpretations is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 7333635
Issued January 3, 2019 at Makati City

April 29, 2019
Makati City, Metro Manila

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2018 and 2017

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

MAY 07 2019

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	*5*	**P52,180,421**	P74,641,298
Trade and other receivables - net	*6, 19*	**254,266,729**	336,739,024
Inventories	*7*	**561,595,644**	624,566,976
Prepaid expenses and other current assets	*8*	**350,652,488**	242,202,868
Total Current Assets		**1,218,695,282**	1,278,150,166
Noncurrent Assets			
Property and equipment - net	*9*	**1,896,032**	3,021,269
Deferred income tax assets - net	*18*	**782,605**	998,783
Refundable deposits	*10, 19*	**873,936**	842,310
Total Noncurrent Assets		**3,552,573**	4,862,362
		P1,222,247,855	P1,283,012,528
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*11*	**P51,564,573**	P54,514,583
Dividends payable	*14, 19*	**75,000,000**	50,000,000
Income tax payable		**12,018,068**	7,051,346
Loans payable	*12, 19*	**-**	100,000,000
Advances from Parent Company	*13, 19*	**-**	20,000,000
Total Current Liabilities		**138,582,641**	231,565,929
Noncurrent Liabilities			
Retirement benefits liability	*17*	**764,908**	1,491,441
Accrued rent expense		**361,264**	361,264
Total Noncurrent Liabilities		**1,126,172**	1,852,705
Total Liabilities		**139,708,813**	233,418,634
Equity			
Capital stock	*14*	**750,000,000**	750,000,000
Retained earnings		**331,773,614**	299,491,129
Accumulated remeasurements on retirement benefits		**765,428**	102,765
Total Equity		**1,082,539,042**	1,049,593,894
		P1,222,247,855	P1,283,012,528

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RR6 MANILA - RDO 29 - TONDO/SAN NICOLAS
RECEIVED
30 APR 2019
EUNICE COLIN T. LIM
REVENUE OFFICER

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

	Note	Years Ended December 31 2018	2017
NET SALES	13	P923,272,269	P842,384,728
COST OF GOODS SOLD	15	722,487,888	623,615,304
GROSS PROFIT		200,784,381	218,769,424
OPERATING EXPENSES			
Advertising		53,151,355	95,305,310
Outside services		22,885,866	7,075,584
Salaries and other employee benefits	17	12,672,637	12,239,810
Freight out		6,121,895	14,656,127
Deficiency taxes		4,693,252	4,001,456
Taxes and licenses		3,963,372	6,872,986
Rent	16	3,197,307	5,532,900
Insurance		2,925,172	2,901,488
Transportation and travel		2,791,031	2,745,949
Depreciation and amortization	9	1,150,566	1,410,780
Representation and entertainment		1,010,694	1,078,121
Miscellaneous		2,046,512	2,108,402
		116,609,659	155,928,913
INCOME FROM OPERATIONS		84,174,722	62,840,511
OTHER CHARGES - Net			
Interest income	5	1,763,211	821,986
Foreign exchange losses - net		(1,499,373)	(3,725,334)
Interest expense	12, 13	(809,191)	(706,174)
Commission expense		(285,121)	(1,026,073)
Bank charges		(158,730)	(102,936)
		(989,204)	(4,738,531)
INCOME BEFORE INCOME TAX		83,185,518	58,101,980
PROVISION FOR INCOME TAX	18	25,903,033	18,348,211
NET INCOME		57,282,485	39,753,769
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	17	946,662	-
Income tax effect		(283,999)	-
		662,663	-
TOTAL COMPREHENSIVE INCOME		P57,945,148	P39,753,769

See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
RR6 MANILA - RDO 29 - TONDO/SAN NICOLAS
RECEIVED
3 0 APR 2019
EUNICE COLIN T. LIM
REVENUE OFFICER

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY

Years Ended December 31

	Capital Stock (Note 14)	Stock Dividends Distributable (Note 14)	Retained Earnings (Note 14)	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
Balances as at December 31, 2016	P350,000,000	P400,000,000	P309,737,360	P102,765	P1,059,840,125
Net income for the year	-	-	39,753,769	-	39,753,769
Cash dividends declared	-	-	(50,000,000)	-	(50,000,000)
Stock issuances	400,000,000	(400,000,000)	-	-	-
Balances as at December 31, 2017	750,000,000	-	299,491,129	102,765	1,049,593,894
Net income for the year	-	-	57,282,485	-	57,282,485
Other comprehensive income for the year	-	-	-	662,663	662,663
Cash dividends declared	-	-	(25,000,000)	-	(25,000,000)
Balances as at December 31, 2018	**P750,000,000**	**P -**	**P331,773,614**	**P765,428**	**P1,082,539,042**

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2018**	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P83,185,518**	P58,101,980
Adjustments for:			
Interest income	5	**(1,763,211)**	(821,986)
Depreciation and amortization	9	**1,150,566**	1,410,780
Interest expense	12, 13	**809,191**	706,174
Retirement benefits costs	17	**220,129**	333,020
Unrealized foreign exchange gains		**(21,409)**	(27,349)
Rent expense in excess of billings		**-**	361,264
Operating income before working capital changes		**83,580,784**	60,063,883
Decrease (increase) in:			
Trade and other receivables		**82,472,295**	(45,607,194)
Inventories		**62,971,332**	138,475,884
Prepaid expenses and other current assets		**(108,449,620)**	(198,217,848)
Decrease in trade and other payables		**(2,874,340)**	(7,355,973)
Cash generated from (used in) operations		**117,700,451**	(52,641,248)
Income taxes paid		**(21,004,132)**	(32,799,304)
Interest received	5	**1,763,211**	821,986
Net cash from (used in) operating activities		**98,459,530**	(84,618,566)
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in refundable deposits	10	**(31,626)**	588,577
Additions to property and equipment	9	**(25,329)**	(1,293,598)
Net cash used in investing activities		**(56,955)**	(705,021)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loans payable		**(100,000,000)**	-
Advances from Parent Company	13	**(20,000,000)**	(30,000,000)
Interest paid		**(885,698)**	(629,667)
Proceeds from loans payable		**-**	100,000,000
Net cash from (used in) financing activities		**(120,885,698)**	69,370,333
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**22,246**	(12,028)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(22,460,877)**	(15,965,282)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**74,641,298**	90,606,580
CASH AND CASH EQUIVALENTS AT END OF YEAR	5	**P52,180,421**	P74,641,298

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers, and other alcoholic and non-alcoholic beverages and drinks.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 11, 2019.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards and Interpretations
The Company has adopted the following new or revised standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These standards are as follows:

- PFRS 9, *Financial Instruments (2014)* replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurements requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets and Financial Liabilities
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held to maturity, loans and receivables and available for sale.

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial Assets	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Cash in banks and cash equivalents	Loans and receivables	Financial assets at amortized cost	P74,440,298	P74,440,298
Trade and other receivables - net	Loans and receivables	Financial assets at amortized cost	336,739,024	336,739,024
Refundable deposits	Loans and receivables	Financial assets at amortized cost	842,310	842,310
Total Financial Assets			P412,021,632	P412,021,632

Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There were no financial assets or financial liabilities which the Company has previously designated as at FVTPL under PAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of PFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of PFRS 9.

Impairment of Financial Assets
PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" (ECL) model in relation to the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39. For assets in the scope of PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has assessed that the impact of providing ECL is immaterial. Thus, the Company has determined that the application of PFRS 9's impairment requirements as at January 1, 2018 did not result in an additional allowance for impairment.

General Hedging Accounting
The adoption of PFRS 9 with respect to hedging accounting has not had an impact on the Company's accounting policies since the Company has no hedging transactions.

The Company has used an exemption not to restate comparative information. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosure requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9 and the consequential amendments to PFRS 7.

- PFRS 15, *Revenue from Contracts with Customers,* replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18, *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

For the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Timing of Revenue Recognition
The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' warehouse, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue. Variable considerations are measured based on the most likely amount based on the agreement with customers.

The new standard did not have a material impact on the financial statements, including the Company's accounting policies with respect to its revenue streams.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The Company makes foreign currency sales and purchases. The Company's accounting policy is aligned with the interpretation.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities FVTPL, includes transaction costs.

Classification and Measurement of Financial Instruments - Policy Applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost of financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations and output Value-added Tax (VAT) and dividends payable as at December 31, 2018.

Classification and Measurement of Financial instruments - Policy Applicable before January 1, 2018
On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Company's loans and receivables include cash in banks and cash equivalents, trade and other receivables and refundable deposits.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017, the Company's other financial liabilities include trade and other payables (excluding statutory obligations and output VAT), loans payable, advances from Parent Company and dividends payable.

Impairment of Financial Assets

Policy Applicable from January 1, 2018

PFRS 9 replaces the "incurred loss" model in PAS 39 with an "expected credit loss" ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy Applicable before January 1, 2018
The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant. to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2018 and 2017, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and water, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statements of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-Added Tax
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statements of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Furniture and fixtures	2
Office equipment	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge are adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Ordinary or Common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs

The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new or amended standards and interpretations on the respective effective dates, as applicable.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

Early adoption is permitted. The Company has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions and the Company's latest assessment of whether it will exercise any lease renewal options.

So far, the most significant impact identified is that the Company will recognize new assets and liabilities for the operating lease of its office space and warehouse.

In addition, the nature of expenses related to this lease will now change as PFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use of assets and interest expense on lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  Early adoption is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

  The Company is currently assessing the potential impact of adopting this interpretation.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a.) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b.) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c.) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d.) clarifying the explanatory paragraphs accompany the definition; and
  (e.) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates, and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Determination on Whether an Agreement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at the inception date, and makes assessment on whether the arrangement is dependent on the use of the specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risk and rewards incidental to ownership to the Company.

Rent expense recognized in the profit or loss amounted to P3,197,307 and P5,532,900 in 2018 and 2017, respectively (see Note 16).

Recognition of Revenue

The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits

The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

No impairment losses were recognized in 2018 and 2017 in respect of the Company's financial assets because management assessed that these are fully recoverable.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P255,140,665 and P337,581,334 as at December 31, 2018 and 2017, respectively (see Note 19).

Determination of Net Realizable Value (NRV) of Inventories

The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2018 and 2017 are P561,595,644 and P624,566,976, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2018 and 2017.

Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful life of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful life of property and equipment in 2018 and 2017.

The carrying amounts of property and equipment as at December 31, 2018 and 2017 amounted to P1,896,032 and P3,021,269, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P764,908 and P1,491,441 as at December 31, 2018 and 2017, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P789,028 and P1,006,988 as at December 31, 2018 and 2017, respectively (see Note 18).

5. Cash and Cash Equivalents

This account consists of:

	Note	**2018**	2017
Cash on hand		**P191,000**	P201,000
Cash in banks	*19*	**51,989,421**	24,440,298
Cash equivalents	*19*	**-**	50,000,000
		P52,180,421	P74,641,298

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P1,763,211 and P821,986 in 2018 and 2017, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade:			
Related parties	*13*	**P167,548,864**	P238,999,476
Third parties		**55,195,223**	69,433,925
Non-trade		**32,699,199**	29,398,431
Receivable from employees		**327,365**	411,114
	19	**255,770,651**	338,242,946
Less allowance for impairment losses on trade receivables		**1,503,922**	1,503,922
	19	**P254,266,729**	P336,739,024

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

7. Inventories

This account consists of:

	Note	2018	2017
At cost:			
Spirits		**P521,809,925**	P569,082,470
Wines		**39,785,719**	55,484,506
	15	**P561,595,644**	P624,566,976

Cost of goods sold recognized in profit or loss amounted to P722,487,888 and P623,615,304 in 2018 and 2017, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	**P303,986,181**	P188,500,321
Prepaid expenses:		
Duties and taxes	**46,430,770**	53,209,429
Other import charges	**34,537**	493,118
Others	**201,000**	-
	P350,652,488	P242,202,868

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
December 31, 2016	P9,194,414	P810,359	P463,744	P1,794,809	P12,263,326
Additions	955,894	241,071	96,633	-	1,293,598
Disposals	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	8,953,451	1,051,430	560,377	1,794,809	12,360,067
Additions	-	20,955	4,374	-	25,329
December 31, 2018	**8,953,451**	**1,072,385**	**564,751**	**1,794,809**	**12,385,396**
Accumulated Depreciation and Amortization					
December 31, 2016	6,216,831	681,053	432,182	1,794,809	9,124,875
Depreciation and amortization	1,234,930	124,470	51,380	-	1,410,780
Disposals	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	6,254,904	805,523	483,562	1,794,809	9,338,798
Depreciation and amortization	922,269	174,105	54,192	-	1,150,566
December 31, 2018	**7,177,173**	**979,628**	**537,754**	**1,794,809**	**10,489,364**
Carrying Amounts					
December 31, 2017	P2,698,547	P245,907	P76,815	P -	P3,021,269
December 31, 2018	**P1,776,278**	**P92,757**	**P26,997**	**P -**	**P1,896,032**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P1,794,809 as at December 31, 2018 and 2017.

10. Refundable Deposits

This account consists of:

	Note	**2018**	2017
Security deposits	*16*	**P706,085**	P687,852
Others		**167,851**	154,458
	19	**P873,936**	P842,310

11. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables	*19*	**P8,137,340**	P9,231,436
Nontrade payables:			
Third parties	*19*	**30,292,247**	28,599,993
Related parties	*13, 19*	**1,086,113**	3,339,714
Accrued expenses	*19*	**389,768**	7,350,043
Output VAT - net		**10,538,341**	4,721,990
Statutory obligations		**868,348**	764,925
Others	*19*	**252,416**	506,482
		P51,564,573	P54,514,583

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term, except for related party balance which is due on demand.

Accrued expenses consist mainly of accruals for utilities, rent, interest and other operating charges.

12. Loans Payable

This account pertains to unsecured, peso-denominated loans from various local banks with maturities of less than one (1) year and bear fixed annual interest of 2.875% and were intended to finance the Company's working capital requirements.

Loans payable amounting to P100,000,000 was paid in 2018. Interest expense recognized in profit or loss relating to these loans amounted to P750,191, and P555,674 in 2018 and 2017, respectively.

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

			Transactions	Outstanding Balance				
Category	Year	Note	During the Year	Trade Receivables	Advances from Parent Company	Nontrade Payable	Terms	Conditions
Parent Company								
• Advances	**2018**	*c*	**P -**	**P -**	**P -**	**P -**	2 years; interest bearing	Unsecured
	2017	*c*	-	-	20,000,000	-		
• Interest	**2018**	*c*	**59,000**	-	-	-		
	2017	*c*	150,500	-	-	-		
Entities under Common Control								
• Sale of goods	**2018**	*6, a*	**698,465,965**	**167,548,864**	-	-	30 days credit term; non-interest bearing	Unsecured, no impairment
	2017	*6, a*	493,533,242	238,999,476	-	-		
• Rent expense	**2018**	*b*	**1,020,000**	-	-	-		
	2017	*b*	5,171,636	-	-	-		
• Advances	**2018**	*11, d*	**1,086,113**	-	-	**1,086,113**	Due on demand; non-interest bearing	Unsecured
	2017	*11, d*	3,339,714	-	-	3,339,714		
	2018			**P167,548,864**	**P -**	**P1,086,113**		
	2017			P238,999,476	P20,000,000	P3,339,714		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years.

   In 2018, the Company paid the outstanding advances from the Parent Company amounting to P20,000,000.

d. Cash advances obtained from entities under common control for working capital requirements.

e. There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock

The movements and balances of this account as at December 31, 2018 and 2017 are follows:

	2018		2017	
	Number of Shares	Amount	Number of Shares	Amount
Authorized P100 par value	7,500,000	P750,000,000	7,500,000	P750,000,000
Issued and Outstanding				
Balance at beginning of year	7,500,000	P750,000,000	3,500,000	P350,000,000
Stock issuances	-	-	4,000,000	400,000,000
Balance at end of year	7,500,000	P750,000,000	7,500,000	P750,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P350,000,000 divided into 3,500,000 common shares to P750,000,000 divided into 7,500,000 common shares, both at P100 par value to accommodate the stock dividends declared.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P400,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends

On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000,000, payable to stockholders of record as of the same date.

On December 18, 2018, the Company's BOD approved the declaration of cash dividends in the total amount of P25,000,000, payable to stockholders as of the same date.

15. Cost of Goods Sold

This account consists of:

	Note	2018	2017
Inventory at beginning of year		**P624,566,976**	P763,042,860
Add: Net purchases		**659,516,556**	485,139,420
Total goods available for sale		**1,284,083,532**	1,248,182,280
Less: Inventory at end of year	7	**561,595,644**	624,566,976
		P722,487,888	P623,615,304

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with a third party for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020 (see Note 13).

The lease agreements provide for, among others, security deposits amounting to P706,085 and P687,852 as at December 31, 2018 and 2017, respectively, which are shown under "Refundable deposits" account in the statements of financial position (see Note 10).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P3,197,307 and P5,532,900 in 2018 and 2017, respectively.

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Not later than one year	**P3,348,172**	P3,317,307
Later than one year but not later than five years	**2,982,781**	6,984,953
	P6,330,953	P10,302,260

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its permanent, regular, and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2018.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2018	2017
Balance at beginning of year	**P1,491,441**	P1,158,421
Recognized in profit or loss		
Interest cost	**80,240**	62,323
Current service cost	**139,889**	270,697
	220,129	333,020
Recognized in other comprehensive income		
Actuarial gain arising from:		
Financial assumptions	**(266,274)**	-
Demographic assumptions	**(253,953)**	-
Experience adjustments	**(426,435)**	-
	(946,662)	-
Balance at end of year	**P764,908**	P1,491,441

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2018 and 2017 are as follows:

	2018	2017
Discount rate	**7.53%**	5.38%
Future salary increases	**3.00%**	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 13 and 18 years as at December 31, 2018 and 2017, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2018		2017	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P65,247)**	**P49,948**	(P95,154)	P65,325
Salary increase rate	**30,596**	**(15,298)**	59,658	(29,829)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement benefits obligation.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2018				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Retirement benefits liability	**P764,908**	**P783,151**	**P -**	**P -**	**P783,151**

18. Income Taxes

The components of provision for income tax are shown below:

	2018	2017
Current	**P25,970,854**	P18,636,618
Deferred	**(67,821)**	(288,407)
	P25,903,033	P18,348,211

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2018	2017
Income before income tax	**P83,185,518**	P58,101,980
Provision for income tax at the statutory income tax rate of 30%	**P24,955,655**	P17,430,594
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**1,476,341**	1,164,213
Interest income subjected to final tax	**(528,963)**	(246,596)
Provision for income tax	**P25,903,033**	P18,348,211

The components of the Company's net deferred income tax assets are as follows:

	2018	2017
Allowance for impairment losses on trade receivables	**P451,177**	P451,177
Retirement benefits liability	**229,472**	447,432
Accrued rent expense	**108,379**	108,379
Unrealized foreign exchange gain - net	**(6,423)**	(8,205)
	P782,605	P998,783

The movements of net deferred income tax assets are accounted for as follows:

	2018	2017
Amount charged to profit or loss	**P67,821**	P288,407
Amount charged to OCI relating to remeasurement on defined benefits plan	**(283,999)**	-
Increase (decrease) in net deferred income tax assets	**(P216,178)**	P288,407

19. Financial Risk and Capital Management

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure is as follows:

	Note	**2018**	2017
Cash in banks and cash equivalents	*5*	**P51,989,421**	P74,440,298
Trade and other receivables - net	*6*	**254,266,729**	336,739,024
Refundable deposits	*10*	**873,936**	842,310
		P307,130,086	P412,021,632

As at December 31, 2018 and 2017, the aging per class of financial assets is as follows:

	December 31, 2018				
	Neither Past Due nor Impaired	**Past Due 1 to 30 Days**	**Past Due 31 to 120 Days**	**Past Due and Impaired**	**Total**
Cash in banks and cash equivalents	**P51,989,421**	**P -**	**P -**	**P -**	**P51,989,421**
Trade and other receivables	**189,569,830**	**54,738,482**	**9,958,417**	**1,503,922**	**255,770,651**
Refundable deposits	**873,936**	**-**	**-**	**-**	**873,936**
	P242,433,187	**P54,738,482**	**P9,958,417**	**P1,503,922**	**P308,634,008**

	December 31, 2017				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks and cash equivalents	P74,440,298	P -	P -	P -	P74,440,298
Trade and other receivables	207,131,462	79,683,036	49,924,526	1,503,922	338,242,946
Refundable deposits	842,310	-	-	-	842,310
	P282,414,070	P79,683,036	P49,924,526	P1,503,922	P413,525,554

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

As at December 31, 2018 and 2017, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration
The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P51,989,421	P -	P -	P51,989,421
Trade and other receivables	189,569,830	-	-	189,569,830
Refundable deposits	873,936	-	-	873,936
	P242,433,187	P -	P -	P242,433,187

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P74,440,298	P -	P -	P74,440,298
Trade and other receivables	207,131,462	-	-	207,131,462
Refundable deposits	842,310	-	-	842,310
	P282,414,070	P -	P -	P282,414,070

The credit quality of financial assets were determined as follows:

a. Cash in banks and cash equivalents - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Trade and other receivables - the credit quality is assessed as high grade since these have a high probability of collection and there is no history of default.

c. Refundable deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment as at December 31, 2018
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2018			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P40,157,884**	**P40,157,884**	**P40,157,884**	**P -**
Dividends payable	**75,000,000**	**75,000,000**	**75,000,000**	**-**
	P115,157,884	**P115,157,884**	**P115,157,884**	**P -**

**Excluding statutory obligations and Output VAT amounting to P11,406,689.*

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P49,027,668	P49,027,668	P49,027,668	P -
Loans payable	100,000,000	100,239,583	100,239,583	-
Advances from Parent Company	20,000,000	20,365,000	20,365,000	-
Dividends payable	50,000,000	50,000,000	50,000,000	-
Total	P219,027,668	P219,632,251	P219,632,251	P -

**Excluding statutory obligations and Output VAT amounting to P5,486,915*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in the market interest rates.

The Company's exposure to the risks for changes in market interest rates relates mainly to the Company's loans payable and advances from Parent Company. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2018				
	USD	SGD	GBP	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets					
Cash in banks	152,275	-	-	-	8,028,557
Trade receivables	-	-	-	-	-
	152,275	-	-	-	8,028,557
Foreign Currency - Denominated Monetary Liabilities					
Trade payables	(1,823)	-	-	(2,935)	(273,120)
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	150,452	-	-	(2,935)	7,755,437

	December 31, 2017				
	USD	SGD	GBP	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets					
Cash in banks	22,896	-	-	-	1,143,207
Trade receivables	-	-	-	5,872	350,048
	22,896	-	-	5,872	1,493,255
Foreign Currency - Denominated Monetary Liabilities					
Trade payables	(31,840)	(244)	(1,273)	-	(1,684,317)
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	(8,944)	(244)	(1,273)	5,872	(191,062)

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2018	2017
USD	**52.58**	49.93
SGD	**38.47**	37.32
GBP	**66.73**	67.12
EUR	**60.31**	59.61

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2018	
	Percentage Increase (Decrease) in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**5%**	**P395,538 increase**
SGD	**3%**	**-**
GBP	**(6%)**	**-**
EUR	**1%**	**1,770 decrease**

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	5%	P15,630 decrease
SGD	7%	1,032 decrease
GBP	10%	5,981 decrease
EUR	9%	22,053 increase

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, retained earnings and accumulated remeasurements on retirement benefits.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash and cash equivalents, trade and other receivables, trade and other payables (excluding statutory obligations and Output VAT) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

In the case of security deposits the difference between the carrying amounts and fair values is considered immaterial by management.

Loans and Advances from Parent Company

The estimated fair value of loans and advances from Parent Company is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans and advances from Parent Company is considered immaterial by management.

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2018 are as follow:

	December 31, 2018				
	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balances at beginning of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507
Payment of principal	(100,000,000)	-	(20,000,000)	-	(120,000,000)
Interest expense	-	809,191	-	-	809,191
Interest paid	-	(885,698)	-	-	(885,698)
Dividends declared	-	-	-	25,000,000	25,000,000
Balances at end of year	P -	P -	P -	P75,000,000	P75,000,000

	December 31, 2017				
	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balances at beginning of year	P -	P -	P50,000,000	P -	P50,000,000
Proceeds from loans payable	100,000,000	-	-	-	100,000,000
Payments of:					
Advances from Parent Company	-	-	(30,000,000)	-	(30,000,000)
Interest	-	(629,667)	-	-	(629,667)
Interest expense	-	706,174	-	-	706,174
Dividends declared	-	-	-	50,000,000	50,000,000
Balances at end of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507

22. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2018:

a. VAT

Output VAT	**P106,991,317**
Basis of the Output VAT:	
Vatable sales	**P889,740,216**
Sale to government	**1,854,089**
Zero-rated sales	**31,157,172**
Input VAT	
Beginning of the year	-
Current year's domestic purchases:	
a. Goods other than capital goods	**7,041,416**
b. Services lodged under other accounts	**8,823,643**
VAT on importations	**73,916,011**
Tax credits/payments and other adjustments	**6,671,906**
Balance at the end of the year	**P10,538,341**

b. Customs Duties

Landed cost of imports	**P615,966,762**
Customs duties paid or accrued	**46,884,929**
	P662,851,691

c. Excise Taxes

Imported excisable items	
a. Spirits	**P125,064,721**
b. Wines	**7,837,534**
	P132,902,255

d. **Documentary Stamp Tax**

On loan instruments	**P9,555**
On others	**362,216**
	P371,771

e. **Withholding Taxes**

Tax on compensation and benefits	**P646,461**
Expanded withholding taxes	**1,975,107**
	P2,621,568

f. **All Other Taxes (Local and National)**

Other taxes paid during the year included under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,493,283**
Others	**98,318**
	P3,591,601

g. **Tax Cases**

As at December 31, 2018, the Company is not involved in any tax cases and has not received deficiency tax assessments from the BIR.

Information on tariff fee paid or accrued are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX C-5"

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu

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Issued February 6, 2018, valid until February 5, 2021
PTR No. 6615158MD
Issued January 3, 2018 at Makati City

April 26, 2018
Makati City, Metro Manila

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MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	**P74,641,298**	P90,606,580
Trade and other receivables - net	5	**336,739,024**	291,131,830
Inventories	6	**624,566,976**	763,042,860
Prepaid expenses and other current assets	7	**242,202,868**	43,985,020
Total Current Assets		**1,278,150,166**	1,188,766,290
Noncurrent Assets			
Property and equipment - net	8	**3,021,269**	3,138,451
Deferred income tax assets - net	17	**998,783**	710,376
Refundable deposits	9	**842,310**	1,430,887
Total Noncurrent Assets		**4,862,362**	5,279,714
		P1,283,012,528	P1,194,046,004
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	10	**P54,514,583**	P61,833,426
Loans payable	11	**100,000,000**	-
Dividends payable		**50,000,000**	-
Advances from Parent Company	12	**20,000,000**	50,000,000
Income tax payable		**7,051,346**	21,214,032
Total Current Liabilities		**231,565,929**	133,047,458
Noncurrent Liabilities			
Retirement benefits liability	16	**1,491,441**	1,158,421
Accrued rent expense	12	**361,264**	-
Total Noncurrent Liabilities		**1,852,705**	1,158,421
Total Liabilities		**233,418,634**	134,205,879
Equity			
Capital stock	13	**750,000,000**	350,000,000
Stock dividends distributable	13	-	400,000,000
Retained earnings		**299,491,129**	309,737,360
Accumulated remeasurements on retirement benefits		**102,765**	102,765
Total Equity		**1,049,593,894**	1,059,840,125
		P1,283,012,528	P1,194,046,004

See Notes to the Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2017**	2016
NET SALES	*12*	**P842,384,728**	P979,877,868
COST OF GOODS SOLD	*14*	**623,615,304**	728,689,540
GROSS PROFIT		**218,769,424**	251,188,328
OPERATING EXPENSES			
Advertising		**95,305,310**	31,358,349
Freight out		**14,656,127**	4,910,283
Salaries and other employee benefits	*16*	**12,239,810**	11,832,702
Outside services		**7,075,584**	11,774,062
Taxes and licenses		**6,872,986**	3,411,158
Rent	*15*	**5,532,900**	921,436
Deficiency taxes		**4,001,456**	1,006,259
Insurance		**2,901,488**	3,331,183
Transportation and travel		**2,745,949**	4,167,098
Depreciation and amortization	*8*	**1,410,780**	1,179,697
Representation and entertainment		**1,078,121**	1,023,300
Management fee	*12*	**-**	30,000,000
Miscellaneous		**2,108,402**	1,885,295
		155,928,913	106,800,822
INCOME FROM OPERATIONS		**62,840,511**	144,387,506
OTHER INCOME (CHARGES) - Net			
Interest income	*4*	**821,986**	143,813
Bank charges		**(102,936)**	(86,407)
Interest expense	*11, 12*	**(706,174)**	(5,282,576)
Commission expense		**(1,026,073)**	(5,897,745)
Foreign exchange loss - net		**(3,725,334)**	(2,828,333)
		(4,738,531)	(13,951,248)
INCOME BEFORE INCOME TAX		**58,101,980**	130,436,258
PROVISION FOR INCOME TAX	*17*	**18,348,211**	39,377,660
NET INCOME		**39,753,769**	91,058,598
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss			
Remeasurement gain on retirement benefits	*16*	**-**	146,807
Income tax effect		**-**	(44,042)
		-	102,765
TOTAL COMPREHENSIVE INCOME		**P39,753,769**	P91,161,363

See Notes to the Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Capital Stock (Note 13)	Stock Dividends Distributable (Note 13)	Retained Earnings (Note 13)	Accumulated Remeasurements on Retirement Benefits (Note 16)	Total
As at December 31, 2015	P350,000,000	P -	P618,678,762	P -	P968,678,762
Net income for the year	-	-	91,058,598	-	91,058,598
Other comprehensive income for the year	-	-	-	102,765	102,765
Total comprehensive income	-	-	91,058,598	102,765	91,161,363
Transaction with the owners					
Stock dividends declared	-	400,000,000	(400,000,000)	-	-
As at December 31, 2016	350,000,000	400,000,000	309,737,360	102,765	1,059,840,125
Net income/total comprehensive income for the year	-	-	39,753,769	-	39,753,769
Transaction with owners					
Cash dividends declared	-	-	(50,000,000)	-	(50,000,000)
Stock issuances	400,000,000	(400,000,000)	-	-	-
Transactions with owners	400,000,000	(400,000,000)	(50,000,000)	-	(50,000,000)
As at December 31, 2017	**P750,000,000**	**P -**	**P299,491,129**	**P102,765**	**P1,049,593,894**

See Notes to the Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2017**	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P58,101,980**	P130,436,258
Adjustments for:			
Depreciation and amortization	*8*	**1,410,780**	1,179,697
Interest expense	*11, 12*	**706,174**	5,282,576
Rent expense in excess of billings		**361,264**	-
Retirement benefits costs	*16*	**333,020**	1,305,228
Unrealized foreign exchange gain		**(27,349)**	(294,425)
Interest income	*4*	**(821,986)**	(143,813)
Operating income before working capital changes		**60,063,883**	137,765,521
Decrease (increase) in:			
Trade and other receivables		**(45,607,194)**	314,988,060
Inventories		**138,475,884**	311,313,476
Prepaid expenses and other current assets		**(198,217,848)**	181,237,990
Increase (decrease) in trade and other payables		**(7,355,973)**	4,314,085
Cash generated from (absorbed in) operations		**(52,641,248)**	949,619,132
Income taxes paid		**(32,799,304)**	(51,380,963)
Interest paid		**(629,667)**	(5,282,576)
Interest received		**821,986**	143,813
Net cash provided by (used in) operating activities		**(85,248,233)**	893,099,406
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*8*	**(1,293,598)**	(1,080,892)
Increase in refundable deposits		**588,577**	558,319
Net cash used in investing activities		**(705,021)**	(522,573)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable	*11*	**100,000,000**	-
Payments to:			
Advances from Parent Company		**(30,000,000)**	(431,000,000)
Loans payable	*11*	**-**	(390,000,000)
Dividends	*13*	**-**	(50,000,000)
Net cash provided by (used in) financing activities		**70,000,000**	(871,000,000)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(12,028)**	(1,933)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(15,965,282)**	21,574,900
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**90,606,580**	69,031,680
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P74,641,298**	P90,606,580

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquor's, beers and other alcoholic and non-alcoholic beverages and drinks. The Company started commercial operations on April 1, 2010.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

The accompanying financial statements of the Company as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 26, 2018.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Management's Use of Significant Judgments, Estimates and Assumptions
The Company's financial statements prepared in accordance with PFRS require management to exercise judgments, make accounting estimates and use assumptions that affect the application of accounting policies and the amounts reported in the financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Operating Lease - Company as a Lessee

The Company entered into various lease agreements for its office space and warehouses as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Rent expense recognized in the profit or loss amounted to P5,532,900 and P921,436 in 2017 and 2016, respectively (see Note 15).

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the date of the financial statements. Actual results could differ from such estimates.

Allowance for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this provision is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the debtors, their payment behavior and known market factors. The Company reviews the age and status of receivables, and identified accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the Company's recorded operating expenses and decrease current assets.

Based on evaluation made by the management, no impairment indicator was noted on the Company's receivables in 2017 and 2016.

The carrying amount of receivables amounted to P336,739,024 and P291,131,830, net of allowance for impairment loss amounting to P1,503,922, as at December 31, 2017 and 2016, respectively (see Note 5).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2017 and 2016 (see Note 6).

The cost of inventories amounted to P624,566,976 and P763,042,860 as at December 31, 2017 and 2016, respectively (see Note 6).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to the financial statements. There is no change in the estimated useful lives of property and equipment in 2017 and 2016.

The carrying amount of property and equipment amounted to P3,021,269 and P3,138,451 as at December 31, 2017 and 2016, respectively (see Note 8).

Impairment of Non-financial Assets
The Company assesses at the end of each reporting period whether there is any indication that its non-financial assets which pertain to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these non-financial asset which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

No impairment loss was recognized for the non-financial assets in 2017 and 2016.

The carrying amount of property and equipment as at December 31, 2017 and 2016 amounted to 3,021,269 and P3,138,451, respectively (see Note 8).

Estimation of Retirement Benefits Liability and Expense
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The Company has retirement benefits liability amounting to P1,491,441 and P1,158,421 as at December 31, 2017 and 2016, respectively (see Note 16).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P998,783 and P710,376 as at December 31, 2017 and 2016, respectively (see Note 17).

Estimating Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

The Company does not have any contingent legal or constructive obligation that requires provision as at December 31, 2017 and 2016.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of Amendments to Standards</u>
The Company has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

- *Disclosure Initiative (Amendments to PAS 7, Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g., by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 20).

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes).* The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The following amendment to standards are not expected to have impact on the Company's financial statements:

- Annual Improvements to PFRSs 2014 - 2016 Cycle - Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities).*

New Standards and Interpretations and Amendments to Standards Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following relevant and applicable new or amended standards in preparing these financial statements.

Effective January 1, 2018

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

  The adoption of PFRS 9 will have no significant impact on the classification and measurement of the Company's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Company's financial statements since the Company has no transactions eligible for hedge accounting. However, the adoption will have an effect on the amount of the Company's credit losses. The management has not yet fully assessed the financial impact of these changes as of date.

- *PFRS 15, Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes* IFRIC 18, *Transfer of Assets from Customers* and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of PFRS 15 on the Company's financial statements.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  The Company has an ongoing assessment of the application of IFRIC 22 on the Company's financial statements.

Effective January 1, 2019

- *PFRS 16, Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

  Future adoption of the standards will result in the recognition of the right-of-use of asset, lease liability and additional disclosures. Management is still evaluating the financial impact of the new standard on the Company's financial statements as of the reporting period.

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

The following amendments to standards are not expected to have impact on the Company's financial statements:

- Transfers of Investment Property (Amendments to PAS 40, *Investment Property);*
- Classification and Measurement of Share-based Payment Transactions (Amendments to PFRS 2, *Share-based Payment*);
- Applying PFRS 9 with PFRS 4, *Insurance Contracts* (Amendments to PFRS 4);
- Annual Improvements to PFRS 2014 - 2016 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* - Deletion of short-term exemptions for first-time adopters; and
  - Amendment to PAS 28, *Investments in Associates and Joint Ventures* - Measuring an associate or joint venture at fair value;
- Prepayment Features with Negative Compensation (Amendments to PFRS 9); and
- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of cash and cash equivalents, loans and receivables, and other financial liabilities.

'Day 1' Difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for the recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the balance sheet date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017 and 2016, the Company's loans and receivables include cash and cash equivalents, trade and other receivable and refundable deposits.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of up to three months or less from dates of acquisition and are subject to an insignificant risk of change in value.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than 12 months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Company's other financial liabilities include trade and other payables (excluding statutory obligations), loans payable, dividends payable and advances from Parent Company.

Impairment of Financial Assets

The Company assesses, at each reporting date, whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted prices (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly

- Level 3 - Inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2017 and 2016, no financial asset or liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of wines and spirits, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Furniture and fixtures	2
Office equipment	2
Leasehold improvements	3 or lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspend during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Non-financial Assets

The Company assesses, at end of each reporting period, whether there is indication that its non-financial assets which is property and equipment, may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the non-financial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an ordinary transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal are treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock

Common stock is classified as equity. The proceeds from the issuance of common stock are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Stock

Cash dividends on common stock are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividends are distribution of earnings in the form of Company shares. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common stock.

Dividends for the year that are approved after the balance sheet date are dealt with as an event after the reporting date.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Sales of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax (VAT), returns, discounts, and rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, under normal credit terms.

Interest Income

Interest income is recognized as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition

Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Expenses are also recognized when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability that can be measured reliably has arisen. Expenses are recognized on the basis of a direct association between costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition as an asset.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Cost
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular, full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods, discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Operating Leases - Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax relating to items recognized directly in equity is recognized in other comprehensive income. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statements of financial position.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to the financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are recognized in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Cash

This account consists of:

	Note	**2017**	2016
Cash on hand		**P201,000**	P195,200
Cash in banks	*18*	**24,440,298**	90,411,380
Cash equivalents	*18*	**50,000,000**	-
		P74,641,298	P90,606,580

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents are money market placements made for varying period up to three (3) months, and earn interest at a money market placement rate of 3.75% in 2017.

Interest income recognized in profit or loss amounted to P821,986 and P143,813 in 2017 and 2016, respectively.

5. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade:			
Related parties	*12a*	**P238,999,476**	P256,516,922
Third parties		**69,433,925**	31,126,642
Non-trade		**29,398,431**	4,973,856
Receivable from employees		**411,114**	18,332
		338,242,946	292,635,752
Less allowance for impairment losses on trade receivables		**1,503,922**	1,503,922
	18	**P336,739,024**	P291,131,830

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 90-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

6. Inventories

This account consists of:

	Note	2017	2016
At cost			
Spirits		**P569,082,470**	P708,090,416
Wines		**55,484,506**	54,952,444
	14	**P624,566,976**	P763,042,860

Cost of goods sold recognized in profit or loss amounted to P623,615,304 and P728,689,540 in 2017 and 2016, respectively (see Note 14).

7. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**P188,500,321**	P43,236,546
Prepaid expenses:		
Duties and taxes	**53,209,429**	498,474
Other import charges	**493,118**	-
Others	**-**	250,000
	P242,202,868	P43,985,020

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

8. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Total
Cost					
December 31, 2015	P8,265,843	P712,145	P409,637	P1,794,809	P11,182,434
Additions	928,571	98,214	54,107	-	1,080,892
December 31, 2016	9,194,414	810,359	463,744	1,794,809	12,263,326
Additions	955,894	241,071	96,633	-	1,293,598
Disposal	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	**8,953,451**	**1,051,430**	**560,377**	**1,794,809**	**12,360,067**
Accumulated Depreciation and Amortization					
December 31, 2015	5,166,955	589,900	393,514	1,794,809	7,945,178
Depreciation and amortization	1,049,876	91,153	38,668	-	1,179,697
December 31, 2016	6,216,831	681,053	432,182	1,794,809	9,124,875
Depreciation and amortization	1,234,930	124,470	51,380	-	1,410,780
Disposal	(1,196,857)	-	-	-	(1,196,857)
December 31, 2017	**6,254,904**	**805,523**	**483,562**	**1,794,809**	**9,338,798**
Carrying Amounts					
December 31, 2016	P2,977,583	P129,306	P31,562	P -	P3,138,451
December 31, 2017	**P2,698,547**	**P245,907**	**P76,815**	**P -**	**P3,021,269**

Depreciation and amortization expense for the years ended December 31, 2017 and 2016 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P1,794,809 as at December 31, 2017 and 2016.

9. Refundable Deposits

This account consists of:

	Note	2017	2016
Security deposits	*15*	**P687,852**	P653,950
Container deposits		**-**	657,000
Others		**154,458**	119,937
	18	**P842,310**	P1,430,887

10. Trade and Other Payables

This account consists of:

	Note	2017	2016
Non-trade:	*18*		
Third parties		**P28,599,993**	P 9,697,704
Related parties	*12*	**3,339,714**	30,272,388
Trade	*18*	**9,231,436**	3,238,979
Accrued expenses	*12c, 18*	**7,350,043**	180,180
Output VAT - net		**4,721,990**	13,496,826
Statutory obligations		**764,925**	4,910,759
Others	*18*	**506,482**	36,590
		P54,514,583	P61,833,426

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term.

Accrued expenses consist mainly of accruals for utilities, rent, interest and other operating charges.

11. Loans Payable

This account pertains to unsecured, peso-denominated loans from various local banks with maturities of less than one (1) year and bear fixed annual interest of 2.875% in 2017 and were intended to finance the Company's working capital requirements.

In 2016, the Company paid its loan which amounted to P390,000,000 from various local banks with maturities of less than one (1) year which bear fixed annual interest ranging from 2.375% to 2.600%.

Interest expense recognized in profit or loss relating to these loans amounted to P555,674 and P813,076 in 2017 and 2016, respectively.

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category	Year	Note	Transactions During the Year	Outstanding Balance: Trade Receivables	Outstanding Balance: Advances from Parent Company	Outstanding Balance: Nontrade Payable	Terms	Conditions
Parent Company								
• Advances	2017	*12c*	P -	P -	P20,000,000	P -	2 years from the time of availment	Unsecured
	2016	*12c*	-	-	50,000,000	-		
• Interest	2017	*11, 12c*	150,500	-	-	-	Fixed annual interest rate of 1.8% on the outstanding balance	Unsecured
	2016	*11, 12c*	4,469,500	-	-	-		
• Management fee	2016	*12d*	30,000,000	-	-	30,000,000	Due and demandable	Unsecured
Entities under Common Control								
• Sale of goods	2017	*6, 12a*	493,533,242	238,999,476	-	-	30 days credit term; non-interest bearing	Unsecured; no impairment
	2016	*6, 12a*	587,280,749	256,516,922	-	-		
• Rent expense	2017	*12b*	5,171,636	-	-	-	Payable monthly	
	2016	*12b*	900,000	-	-	91,250		
• Advances	2017	*10, 13e*	3,339,714	-	-	-		
	2016	*10, 13e*	181,138	-	-	-		
	2017			**P238,999,476**	**P20,000,000**	**P3,339,714**		
	2016			P256,516,992	P50,000,000	P30,272,388		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16).

c. The Company received cash advances from its Parent Company in a form of promissory notes. These advances earn fixed annual interest rate of 1.8% with maturities of two (2) years.

d. The Company pays management fee to its Parent Company for the management consultancy and financial services provided by the Parent Company.

e. Cash advances extended from entities under common control for working capital requirements.

f. There is no key management compensation since the key management roles are functionally domiciled under CosCo.

Amounts owed by and owed to related parties are to be settled in cash.

13. Equity

Capital Stock

The movements and balances of this account as at December 31, 2017 and 2016 are follows:

	2017		2016	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized P100 par value	**7,500,000**	**P750,000,000**	3,500,000	P350,000,000
Issued and outstanding				
Balance at beginning of year	**3,500,000**	**P350,000,000**	2,100,000	P350,000,000
Stock issuances	**4,000,000**	**400,000,000**	-	-
Balance at end of year	**7,500,000**	**P750,000,000**	2,100,000	P350,000,000

Ordinary shares carry one vote per share and a right to dividends.

On December 8, 2016, the Company's BOD approved the increase in its authorized capital stock from P350,000,000 divided into 3,500,000 shares of common stock to P750,000,000 divided into 7,500,000 shares of common stock, both at P100 par value to accommodate the stock dividends declared as discussed below.

On July 5, 2017, the SEC approved the Company's increase in authorized capital stock. Upon approval of the increase in authorized capital stock, the stock dividends amounting to P540,000,000 were applied against the increase in authorized capital stock and the related shares were issued.

Declaration of Dividends

Cash Dividends

On November 28, 2017, the Company's BOD approved the declaration of cash dividends of P6.67 per share or an aggregate amount of P50,000,000, payable to stockholders of record as of the same date.

Stock Dividends

On December 8, 2016, the Company's BOD approved the declaration of stock dividends P190.48 per share or an aggregate amount of P400,000,000, distributable to stockholders of record as of the same date. Accordingly, the stock dividends declared have been presented as stock dividends distributable in the equity section of the 2016 statement of financial position and statement of changes in equity.

14. Cost of Goods Sold

This account consists of:

	Note	2017	2016
Inventory at beginning of year		**P763,042,860**	P1,074,356,336
Add: Net purchases		**485,139,420**	417,376,064
Total goods available for sale		**1,248,182,280**	1,491,732,400
Less: Inventory at end of year	7	**624,566,976**	763,042,860
		P623,615,304	P728,689,540

15. Operating Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for office space. The term of the lease is for a period of three (3) years from January 1, 2016 to December 31, 2018, renewable by mutual agreements of both parties. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%.

c. The Company entered into a lease agreement with a third party for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020.

The lease agreements provides for, among others, security deposits amounting to P687,852 and P653,950 as at December 31, 2017 and 2016, respectively, which are shown under "Refundable deposits" in the statements of financial position (see Note 9).

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P5,532,900 and P921,436 in 2017 and 2016, respectively.

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**P3,317,307**	P3,218,843
One year but not more than five years	**6,984,953**	7,789,238
	P10,302,260	P11,008,081

16. Retirement Benefits

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular, full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2017	2016
Balance at beginning of year	**P1,158,421**	P -
Recognized in profit or loss		
Interest cost	**62,323**	48,230
Current service cost	**270,697**	270,697
Past service cost	-	986,301
	333,020	1,305,228
Recognized in other comprehensive income		
Actuarial gain arising from:		
Financial assumptions	-	(106,915)
Experience adjustments	-	(39,892)
	-	(146,807)
Balance at end of year	**P1,491,441**	P1,158,421

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" under Operating Expenses in the statements of comprehensive income.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2017 and 2016 are as follows:

Discount rate	5.38%
Future salary increases	3.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 18 years as at December 31, 2017 and 2016.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2017		2016	
	Defined Benefit Liability		Defined Benefit Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P95,154)**	**P65,325**	(P185,263)	P231,575
Salary increase rate	**59,658**	**(29,829)**	221,618	(181,251)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefit shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement obligation.

Maturity analysis of the benefit payments is as follows:

	December 31, 2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P1,158,421	P879,217	P -	P -	P879,217

17. Income Taxes

The components of provision for income tax are shown below:

	2017	2016
Current	**P18,636,618**	P39,428,024
Deferred	**(288,407)**	(50,364)
	P18,348,211	P39,377,660

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2017	2016
Income before income tax	**P58,101,980**	P130,436,258
Provision for income tax at the statutory income tax rate of 30%	**P17,430,594**	P39,130,877
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**1,164,213**	289,927
Interest income subjected to final tax	**(246,596)**	(43,144)
Provision for income tax	**P18,348,211**	P39,377,660

The components of the Company's net deferred income tax assets are as follows:

	2017	2016
Allowance for impairment losses on trade receivables	**P451,177**	P451,177
Retirement benefits liability	**447,432**	347,526
Accrued rent expense	**108,379**	-
Unrealized foreign exchange gain - net	**(8,205)**	(88,327)
	P998,783	P710,376

The movements of net deferred income tax assets are accounted for as follows:

	2017	2016
Amount charged to profit or loss	**P288,407**	(P50,364)
Amount charged to OCI relating to remeasurement on defined benefits plan	**-**	44,042
Increase (decrease) in net deferred income tax assets	**P288,407**	(P6,322)

18. Financial Risk and Capital Management, Objectives and Policies

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework
The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at December 31 is as follows:

	Note	**2017**	2016
Cash in banks and cash equivalents	4	**P74,440,298**	P90,411,380
Trade and other receivables - net	5	**336,739,024**	291,131,830
Refundable deposits	9	**842,310**	1,430,887
		P412,021,632	P382,974,097

As at December 31, 2017 and 2016, the aging per class of financial assets is as follows:

	December 31, 2017				
	Neither Past Due nor Impaired	**Past Due 1 to 30 Days**	**Past Due 31 to 120 Days**	**Past Due and Impaired**	**Total**
Cash in banks and cash equivalents	**P74,440,298**	**P -**	**P -**	**P -**	**P74,440,298**
Trade and other receivables	**205,627,540**	**79,683,036**	**49,924,526**	**1,503,922**	**336,739,024**
Refundable deposits	**842,310**	**-**	**-**	**-**	**842,310**
	P280,910,148	**P79,683,036**	**P49,924,526**	**P1,503,922**	**P412,021,632**

	December 31, 2016				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks	P90,411,380	P -	P -	P -	P90,411,380
Trade and other receivables	277,849,439	2,961,103	8,817,366	1,503,922	291,131,830
Refundable deposits	1,430,887	-	-	-	1,430,887
	P369,691,706	P2,961,103	P8,817,366	P1,503,922	P382,974,097

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2017 and 2016, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets as at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks and cash equivalents	P74,440,298	P -	P -	P74,440,298
Trade and other receivables - net	-	205,627,539	131,111,485	336,739,024
Refundable deposits	842,310	-	-	842,310
Total	P75,282,608	P205,627,539	P131,111,485	P412,021,632

	December 31, 2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P90,411,380	P -	P -	P90,411,380
Trade and other receivables - net	-	277,849,439	13,282,391	291,131,830
Refundable deposits	1,430,887	-	-	1,430,887
Total	P91,842,267	P277,849,439	P13,282,391	P382,927,097

High grade receivables pertain to those receivables from clients or customers that consistently pay before the maturity date. *Standard grade* receivable includes those that are collected on their due dates event without an effort from the Company to follow them up while receivables which are collected on their due dates provided that the Company made a persistent effort to collect them are included under *Substandard grade* receivables. Past due receivables and advances include those that are either past due but still collectible or determined not to be individually impaired.

a. Cash in banks and cash equivalents - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Receivables - the credit quality is standard grade for these financial instruments with satisfactory financial capability and credit standing but with some elements of risks where certain measure of control is necessary to mitigate the risk of default. The credit quality for receivables with provision is substandard grade since constant reminder follow-ups are performed to collect accounts from customers. Adequate allowance for impairment losses on receivables are made for potential bad debts at each reporting date (Note 5).

c. Refundable deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2017			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	**P49,027,668**	**P49,027,668**	**P49,027,668**	**P -**
Loans payable	**100,000,000**	**100,239,583**	**100,239,583**	**-**
Advances from Parent Company	**20,000,000**	**20,365,000**	**20,365,000**	**-**
Dividends payable	**50,000,000**	**50,000,000**	**50,000,000**	**-**
Total	**P219,027,3668**	**P219,632,251**	**P219,632,251**	**P -**

**Excluding statutory obligations and Output VAT.*

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P43,425,841	P43,425,841	P43,425,841	P -
Advances from Parent Company	50,000,000	50,912,500	50,912,500	-
Total	P93,425,841	P94,338,341	P94,338,341	P -

**Excluding statutory obligations and Output VAT.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

The Company's interest rate risk management policy centers on reducing the Company's exposure to changes in interest rates. Exposure to changes in market interest rates relate primarily to the Company's cash in banks, advances from Parent Company and loans payable.

As at December 31, 2017 and 2016, the interest rate profile of the Company's interest-bearing financial instruments is as follows:

	Note	**2017**	2016
Fixed Rate Financial Instruments			
Financial asset:			
Cash in banks and cash equivalents	*4*	**P74,440,298**	P90,411,380
Financial liabilities:			
Advances from Parent Company	*12*	**(20,000,000)**	(50,000,000)
Loans payable	*11*	**(100,000,000)**	-
		(120,000,000)	(50,000,000)
		P45,559,702	P40,411,380

The Company does not account for any fixed rate financial assets and financial liabilities at FVPL. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and liabilities. The currencies in which these transactions are primarily denominated are United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2017				
	USD	SGD	GBP	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets					
Cash in banks	22,896	-	-	-	1,143,207
Trade receivables	-	-	-	5,872	350,048
	22,896	-	-	-	1,493,255
Foreign Currency - Denominated Monetary Liabilities					
Trade payables	31,840	244	1,273	-	1,684,317
Net Foreign Currency-Denominated Monetary Assets (Liabilities)	(8,944)	(244)	1,273	5,872	(191,062)

	December 31, 2016			
	USD	SGD	EUR	PHP Equivalent
Foreign Currency - Denominated Monetary Assets				
Cash	23,482	-	-	1,169,697
Trade receivables	198,180	-	-	9,871,952
	221,662	-	-	11,041,649
Foreign Currency - Denominated Monetary Liabilities				
Trade payable	-	858	217,616	11,310,776
Net Foreign Currency - Denominated Monetary Assets (Liabilities)	221,662	(858)	(217,616)	(269,127)

In translating the foreign currency-denominated monetary assets and liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2017	2016
USD	**49.93**	49.81
SGD	**37.32**	34.35
GBP	**67.12**	60.87
EUR	**59.61**	51.84

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income before Income Tax**
USD	**5%**	**P15,630 decrease**
SGD	**7%**	**1,032 decrease**
GBP	**10%**	**5,981 decrease**
EUR	**9%**	**22,053 increase**

	December 31, 2016	
	Percentage Increase in Foreign Exchange Rates	Effect in Income before Income Tax
USD	1%	77,292 increase
SGD	5%	1,032 decrease
EUR	3%	236,907 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

19. Fair Values of Financial Instruments

Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable
The carrying amounts of the Company's cash and cash equivalents, trade and other receivables, trade and other payables (excluding statutory obligations and Output VAT), dividends payable and loans payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits
In the case of security deposits the difference between the carrying amounts and fair values is considered immaterial by management.

Loans and Advances from Parent Company
The estimated fair value of loans and advances from Parent Company is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans and advances from Parent Company is considered immaterial by management.

20. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2017 are as follow:

	Loans Payable	Accrued Interest	Advances from Parent Company	Dividends Payable	Total
Balance at beginning of year	P -	P -	P50,000,000	P -	P50,000,000
Cash flow from financing activities					
Proceeds from availment of loans	100,000,000	-	-	-	100,000,000
Payment of principal	-	-	(30,000,000)	-	(30,000,000)
Interest expense	-	706,174	-	-	706,174
Interest paid	-	(629,667)	-	-	(629,667)
Dividends declared	-	-	-	50,000,000	50,000,000
	100,000,000	76,507	(30,000,000)	50,000,000	120,076,507
Balance at end of year	P100,000,000	P76,507	P20,000,000	P50,000,000	P170,076,507

21. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2017:

A. VAT

Output VAT	**P97,093,784**
Basis of the Output VAT:	
Vatable sales	**P808,936,295**
Zero-rated sales	**33,269,865**
Vatable receipts	**178,568**

Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods other than capital goods	**6,752,125**
b. Services lodged under other accounts	**7,699,413**
VAT on importations	**54,504,904**
Claims for tax credit/refund and other adjustments	**(68,956,442)**
Balance at the end of the year	**P -**

B. Customs Duties and Tariff Fees

Landed cost of imports	**P454,207,533**
Customs duties paid or accrued	**29,829,632**
	P484,037,165

C. Excise Taxes

Imported excisable items	
a. Spirits	**P104,664,086**
b. Wines	**9,614,791**
	P114,278,877

D. Documentary Stamp Tax

On issuance of shares of stocks	**P2,000,000**
On loan instruments	**345,863**
On others	**367,720**
	P2,713,583

E. **Withholding Taxes**

Tax on compensation and benefits	**P1,441,110**
Creditable withholding taxes	**1,653,178**
	P3,094,288

F. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P3,258,366**
Others	**901,037**
	P4,159,403

G. **Tax Cases**

As at December 31, 2017, the Company is not involved in any tax cases nor has received deficiency tax assessments from the BIR.

Information on tariff fees, paid or accrual, are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

"ANNEX D"

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Greenhills
City of Mandaluyong, Metro Manila

COMPANY REG. NO. A199600988

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

PREMIER WINE AND SPIRITS, INC.
(Amending Article III thereof)

copy annexed, adopted on December 19, 2014 by majority vote of the Board of Directors and by the vote of the stockholders owning or representing at least two-thirds of the entire outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 16 of the Corporation Code of the Philippines, Batas Pambansa Blg. 68, approved on May 1, 1980, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing company and time shares/club shares/membership certificates issuers or selling agents thereof. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Mandaluyong City, Metro Manila, Philippines, this 9th day of January, Twenty Fifteen.

FERDINAND B. SALES
Director
Company Registration and Monitoring Department

COVER SHEET

COMPANY REGISTRATION AND MONITORING DEPARMENT

Nature of Application: AAI

SEC Registration Number: A 1 9 9 6 0 0 9 8 8

Former Company Name

PREMIER WINE AND SPIRITS, INC.

AMENDED TO

New Company Name

Principal Office (No./Street/Barangay/City/Town)Province)

GATE 1, TABACALERA COMPOUND,
900 ROMUALDEZ ST., PACO, MANILA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Company's Facsimile Number/s
	(02) 524-2117/524-2165	

CONTACT PERSON INFORMATION

Name of Contact Person	Email Address	Telephone Number/s	Facsimile Number/s
Candy H. Dacanay-Datuon	candy.dacanay@gmail.com	(02) 523-3055	(02) 523-3055

Contact Person's Address

No. 900 Romualdez St., Paco, Manila

To be accomplished by CRMD Personnel

Assigned Processor	Date	Signature

Document I.D.

Received by Corporate Filing and Records Division (CFRD)

Forwarded to:

- Corporate and Partnership Registration Division
- Green Lane Unit
- Financial Analysis and Audit Division
- Licensing Unit
- Compliance and Monitoring Division

AMENDED

ARTICLES OF INCORPORATION

OF

PREMIER WINE AND SPIRITS, INC.

KNOWN ALL MEN BY THESE PRESENTS:

We, all of legal age, majority of whom are citizens and residents of the Republic of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE CERTIFY THAT

FIRST: - The name of the said Corporation shall be

PREMIER WINE AND SPIRITS, INC.

SECOND: - The purpose for which the Corporation is formed are:

PRIMARY

To engage in, conduct and carry on the business of buying, selling, distributing, marketing at wholesale insofar as may be permitted by law, all kinds of goods, commodities, wares and merchandise of every kind and description; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indetor, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise or products whether natural or artificial.

SECONDARY

1. To purchase, acquire, own, lease, sell and convey real properties such as buildings, factories and warehouses and machineries, equipment and other personal properties as may be necessary or incidental as to the conduct of the corporate business, and to pay in cash, shares of its capital stock, debentures and other evidence of indebtedness, or other securities, as may be deemed expedient, for any business or property acquired by the corporation.

2. To borrow money or raise money necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidences of indebtedness, and to secure the repayment thereof by mortgage, pledge, deed of trust of lieu upon the properties of the corporation or to issue pursuant to law shares of its capital stock, debentures and other evidences of indebtedness in payment for properties acquired by the corporation or for money borrowed in the prosecution of its lawful business;

3. To invest and deal with the money and properties of the corporation in such manner as may from time to time be considered wise or expedient for the advancement of its interest and to sell, dispose of or transfer the business, properties and goodwill of the corporation or any part thereof for such consideration and under such terms as its shall see fit to accept.

4 To aid in any manner any corporation, association, or trust estate, domestic or foreign, or any firm of individual, any shares of stock in which or any bonds, debentures, notes, securities, evidences of indebtedness, contracts, or obligations of which are held by or for this corporation, directly or indirectly or through other corporations or otherwise.

5 To enter into any lawful arrangement for sharing profits, union of interest, unitization or farmout agreement, reciprocal concession or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purpose of this corporation.

6 To acquire or obtain from any government or authority, national, provincial, municipal, or otherwise, or any corporation, company or partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the corporation;

7. To establish and operate one or more branch offices or agencies and to carry on any of all its operations and business without any restrictions as to place or amount including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in with real and personal property anywhere in the Philippines.

8 To conduct and transact any and all lawful business and to do or cause to be done any one or more of the acts and things herein set forth as its purpose, within or without the Philippines, and in any and all foreign countries, and to do everything necessary, desirable or incidental to the accomplishment of the purposes or the exercise of any one of more of the powers herein enumerated, or which shall at any time appear conducive to or expedient for the protection or benefit of this corporation.

THIRD: That the place where the principal office of the corporation is to be established is at Gate 1, Tabacalera Compoung, No. 900 Romualdez St., Paco, Manila.
(As amended on December 19, 2014 by the Board of Directors and Stockholders representing at least 2/3 of the entire issued and outstanding capital stock of the corporation.)

FOURTH: That the term for which said corporation is to exist is fifty (50) years from and after the date of incorporation.

FIFTH: That the names, nationalities and residences of the incorporators of said corporation are as follows:

Name	Nationality	Residences
EDWARD F. McDONNELL	American	[redacted]
EDWARD FRANCIS McDONNEL, JR.	American	[redacted]
FLORENTINO M. HERRERA III	Filipino	[redacted]
ROBERT COLOMBO	American	[redacted]

JOSE ESTEBAN III	Filipino	[redacted]

SIXTH: That the number of directors of said corporation shall be seven (7) and that the names, nationalities and residences of the directors who are to serve until their successors are elected and qualified as provided by the by-laws are as follows:

Name	Nationality	Residences
ENRIQUE TEEHANKEE	Filipino	[redacted]
ARSENIO CABRERA, JR.	Filipino	[redacted]
FLORENTINO M. HERRERA III	Filipino	[redacted]
ELSIE MARTHA COLOMBO	Filipino	[redacted]
JOSE ESTEBAN III	Filipino	[redacted]
JP SANTAMARINA	Filipino	[redacted]

SEVENTH: That the authorized capital stock of said corporation is ONE HUNDRED FIFTY MILLION Pesos (P150,000,000.00), Philippine Currency, and said capital stock is divided into ONE MILLION FIVE HUNDRED THOUSAND shares (1,500,000) with par value of ONE HUNDRED Pesos (P100.00) each. (As amended on November 26, 2012 by the Board and Directors and by the Stockholders of the Corporation.)

EIGHT: That the amount of said capital stock which has been actually subscribed is THIRTEEN MILLION FIVE HUNDRED THOUSAND PESOS (P13,500,000.00), and the following persons have subscribed for the number of shares and the amount of capital stock indicated opposite their respective name:

Name	Citizenship	No. of Shares	Amount Subscribed
ROBERT COLOMBO	American	1	100.00
EDWARD F. McDONNELL	American	1	100.00
EDWARD FRANCIS McDONNEL, JR.	American	1	100.00
FLORENTINO M. HERRERA III	Filipino	1	100.00
MA. LOURDES C. ESTEBANLAR	Filipino	1	100.00
EFM, INC.	Filipino	74,240	7,424,400.00
COLOMBO MERCHANTS PHILS, INC.	Filipino	6,750	675,000.00
JOSE ESTEBAN III	Filipino	1	100.00
JP SANTAMARINA	Filipino	1	100.00
ETC HOLDINGS, INC.	Filipino	53,996	5,399,600.00
Total		135,000	P13,500,000.00

NINTH: That the following persons have paid on the shares of capital stock for which they have subscribed, the amount set out after their respective names:

Name	Amount Paid
ROBERT COLOMBO	100.00
EDWARD F. McDONNELL	100.00
EDWARD FRANCIS McDONNEL, JR.	100.00
FLORENTINO M. HERRERA III	100.00
MA. LOURDES C. ESTEBANLAR	100.00
EFM, INC.	7,424,400.00
COLOMBO MERCHANTS PHILS, INC.	675,000.00
JOSE ESTEBAN III	100.00
JP SANTAMARINA	100.00
ETC HOLDINGS, INC.	5,399,600.00
Total	P13,500,000.00

TENTH: That no issuance or transfer of shares of stock corporation which would reduce the stock ownership of Filipino citizens to less than the percentage of the outstanding capital stock required by law to owned by Filipino citizens, shall be allowed or permitted to be recorded in the books of the corporation. This restrictions shall be printed or indicated in all certificates of stock to be issued by the corporation.

ELEVENTH: That MA. LOURDES ESTEBANLAR has been elected by the subscribers as Treasurer of the corporation to act as such until her successors is duly elected and shall have qualified in accordance with the by-laws; and that as such Treasurer, she has been authorized to receive for the corporation, and to issue in its name receipts for all, subscriptions paid in by the subscribers.

IN WITNESS WHEREOF, we have hereunto set out hands, this 3rd day of June, 1996 at the City of Makati, Philippines.

(Signed)
EDWARD F. McDONNELL

(Signed)
ROBERT COLOMBO

(Signed)
EDWARD FRANCIS McDONNELL, JR.

(Signed)
JOSE ESTEBAN III

(Signed)
FLORENTINO M. HERRERA III

Signed in the presences of:

(Signed) (Signed)

ACKNOWLEDGEMENT

Republic of the Philippines)
City of Makati) S.S.

BEFORE ME, a Notary Public in and for Makati City, Philippines, this 03 Jun 1996 personally appeared:

Name	Res. Cert. No.	Date & Place Issued
EDWARD G. McDONNELL	PP No. 015277047	Oct. 21, 1994 – Washington, D.C. U.S.A.

EDWARD FRANCIS McDONNELL, JR.	120294103	Feb. 13, 1994 – Honolulu, Hawaii
FLORENTINO M. HERRERA III	14258614	March 3, 1996 – Makati
ROBERT COLOMBO	14246055	Feb. 29, 1996 – Makati
JOSE ESTEBAN III	14780797	Jan. 10, 1996 – Angeles City

all known to me and to me known to be the same persons who executed the foregoing Articles of Incorporation and they acknowledged to me that the same is their free and voluntary act and deed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my notarial seal on the date and at the place first above-written.

(SIGNED)
ANGELITO D. BERNARDINO
NOTARY PUBLIC
UNTIL DECEMBER 31, 1997
PTR NO. 0276227-1-10-36-MAKATI CITY
IBP NO. 407263-1-9-96-RIZAL

Doc. No. 141;
Page No. 30;
Book No. IV;
Series of 1996.

FORM NO. 2–A (Stock)

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"ANNEX D-1"

BY – LAWS

OF

PREMIER WINE AND SPIRITS, INC.
Name of Corporation

ARTICLE I

SUBSCRIPTION, ISSUANCE AND TRANSFER OF SHARES

Section 1. Subscriptions – Subscribers to the capital stock of the corporation shall pay to the corporation the subscription value or price of the stock in accordance with the terms and conditions prescribed by the Board of Directors. Unpaid subscriptions shall not earn interest unless determined by the Board of Directors.

Section 2. Certificates – Each stockholder shall be entitled to one or more certificates for such fully paid stock subscription in his name in the books of the corporation. The certificates shall contain the matters required by law and the Articles of Incorporation. They shall be in such form and design as may be determined by the Board of Directors and numbered consecutively. The certificates, which must be issued in consecutive order, shall bear the signature of the President, manually countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

Section 3. Transfer of Shares – Subject to the restrictions, terms and conditions contained in the Articles of Incorporation, shares may be transferred, sold, ceded, assigned or pledged by delivery of the certificates duly indorsed by the stockholder, his attorney-in-fact, or other legally authorized person. The transfer shall be valid and binding on the corporation only upon record thereof in the books of the corporation, cancellation of the certificate surrendered to the Secretary, and issuance of a new certificate to the transferee.

No shares of stock against which the corporation holds unpaid claim shall be transferable in the books of the corporation.

All certificates surrendered for transfer shall be stamped "Cancelled" on the face thereof, together with the date of cancellation, and attached to the corresponding stub with the certificate book.

Section 4. Lost Certificates – In case any certificate for the capital stock of the corporation is lost, stolen, or destroyed, a new certificate may be issued in lieu thereof in accordance with the procedure prescribed under Section 73 of the Corporation Code.

ARTICLE II

MEETINGS OF STOCKHOLDERS

Section 1. Regular Meetings – The regular meetings of stockholders, for the purpose of electing directors and for the transaction of such business as may properly come before the meeting, shall be held at the principal office on 2nd Tuesday of May
(Date of meeting)
of each year, if a legal holiday, then on the day following.

Section 2. Special Meeting – The special meetings of stockholders, for any purpose or purposes, may at any time be called by any of the following: (a) Board of Directors, at its own instance, or at the written request of stockholders representing a majority of the outstanding capital stock. b) President.

Section 3. Place of Meeting _ Stockholders' meetings, whether regular or special, shall be held in the principal office of the corporation or at any place designated by the Board of Directors in the city or municipality where the principal office of the corporation is located.

Section 4. Notice of Meeting _ Notices for regular or special meetings of stockholders may be sent by the Secretary by personal delivery or by mail at least two (2) weeks prior to the date of the meeting to each stockholder of record at his last known post office address or by publication in a newspaper of general circulation. The notice shall state the place, date and hour of the meeting, and the purpose or purposes for which the meeting is called. In case of special meetings, only matters stated in the notice can be the subject of motions or deliberations at such meeting.

When the meeting of stockholders is adjourned to another time or place, it shall not be necessary to give any notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken. At the reconvened meeting, any business may be transacted that might have been transacted on the original date of the meeting.

Section 5. Quorum _ Unless otherwise provided by law, in all regular or special meeting of stockholders, a majority of the outstanding capital stock must be present or represented in order to constitute a quorum. If no quorum is constituted, the meeting shall be adjourned until the requisite amount of stock shall be present.

Section 6. Conduct of Meeting _ Meeting of the Stockholders shall be presided over by the Chairman of by the Board, or in his absence, the President, or if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stocholders. The Secretary, shall act as Secretary of every meetings, but if not present,the chairman of the meeting shall appoint a secretary of the meeting. The chairman of the meeting may adjourn the meeting from time to time, without notice other than announced at the meeting.

Section 7. Manner of Voting - At all mettings of stockholdesr, a stockholders may vote in person or by proxy executed in writing by the stockholders or his duly authorized attorney-in-fact. Unless otherwise provided in the proxy, it shall be valid only for the meeting at which it has been presented to the secretary.

All proxies must be in the hands of the the secretary before the time set for the meeting. Such proxies filed with the Secretary may be revoked by the stockholders either in an instrument in writing duly presented and recorded with the Secretary. prior to a scheduled meeting or by their personal presence at the meeting.

Section 8. Closing of Transfer Books of Fixing of Record Date - For the purpose of determining the stockholdres entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof or to receive payment of any

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dividend, or of making a determination of stockholdres for any other proper purpose, the Board of Directors may provide that the stock and transfer books be closed for a started period, but not to exceed, in any case, twenty (20) days. If the stock and transfer books be closed for the purpose of determining stockholdres entitled to notice of, or to vote at, a meeting of stockholders, such books shall be closed for at least ten (10) working days immediately preceeding such meeting. In lieu of closing the stock and transfer books, the Board of Directors may fix in advance a date as the record date shall in no case be more than twenty (20) days prior to the date, on which the particular action requiring such determination of stockholders is to be taken, except in instance where applicable rules and regulations provided otherwise.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Powers of the Board – Unless otherwise provided by law, the corporate powers of the corporation shall be exercised, all business conducted and all property of the corporation controlled and held by the Board of Directors to be elected by and from among the stockholders. Without prejudice to such general powers and such other powers as may be granted by law, the Board of Directors shall have the following express powers:

a) From time to time, to make and change rules and regulations not inconsistent with these by-laws for the management of the corporation's business and affairs;

b) To purchase, receive, take or otherwise acquire in any lawful manner, for and in the name of the corporation, any and all properties, rights, interest or privileges, including securities and bonds of other corporations, as the transaction of the business of the corporation may reasonably or necessarily require, for such consideration and upon such terms and conditions as the Board may deem proper or convenient.

c) To invest the funds of the corporation in another corporation or business or for any other purposes other than those for which the corporation was organized, whenever in the judgement of the board of Directors the interests of the corporation would thereby be promoted, subject to such stockholders' approval as may be required by law;

d) To incur such indebtedness as the Board may deem necessary and, for such purpose, to make and issue evidence of such indebtedness including, without limitation, notes, deeds of trust, instruments, bonds, debentures, or securities, subject to such stockholder approval as may be required by law, and/or pledge, mortgage, or otherwise encumber all or part of the properties and rights of the corporation;

e) To guarantee, for and in behalf of the corporation obligations of other corporations or entities in which it has lawful interest;

f) To make provisions of the discharge of the obligations of the corporation as they mature, including payment for any property, or in stocks, bonds, debentures, or other securities of the corporation lawfully issued for the purpose;

g) To sell, lease, exchange, assign, transfer or otherwise dispose of any property, real or personal, belonging to the corporation whenever in the Board's judgment, the corporation's interest would thereby be promoted;

h) To establish pension, retirement, bonus, profit-sharing, or other types of incentives or compensation plans for the employees, including officers and directors of the corporation and to determine the persons to participate in any such plans and the amount of their respective participations;

i) To prosecute, maintain, defend, compromise or abandon any lawsuit in which the corporation or its officers are either plaintiffs or defendants in connection with the business of the corporation, and likewise, to grant installments for the payments or settlement of whatsoever debts are payment to the corporation;

j) To delegate, from time to time, any of the powers of the Board which may lawfully be delegated in the course of the current business or businesses of the corporation to any standing or special committee or to any officer or agent and to appoint any persons to be agents of the corporation with such powers (including the power to sub-delegate), and upon such terms, as may be deemed fit;

k) To implement these by-laws and to act on any matter not covered by these by-laws, provided such matter does not require the approval or consent of the stockholders under any existing law, rules or regulation.

Section 2. Election and Term – The Board of Directors shall be elected during each regular meeting of stockholders and shall hold office for one (1) year and until their successors are elected and qualified.

Section 3. Vacancies – Any vacancy occuring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be filled by the stockholders at a regular or at any special meeting of stockholders called for the purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of his predecessor in office.

Any directorship to be filled by reason of an increase in the number of directors shall be filled only by an election at a regular or at a special meeting of stockholders duly called for the purpose, or in the same meeting authorizing the increase of directors if so stated in the notice of the meeting.

The vacancy resulting from the removal of a director by the stockholders in the manner provided by law may be filled by election at the same meeting of stockholders without further notice, or at any regular or at any special meeting of stockholders called for the purpose, after giving notice as prescribed in this by-laws.

Section 4. Meetings – Regular meetings of the Board of Directors shall be held once every quarter of the year on such dates and at such times and places as the Chairman of the Board, or in his absence, the President, or upon the request of a majority of the directors and shall be held at such places as may be designated in the notice.

Section 5. Notice – Notice of the regular or special meeting of the Board, specifying the date, time and place of the meeting, shall be communicated by the Secretary to each director personally, or by telephone, telex, telegram, or by written or oral message. A director may waive this requirement, either expressly or impliedly.

Section 6. Quorum – A majority of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the Board.

Section 7. Conduct of the Meetings _ Meetings of the Board of Directors shall be presided over by the Chairman of the Board, or in his absence, the President or if none of the foregoing is in office and present and acting, by any other director chosen by the Board. The Secretary, shall act as secretary of every meeting, if not present, the Chairman of the meeting, shall appoint a secretary of the meeting.

Section 8. Compensation – By resolution of the Board, each director, shall receive a reasonable per diem allowance for his attendance at each meeting of the Board. As compensation, the Board shall receive and allocate an amount of not more than ten percent (10%) of the net income before income tax of the corporation during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stock holders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

ARTICLE IV

OFFICERS

Section 1. Election/Appointment – Immediately after their election, the Board of Directors shall formally organize by electing the Chairman, the President, one or more Vice-President, the Treasurer, and the Secretary, at said meeting.

The Board may, from time to time, appoint such other officers as it may determine to be necessary or proper.

Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as President and Treasurer or Secretary at the same time.

Section 2. Chairman of the Board – The Chairman of the Board of Directors shall preside at the meetings of the directors and the stockholders. He shall also exercise such powers and perform such duties as the Board of Directors may assign to him.

Section 3 President – The President, who shall be a director, shall be the Chief Executive Officer of the corporation and shall also have administration and direction of the day-to-day business affairs of the corporation. He shall exercise the following functions:

a) To preside at the meetings of the Board of Directors and of the stockholders in the absence of the Chairman of the Board of Directors;

b) To initiate and develop corporate objectives and policies and formulate long range projects, plans and programs for the approval of the Board of Directors, including those for executive training, development and compensation;

c) To have general supervision and management of the business affairs and property of the corporation;

d) To ensure that the administrative and operational policies of the corporation are carried out under his supervision and control;

e) Subject to guidelines prescribed by law, to appoint remove, suspend or discipline employees of the corporation, prescribe their duties, and determine their salaries;

f) To oversee the preparation of the budgets and the statements of accounts of the corporation;

g) To prepare such statements and reports of the corporation as may be required of him by law;

h) To represent the corporation at all functions and proceedings;

i) To execute on behalf of the corporation all contracts, agreements and other instruments affecting the interests of the corporation which require the approval of the Board of Directors, except as otherwise directed by the Board of Directors;

j) To make reports to the Board of Directors and stockholders;

k) To sign certificates of stock;

l) To perform such other duties as are incident to his office or are entrusted to him by the Board of Directors.

The President may assign the exercise or performance of any of the foregoing powers, duties and functions to any other officer(s), subject always to his supervision and control.

Section 4. The Vice-President(s) – If one or more Vice-Presidents are appointed, he/they shall have such powers and shall perform such duties as may from time to time be assigned to him/them by the Board of Directors or by the President.

Section 5. The Secretary – The Secretary must be a resident and a citizen of the Philippines. He shall be the custodian of and shall maintain the corporate books and record and shall be the recorder of the corporation's formal actions and transactions. He shall have the following specific powers and duties:

a) To record or see to the proper recording of the minutes and transactions of all meetings of the directors and the stockholders and to maintain minute books of such meetings in the form and manner required by law;

b) To keep or cause to be kept record books showing the details required by law with respect to the stock certificates of the corporation, including ledgers and transfer books showing all shares of the corporation subscribed, issued and transferred;

c) To keep the corporate seal and affix it to all papers and documents requiring a seal, and to attest by his signature all corporate documents requiring the same;

d) To attend to the giving and serving of all notices of the corporation required by law or these by-laws to be given;

e) To certify to such corporate acts, countersign corporate documents or certificates, and make reports or statements as may be required of him by law or by government rules and regulations.

f) To act as the inspector at the election of directors and, as such, to determine the number of shares of stock outstanding and entitled to vote, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and to receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote. The Secretary may assign the exercise or performance of any or all of the foregoing duties, powers and functions to any other person or persons, subject always to his supervision and control.

g) To perform such other duties as are incident to his office or as may be assigned to him by the Board of Directors or the President.

Section 6. The Treasurer – The Treasurer of the corporation shall be its chief fiscal officer and the custodian of its funds, securities and property. The Treasurer shall have the following duties:

a) To keep full and accurate accounts of receipts and disbursements in the books of the corporation.

b) To have custody of, and be responsible for, all the funds, securities and bonds of the corporation;

c) To deposit in the name and to the credit of the corporation, in such bank as may be designated from time to time by the Board of Directors, all the moneys, funds, securities, bonds, and similar valuable effects belonging to the corporation which may come under his control;

d) To render an annual statements showing the financial condition of the corporation and such other financial reports as the Board of Directors, the Chairman, or the President may, from time to time require;

e) To prepare such financial reports, statements, cerotifications and other documents which may, from time to time, be required by government rules and regulations and to submit the same to the proper government agencies;

f) To exercise such powers and perform such duties and functions as may be assigned to him by the President.

Section 7. Term of Office – The term of office of all officers shall be for a period of one (1) year and until their successors are duly elected and qualified. Such officers may however be sooner removed for cause.

Section 8. Vacancies – If any position of the officers becomes vacant by reason of death, resignation, disqualification or for any other cause, the Board of Directors, by majority vote may elect a successor who shall hold office for the unexpired term.

Section 9. Compensation – The by-laws officers shall receive such remuneration as the Board of Directors may determine. All other officers shall receive such remuneration as the Board of Directors may determine upon recommendation of the President. A director shall not be precluded from serving the corporation in any other capacity as an officer, agent or otherwise, and receiving compensation therefor.

ARTICLE V

OFFICES

Section 1. The principal office of the corporation shall be located at the place stated in Article III of the Articles of Incorporation. The corporation may have such other branch offices, either within or outside the Philippines as the Board of Directors may designate or as the business of the corporation may, from time to time, require.

ARTICLE VI

AUDIT OF BOOKS, FISCAL YEAR AND DIVIDENDS

Section 1. External Auditors – At the regular stockholders' meeting, the external auditor or auditors of the corporation for the ensuing year shall be appointed. The external auditor or auditors shall examine, verify and report on the earnings and expenses of the corporation and shall certify the remuneration of the external auditor or auditors as determined by the Board of Directors.

Section 2. Fiscal Year – The fiscal year of the corporation shall begin on the first day of January and end on the last day of December of each year.

Section 3. Dividends – Dividends shall be declared and paid out of the unrestricted retained earnings which shall be payable in cash, property, or stock to all stockholders on the basis of outstanding stock held by them, as often and at such times as the Board of Directors may determine and in accordance with law and applicable rules and regulations.

ARTICLE VII

AMENDMENTS

Section 1. This by-laws may be amended or repealed by the affirmative vote of at least a majority of the Board of Directors and the stockholders representing a majority of the outstanding capital stock at any stockholders' meeting called for that purpose. However, the power to amend, modify, repeal or adopt new by-laws may be delegated to the Board of Directors by the affirmative vote of stockholders representing not less than two-thirds of the outstanding capital stock; provided, however, that any such delegation of powers to the Board of Directors to amend, repeal or adopt new by-laws may be revoked only by the vote of the stockholders representing a majority of the outstanding capital stock at a regular or special meeting.

ARTICLE VIII

SEAL

Section 1. Form and Inscriptions – The corporate seal shall be determined by the Board of Directors.

ARTICLE IX

ADOPTION CLAUSE

The foregoing by-laws was adopted by all the stockholders of the corporation on June 3, 1996 at the principal office of the corporation.

IN WITNESS WHEREOF, we, the undersigned stockholders present at said meeting and voting thereat in favor of the adoption of said by-laws, have hereunto subscribed our names this 3rd day of June, 1996 at the City of Makati

(Note: 1. If filed with Articles of Incorporation, should be signed by all incorporators:
2. If filed after incorporation, should be signed by majority of the subscribers and should submit director's certificate for the adaption of the by-laws.)

EDWARD F. McDONNELL

ROBERT COLOMBO

E.F. McD - Jr.

EDWARD FRANCIS McDONNELL, JR.

JOSE ESTEBAN III

FLORENTINO M. HERRERA III

"ANNEX D-2"

Securities and Exchange Commission
Electronic Records Management Division
21 OCT 01 2020 ICTD
BY:
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

GENERAL INFORMATION SHEET (GIS)

FOR THE YEAR 2020

STOCK CORPORATION

GENERAL INSTRUCTIONS:

1. FOR USER CORPORATION: THIS GIS SHOULD BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS FROM THE DATE OF THE ANNUAL STOCKHOLDERS' MEETING. **DO NOT LEAVE ANY ITEM BLANK.** WRITE "N.A." IF THE INFORMATION REQUIRED IS NOT APPLICABLE TO THE CORPORATION OR "NONE" IF THE INFORMATION IS NON-EXISTENT. IF THE ANNUAL STOCKHOLDERS' MEETING IS HELD ON A DATE OTHER THAN THAT STATED IN THE BY-LAWS, THE GIS SHALL BE SUBMITTED WITHIN THIRTY (30) CALENDAR DAYS AFTER THE ELECTION OF THE DIRECTORS, TRUSTEES AND OFFICERS OF THE CORPORATION AT THE ANNUAL MEMBERS' MEETING.
2. IF NO MEETING IS HELD, THE CORPORATION SHALL SUBMIT THE GIS NOT LATER THAN JANUARY 30 OF THE FOLLOWING YEAR. HOWEVER, SHOULD AN ANNUAL STOCKHOLDERS' MEETING BE HELD THEREAFTER, A NEW GIS SHALL BE SUBMITTED/FILED.
3. THIS GIS SHALL BE ACCOMPLISHED IN ENGLISH AND CERTIFIED AND SWORN TO BY THE **CORPORATE SECRETARY** OF THE CORPORATION.
4. THE SEC SHOULD BE TIMELY APPRISED OF RELEVANT CHANGES IN THE SUBMITTED INFORMATION AS THEY ARISE. FOR CHANGES RESULTING FROM ACTIONS THAT AROSE BETWEEN THE ANNUAL MEETINGS, THE CORPORATION SHALL SUBMIT AMENDED GIS CONTAINING THE NEW INFORMATION TOGETHER WITH A COVER LETTER SIGNED THE CORPORATE SECRETARY OF THE CORPORATION. THE AMENDED GIS AND COVER LETTER SHALL BE SUBMITTED WITHIN SEVEN (7) DAYS AFTER SUCH CHANGE OCCURED OR BECAME EFFECTIVE.
5. SUBMIT FOUR (4) COPIES OF THE GIS TO THE RECEIVING SECTION AT THE SEC MAIN OFFICE, OR TO SEC SATELLITE OFFICES OR EXTENSION OFFICES. ALL COPIES SHALL UNIFORMLY BE ON A4 OR LETTER-SIZED PAPER. THE PAGES OF ALL COPIES SHALL USE ONLY ONE SIDE
6. **ONLY THE GIS ACCOMPLISHED IN ACCORDANCE WITH THESE INSTRUCTIONS SHALL BE CONSIDERED AS HAVING BEEN FILED.**
7. THIS GIS MAY BE USED AS EVIDENCE AGAINST THE CORPORATION AND ITS RESPONSIBLE DIRECTORS/OFFICERS FOR ANY VIOLATION OF EXISTING LAWS, RULES AND REGULATIONS

PLEASE PRINT LEGIBLY

CORPORATE NAME: PREMIER WINE AND SPIRITS, INC.		**DATE REGISTERED:** June 19, 1996
BUSINESS/TRADE NAME: PREMIER WINE AND SPIRITS, INC.		**FISCAL YEAR END:** December 31st
SEC REGISTRATION NUMBER: 1996600988		
DATE OF ANNUAL MEETING PER BY-LAWS: 2nd Tuesday of May		**CORPORATE TAX IDENTIFICATION NUMBER (TIN)** 004-851-242
ACTUAL DATE OF ANNUAL MEETING: September 15, 2020		**WEBSITE/URL ADDRESS:** N/A
COMPLETE PRINCIPAL OFFICE ADDRESS: Gate 1, Tabacalera Compound, 900 Romualdez St., Paco, Manila		**E-MAIL ADDRESS:** N/A
COMPLETE BUSINESS ADDRESS: Gate 1, Tabacalera Compound, 900 Romualdez St., Paco, Manila		**FAX NUMBER:** (02) 8353-9680
NAME OF EXTERNAL AUDITOR & ITS SIGNING PARTNER: R.G. Manabat & Company / Gregorio I. Sambrano, Jr.	**SEC ACCREDITATION NUMBER (if applicable):** 1584	**TELEPHONE NUMBER(S):** (02) 8524-2117 / 8524-2165
PRIMARY PURPOSE/ACTIVITY/INDUSTRY PRESENTLY ENGAGED IN: Buying, selling, distributing, marketing on wholesale basis, all kinds of goods, commodities, warehouse and merchandise	**INDUSTRY CLASSIFICATION:** N/A	**GEOGRAPHICAL CODE:** N/A

INTERCOMPANY AFFILIATIONS

PARENT COMPANY	SEC REGISTRATION NO.	ADDRESS
Cosco Capital, Inc.	147669	No. 900 Romualdez St., Paco, Manila
SUBSIDIARY/AFFILIATE	**SEC REGISTRATION NO.**	**ADDRESS**
N/A	N/A	N/A

NOTE: USE ADDITIONAL SHEET IF NECESSARY

GENERAL INFORMATION SHEET

STOCK CORPORATION

================================ PLEASE PRINT LEGIBLY ================================

Corporate Name:	PREMIER WINE AND SPIRITS, INC.

A. Is the Corporation a covered person under the Anti Money Laundering Act (AMLA), as amended? (Rep. Acts. 9160/9164/10167/10365) ○ Yes ● No

Please check the appropriate box:

1.
- ☐ a. Banks
- ☐ b. Offshore Banking Units
- ☐ c. Quasi-Banks
- ☐ d. Trust Entities
- ☐ e. Non-Stock Savings and Loan Associations
- ☐ f. Pawnshops
- ☐ g. Foreign Exchage Dealers
- ☐ h. Money Changers
- ☐ i. Remittance Agents
- ☐ j. Electronic Money Issuers
- ☐ k. Financial Institutions which Under Special Laws are subject to Bangko Sentral ng Pilipinas' (BSP) supervision and/or regulation, including their subsidiaries and affiliates.

2.
- ☐ a. Insurance Companies
- ☐ b. Insurance Agents
- ☐ c. Insurance Brokers
- ☐ d. Professional Reinsurers
- ☐ e. Reinsurance Brokers
- ☐ f. Holding Companies
- ☐ g. Holding Company Systems
- ☐ h. Pre-need Companies
- ☐ i. Mutual Benefit Association
- ☐ j. All Other Persons and entities supervised and/or regulated by the Insurance Commission (IC)

3.
- ☐ a. Securities Dealers
- ☐ b. Securities Brokers
- ☐ c. Securities Salesman
- ☐ d. Investment Houses
- ☐ e. Investment Agents and Consultants
- ☐ f. Trading Advisors
- ☐ g. Other entities managing Securities or rendering similar services
- ☐ h. Mutual Funds or Open-end Investment Companies
- ☐ i. Close-end Investment Companies
- ☐ j. Common Trust Funds or Issuers and other similar entities
- ☐ k. Transfer Companies and other similar entities
- ☐ l. Other entities administering or otherwise dealing in currency, commodities or financial derivatives based there on
- ☐ m. Entities administering of otherwise dealing in valuable objects
- ☐ n. Entities administering or otherwise dealing in cash Substitutes and other similar monetary instruments or property supervised and/or regulated by the Securities and Exchange Commission (SEC)

4. ☐ Jewelry dealers in precious metals, who, as a business, trade in precious metals

5. ☐ Jewelry dealers in precious stones, who, as a business, trade in precious stone

6. Company service providers which, as a business, provide any of the following services to third parties:
- ☐ a. acting as a formation agent of juridical persons
- ☐ b. acting as (or arranging for another person to act as) a director or corporate secretary of a company, a partner of a partnership, or a similar position in relation to other juridical persons
- ☐ c. providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or any other legal person or arrangement
- ☐ d. acting as (or arranging for another person to act as) a nominee shareholder for another person

7. Persons who provide any of the following services:
- ☐ a. managing of client money, securities or other assets
- ☐ b. management of bank, savings or securities accounts
- ☐ c. organization of contributions for the creation, operation or management of companies
- ☐ d. creation, operation or management of juridical persons or arrangements, and buying and selling business entities

8. ☐ None of the above

Describe nature of business:	**Buying, selling, distributing, marketing on wholesale basis, all kinds of goods, commodities, warehouse and merchandise**

B. Has the Corporation complied with the requirements on Customer Due Diligence (CDD) or Know Your Customer (KYC), record-keeping, and submission of reports under the AMLA, as amended, since the last filing of its GIS? ○ Yes ● No

GENERAL INFORMATION SHEET
STOCK CORPORATION

================================== PLEASE PRINT LEGIBLY ==================================

CORPORATE NAME: PREMIER WINE AND SPIRITS, INC.

CAPITAL STRUCTURE

AUTHORIZED CAPITAL STOCK

	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP) (No. of shares X Par/Stated Value)
	COMMON	1,500,000	100.00	150,000,000.00
	TOTAL	1,500,000	TOTAL P	150,000,000.00

SUBSCRIBED CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	8	COMMON	1,500,000		100.00	150,000,000.00	100.00%
		COMMON					
		TOTAL	1,500,000	TOTAL	TOTAL P	150,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	NUMBER OF SHARES IN THE HANDS OF THE PUBLIC **	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A		N/A	N/A
Percentage of Foreign Equity :		TOTAL	0	TOTAL	TOTAL P	0.00	0.00%
					TOTAL SUBSCRIBED P	150,000,000.00	100.00%

PAID-UP CAPITAL

FILIPINO	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
	8	COMMON	1,500,000	100.00	150,000,000.00	100.00%
		TOTAL	1,500,000	TOTAL P	150,000,000.00	100.00%

FOREIGN (INDICATE BY NATIONALITY)	NO. OF STOCK-HOLDERS	TYPE OF SHARES *	NUMBER OF SHARES	PAR/STATED VALUE	AMOUNT (PhP)	% OF OWNERSHIP
N/A	N/A	N/A	N/A	N/A	N/A	N/A
		TOTAL	0	TOTAL P	0.00	0.00%
				TOTAL PAID-UP P	150,000,000.00	100.00%

NOTE: USE ADDITIONAL SHEET IF NECESSARY

* Common, Preferred or other classification

** Other than Directors, Officers, Shareholders owning 10% of outstanding shares.

GENERAL INFORMATION SHEET

STOCK CORPORATION

================================= PLEASE PRINT LEGIBLY =================================

CORPORATE NAME:	PREMIER WINE AND SPIRITS, INC.

DIRECTORS / OFFICERS

NAME/CURRENT RESIDENTIAL ADDRESS	NATIONALITY	INC'R	BOARD	GENDER	STOCK HOLDER	OFFICER	EXEC. COMM.	TAX IDENTIFICATION NUMBER
1. JOSE PAULINO SANTAMARINA [redacted]	Filipino	Y	C	F	Y	Chairman and President	N/A	[redacted]
2. ROBIN DERRICK CO CHUA [redacted]	Filipino	N	M	M	Y	Managing Director	N/A	[redacted]
3. SUSAN P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
4. FERDINAND VINCENT P. CO [redacted]	Filipino	N	M	M	Y	Director	N/A	[redacted]
5. PAMELA JUSTINE P. CO [redacted]	Filipino	N	M	F	Y	Director	N/A	[redacted]
6. CAMILLE CLARISSE P. CO [redacted]	Filipino	N	M	F	N	Director	N/A	[redacted]
7. KATRINA MARIE P. CO [redacted]	Filipino	N	M	F	N	Director	N/A	[redacted]
8. EVELYN B. BINANITAN [redacted]	Filipino	N	N	F	N	Treasurer	N/A	[redacted]
9. MARY S. DEMETILLO [redacted]	Filipino	N	N	F	N	Chief Finance Officer	N/A	[redacted]
10. MARICEL B. JOYAG [redacted]	Filipino	N	N	F	N	Corporate Secretary	N/A	[redacted]
11. CANDY H. DACANAY-DATUON [redacted]	Filipino	N	N	F	N	Assistant Corporate Secretary	N/A	[redacted]

INSTRUCTION:

FOR SEX COLUMN, PUT "F" FOR FEMALE, "M" FOR MALE.
FOR BOARD COLUMN, PUT "C" FOR CHAIRMAN, "M" FOR MEMBER, "I" FOR INDEPENDENT DIRECTOR.
FOR INC'R COLUMN, PUT "Y" IF AN INCORPORATOR, "N" IF NOT.
FOR STOCKHOLDER COLUMN, PUT "Y" IF A STOCKHOLDER, "N" IF NOT.
FOR OFFICER COLUMN, INDICATE PARTICULAR POSITION IF AN OFFICER, FROM VP UP INCLUDING THE POSITION OF THE TREASURER, SECRETARY, COMPLIANCE OFFICER AND/OR ASSOCIATED PERSON.
FOR EXECUTIVE COMMITTEE, INDICATE "C" IF MEMBER OF THE COMPENSATION COMMITTEE; "A" FOR AUDIT COMMITTEE; "N" FOR NOMINATION AND ELECTION COMMITTEE. ADDITIONALLY WRITE "C" AFTER SLASH IF CHAIRMAN AND "M" IF MEMBER.

GENERAL INFORMATION SHEET
STOCK CORPORATION

================================ **PLEASE PRINT LEGIBLY** ================================

CORPORATE NAME:	**PREMIER WINE AND SPIRITS, INC.**		
TOTAL NUMBER OF STOCKHOLDERS:	8	**NO. OF STOCKHOLDERS WITH 100 OR MORE SHARES I**	1
TOTAL ASSETS BASED ON LATEST AUDITED FINANCIAL STATEMENTS:	**1,756,073,435.00**		

STOCKHOLDER'S INFORMATION

NAME, NATIONALITY AND CURRENT RESIDENTIAL ADDRESS	SHARES SUBSCRIBED				AMOUNT PAID (PhP)	TAX IDENTIFICATION NUMBER
	TYPE	NUMBER	AMOUNT (PhP)	% OF OWNER-SHIP		
1 COSCO CAPITAL, INC.	COMMON	1,499,993	149,999,300.00	100.00%	149,999,300.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1,499,993**	**149,999,300.00**			
2. JOSE PAULINO SANTAMARINA	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**100.00**			
3. ROBIN DERRICK CO CHUA	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**100.00**			
4. SUSAN P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**100.00**			
5. FERDINAND VINCENT P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**100.00**			
6. PAMELA JUSTINE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**100.00**			
7. CAMILLE CLARISSE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL	**1**	**100.00**			
8. KATRINA MARIE P. CO	COMMON	1	100.00	0.00%	100.00	[redacted]
FILIPINO						
[redacted]						
	TOTAL		**100.00**			
TOTAL AMOUNT OF SUBSCRIBED CAPITAL				**100.00%**	**150,000,000.00**	
TOTAL AMOUNT OF PAID-UP CAPITAL						

INSTRUCTION: SPECIFY THE TOP 20 STOCKHOLDERS AND INDICATE THE REST AS OTHERS

Note: For PDTC Nominee included in the list, please indicate further the beneficial owners owning more than 5% of any class of the company's voting securities. Attach separate sheet, if necessary.

PLEASE PRINT LEGIBLY

CORPORATE NAME: PREMIER WINE AND SPIRITS, INC.

1. INVESTMENT OF CORPORATE FUNDS IN ANOTHER CORPORATION	AMOUNT (PhP)	DATE OF BOARD RESOLUTION
1.1 STOCKS	N/A	N/A
1.2 BONDS/COMMERCIAL PAPER (Issued by Private Corporations)	N/A	N/A
1.3 LOANS/ CREDITS/ ADVANCES	N/A	N/A
1.4 GOVERNMENT TREASURY BILLS	N/A	N/A
1.5 OTHERS	N/A	N/A

2. INVESTMENT OF CORPORATE FUNDS IN ACTIVITIES UNDER ITS SECONDARY PURPOSES (PLEASE SPECIFY:)	DATE OF BOARD RESOLUTION	DATE OF STOCKHOLDERS RATIFICATION
N/A	N/A	N/A

3. TREASURY SHARES	NO. OF SHARES	% AS TO THE TOTAL NO. OF SHARES ISSUED
	N/A	

4. UNRESTRICTED/UNAPPROPRIATED RETAINED EARNINGS AS OF END OF LAST FISCAL YEAR : 774,403,259.00

5. DIVIDENDS DECLARED DURING THE IMMEDIATELY PRECEDING YEAR:

TYPE OF DIVIDEND	AMOUNT (PhP)	DATE DECLARED
5.1 CASH	235,759,865.00	December 31, 2019
5.2 STOCK	N/A	N/A
5.3 PROPERTY	N/A	N/A
TOTAL	P	

6. ADDITIONAL SHARES ISSUED DURING THE PERIOD:

DATE	NO. OF SHARES	AMOUNT
N/A	N/A	N/A

SECONDARY LICENSE/REGISTRATION WITH SEC AND OTHER GOV'T AGENCY:

NAME OF AGENCY:	SEC	B S P	I C
TYPE OF LICENSE/REGN.	N/A	N/A	N/A
DATE ISSUED:	N/A	N/A	N/A
DATE STARTED OPERATIONS:	N/A	N/A	N/A

TOTAL ANNUAL COMPENSATION OF DIRECTORS DURING THE PRECEDING FISCAL YEAR (in PhP)	TOTAL NO. OF OFFICERS	TOTAL NO. OF RANK & FILE EMPLOYEES	TOTAL MANPOWER COMPLEMENT
-	48	52	100

NOTE: USE ADDITIONAL SHEET IF NECESSARY

I, MARICEL B. JOYAG Corporate Secretary of PREMIER WINE AND SPIRITS, INC. declare under penalty of perjury that all matters set forth in this GIS have been made in good faith, duly verified by me and to the best of my knowledge and belief are true and correct.

I hereby attest that all the information in this GIS are being submitted in compliance with the rules and regulations of the Securities and Exchange Commission (SEC) the collection, processing, storage and sharing of said information being necessary to carry out the functions of public authority for the performance of the constitutionally and statutorily mandated functions of the SEC as a regulatory agency.

I further attest that I have been authorized by the Board of Directors/Trustees to file this GIS with the SEC.

I understand that the Commission may place the corporation under delinquent status for failure to submit the reportorial requirements three (3) times, consecutively or intermittently, within a period of five (5) years (*Section 177, RA No. 11232*).

Done this SEP 30 2020 day of September 2020 in the City of Manila.

MARICEL B. JOYAG
Corporate Secretary

SUBSCRIBED AND SWORN TO before me in the City of Manila on SEP 30 2020 by affiant who personally appeared before me and exhibited to me her Tax Identification Card with no. [redacted] issued by the Bureau of Internal Revenue.

Doc. No. 292
Page No. 60
Book No. 24
Series of 2020.

CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9120218/01-02-2020/Mla.
MCLE Compliance No. VI-0022488/04-16-19
No. 900 Romualdez St., Paco, Manila

BENEFICIAL OWNERSHIP DECLARATION

SEC REGISTRATION NUMBER:
CORPORATE NAME:

Instructions:

1. Identify the Beneficial Owner/s of the corporation as described in the Categories of Beneficial Ownership in items A to I below. List down as many as you can identify. You may use an additional sheet if necessary.
2. Fill in the required information on the beneficial owner in the fields provided for.
3. In the "Category of Beneficial Ownership" column, indicate the letter(s) corresponding thereto. In the event that the person identified as beneficial owner falls under several categories, indicate all the letters corresponding to such categories.
4. If the category is under letter "I", indicate the position held (i.e., Director/Trustee, President, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, etc.).
5. Do not leave any item blank. Write "N/A" if the information required is not applicable or "NONE" if non-existent.

"Beneficial Owner" refers to any natural person(s) who ultimately own(s) or control(s) or exercise(s) ultimate effective control over the corporation. This definition covers the natural person(s) who actually own or control the corporation as distinguished from the legal owners. Such beneficial ownership may be determined on the basis of the following:

Category	Description
A	Natural person(s) owning, directly or indirectly or through a chain of ownership, at least twenty-five percent (25%) of the voting rights, voting shares or capital of the reporting corporation.
B	Natural person(s) who exercise control over the reporting corporation, alone or together with others, through any contract, understanding, relationship, intermediary or tiered entity.
C	Natural person(s) having the ability to elect a majority of the board of directors/trustees, or any similar body, of the corporation.
D	Natural person(s) having the ability to exert a dominant influence over the management or policies of the corporation.
E	Natural person(s) whose directions, instructions, or wishes in conducting the affairs of the corporation are carried out by majority of the members of the board of directors of such corporation who are accustomed or under an obligation to act in accordance with such person's directions, instructions or wishes.
F	Natural person(s) acting as stewards of the properties of corporations, where such properties are under the care or administration of said natural person(s).
G	Natural person(s) who actually own or control the reporting corporation through nominee shareholders or nominee directors acting for or on behalf of such natural persons.
H	Natural person(s) ultimately owning or controlling or exercising ultimate effective control over the corporation through other means not falling under any of the foregoing categories.
I	Natural person(s) exercising control through positions held within a corporation (i.e., responsible for strategic decisions that fundamentally affect the business practices or general direction of the corporation such as the members of the board of directors or trustees or similar body within the corporation; or exercising executive control over the daily or regular affairs of the corporation through a senior management position). This category is only applicable in exceptional cases where no natural person is identifiable who ultimately owns or exerts control over the corporation, the reporting corporation having exhausted all reasonable means of identification and provided there are no grounds for suspicion.

COMPLETE NAME (Surname, Given Name, Middle Name, Name Extension (i.e., Jr., Sr., III)	SPECIFIC RESIDENTIAL ADDRESS	NATIONALITY	DATE OF BIRTH	TAX IDENTIFICATION NO.	% OF OWNERSHIP[1] / % OF VOTING RIGHTS[2]	TYPE OF BENEFICIAL OWNER[3] Direct (D) or Indirect (I)	CATEGORY OF BENEFICIAL OWNERSHIP
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Note: This page is not for uploading on the SEC iView.

[1] For Stock Corporations.
[2] For Non-Stock Corporations.
[3] For Stock Corporations.

"ANNEX D-3"

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A 1 9 9 6 0 0 9 8 8

COMPANY NAME

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of
Cosco Capital, Inc.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
N/A	524 - 2117	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
8	09/10	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mary Demetillo	N/A	524 - 2117	N/A

CONTACT PERSON's ADDRESS

Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Premier Wine and Spirits, Inc. (the "Company")**, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free form material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

(a) **R.G. Manabat & Co.**, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

Signed this 19th day of November 2020

PREMIER WINE AND SPIRITS, INC.

(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

Telephone	+63 (2) 8885 7000
Fax	+63 (2) 8894 1985
Internet	www.home.kpmg/ph
Email	ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

December 18, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2019, on which we have rendered our report dated December 18, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
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Issued January 2, 2020 at Makati City

December 18, 2020
Makati City, Metro Manila

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2019	December 31 2018 (As restated - see Note 24)	January 1, 2018 (As restated - see Note 24)
ASSETS				
Current Assets				
Cash	5	**P229,950,511**	P130,920,946	P73,939,731
Trade and other receivables - net	6, 21	**498,147,551**	796,755,289	761,984,325
Inventories	7, 15	**599,727,310**	564,920,108	694,796,560
Prepaid expenses and other current assets	8	**247,347,287**	374,741,173	67,150,175
Total Current Assets		**1,575,172,659**	1,867,337,516	1,597,870,791
Noncurrent Assets				
Property and equipment - net	9	**6,540,902**	7,772,298	3,478,931
Right-of-use assets - net	19	**4,851,092**	14,626,093	16,973,987
Deferred income tax assets - net	20	**3,705,373**	3,920,025	6,207,569
Investment in an associate	10	**118,193,553**	-	-
Refundable deposits	19, 21	**3,203,153**	2,807,854	2,322,120
Total Noncurrent Assets		**136,494,073**	29,126,270	28,982,607
		P1,711,666,732	P1,896,463,786	P1,626,853,398
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	11, 12	**P148,974,105**	P217,298,198	P284,379,689
Due to related parties	12, 23	**192,851,618**	297,700,000	297,700,000
Loan payable	13, 23	**313,000,000**	357,000,000	50,000,000
Dividends payable	14	**100,000,000**	100,000,000	100,000,000
Lease liabilities - current portion	19, 23	**5,424,764**	10,833,018	8,520,876
Income tax payable		**212,594**	5,626,712	24,366,430
Total Current Liabilities		**760,463,081**	988,457,928	764,966,995
Noncurrent Liabilities				
Lease liabilities - net of current portion	19, 23	**1,268,352**	6,693,116	11,547,826
Retirement benefits liability	18	**9,203,625**	6,562,556	14,233,985
Total Noncurrent Liabilities		**10,471,977**	13,255,672	25,781,811
Total Liabilities		**770,935,058**	1,001,713,600	790,748,806
Equity				
Capital stock- P100 par value: Authorized, issued and outstanding - 1,500,000 shares	14	**150,000,000**	150,000,000	150,000,000
Additional paid-in capital		**1,500,000**	1,500,000	1,500,000
Retained earnings	14	**784,310,918**	737,271,779	684,939,453
Accumulated remeasurements on retirement benefits		**4,920,756**	5,978,407	(334,861)
Total Equity		**940,731,674**	894,750,186	836,104,592
		P1,711,666,732	P1,896,463,786	P1,626,853,398

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2019**	2018 (As restated - see Note 24)
NET SALES	*12*	**P1,603,043,627**	P2,368,580,890
COST OF GOODS SOLD	*15*	**1,348,453,996**	2,011,404,563
GROSS PROFIT		**254,589,631**	357,176,327
OPERATING EXPENSES	*16*	**158,406,307**	269,225,046
INCOME FROM OPERATIONS		**96,183,324**	87,951,281
SHARE IN NET LOSS ON INVESTMENT IN AN ASSOCIATE	*10*	**(8,762,851)**	-
OTHER CHARGES - Net	*17*	**(20,573,757)**	(21,425,662)
INCOME BEFORE INCOME TAX		**66,846,716**	66,525,619
PROVISION FOR INCOME TAX	*20*	**19,807,577**	14,193,293
NET INCOME		**47,039,139**	52,332,326
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on retirement benefits	*18*	**(1,510,929)**	9,018,955
Deferred income tax benefit (expense)	*20*	**453,278**	(2,705,687)
		(1,057,651)	6,313,268
TOTAL COMPREHENSIVE INCOME		**P45,981,488**	P58,645,594

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Note	Capital Stock	Additional Paid-in Capital	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 14)	Total
Balances at January 1, 2018, as previously reported		P150,000,000	P1,500,000	(P334,861)	P685,472,457	P836,637,596
Restatements	24	-	-	-	(533,004)	(533,004)
Balances at January 1, 2018, as restated		150,000,000	1,500,000	(334,861)	684,939,453	836,104,592
Net income for the year, as restated		-	-		52,332,326	52,332,326
Other comprehensive income for the year		-	-	6,313,268	-	6,313,268
Total comprehensive income for the year, as restated		-	-	6,313,268	52,332,326	58,645,594
Balances at December 31, 2018, as restated		150,000,000	1,500,000	5,978,407	737,271,779	894,750,186
Net income for the year		-	-	-	47,039,139	47,039,139
Other comprehensive loss for the year		-	-	(1,057,651)	-	(1,057,651)
Total comprehensive income (loss) for the year		-	-	(1,057,651)	47,039,139	45,981,488
Balances at December 31, 2019		**P150,000,000**	**P1,500,000**	**P4,920,756**	**P784,310,918**	**P940,731,674**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2019	2018 (As restated - Note 24)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P66,846,716**	P66,525,619
Adjustments for:			
Interest expense	*12, 13, 17, 19*	**24,951,433**	20,337,987
Depreciation and amortization	*9, 16, 19*	**12,820,052**	12,434,257
Share in net loss on investment in an associate	*10*	**8,762,851**	-
Unrealized foreign exchange loss (gain)	*17, 21*	**(1,315,329)**	983,228
Interest income	*5, 17*	**(1,398,227)**	(354,578)
Retirement benefits costs	*18*	**1,130,140**	1,347,526
Provision for probable losses	*11, 16*	**-**	8,153,093
Operating income before working capital changes		**111,797,636**	109,427,132
Decrease (increase) in:			
Trade and other receivables - net		**298,607,738**	(34,770,964)
Inventories		**(34,807,202)**	129,876,452
Prepaid expenses and other current assets		**127,393,886**	(307,590,998)
Refundable deposits		**(395,299)**	(485,734)
Increase in trade and other payables		**(63,693,165)**	(79,533,412)
Cash generated from (used in) operations		**438,903,594**	(183,077,524)
Interest paid		**(28,267,032)**	(17,022,388)
Income taxes paid		**(24,553,765)**	(33,351,153)
Interest received	*5, 17*	**1,398,227**	354,578
Net cash from (used in) operating activities		**387,481,024**	(233,096,487)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of shares of stock of an associate	*10*	**(126,956,404)**	-
Additions to property and equipment	*9*	**(1,813,655)**	(7,274,121)
Cash used in investing activities		**(128,770,059)**	(7,274,121)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Loan payable	*13, 23*	**(170,000,000)**	(130,000,000)
Advances from related parties	*12, 23*	**(104,848,382)**	-
Lease liabilities	*19, 23*	**(10,833,018)**	(9,648,177)
Proceeds from availment of loan payable	*13, 23*	**126,000,000**	437,000,000
Net cash from (used in) financing activities		**(159,681,400)**	297,351,823
NET INCREASE IN CASH		**99,029,565**	56,981,215
CASH AT BEGINNING OF YEAR		**130,920,946**	73,939,731
CASH AT END OF YEAR	*5*	**P229,950,511**	P130,920,946

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("CosCo" or "Parent Company"), a company incorporated in the Philippines. CosCo's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BOD) on November 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New Standards and Amendments to Standards

The Company has adopted the following new standards and amendments to standards starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These are as follows:

- PFRS 16, *Leases*, supersedes PAS 17, Leases, and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  The Company applied PFRS 16 using the retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings as at January 1, 2018. Accordingly, the comparative information presented, as at and for the year ended December 31, 2018, is restated.

  Impact on Financial Statements

  In transition to PFRS 16 on January 1, 2019 using the retrospective approach, the Company recognized right-of-use assets and lease liabilities on the commencement date of the lease agreement. Consequently, the cumulative effect of the transition was recognized on January 1, 2018. The impact on transition as at January 1, 2018 is presented in notes for prior period restatement (see Note 24).

  As at January 1, 2018, the Company recognized right-of-use assets and lease liabilities amounting to P16,973,987 and P20,068,702, respectively. As at December 31, 2019 and 2018, the carrying amounts of the right-of-use assets and lease liabilities are as follows:

	Note	2019	2018
Right-of-use assets	*19*	**P4,851,092**	P14,626,093
Lease liabilities	*19*	**6,693,116**	17,526,134

  When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of date of lease commencement date. The weighted average rate applied is 4.74%.

The Company has also adopted the following amendments to standards and interpretations which did not have any significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation (Amendments)*
- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)*
- Annual Improvements to PFRS Standards 2015-2017 Cycle - various standards

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities at FVTPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information; (b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Company's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (e) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2019 and 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding provision and payables to government agencies), due to related parties, dividends payable, loan payable and lease liabilities.

Impairment of Financial Assets.
The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 360 days past due on any material credit obligation to the Company.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;
- existing or forecasted adverse changes in business, financial or economic conditions; and
- actual or expected significant adverse changes in the operating results of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2019 and 2018.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

<u>Derecognition of Financial Assets and Financial Liabilities</u>

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting-Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statement on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2019 and 2018, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price in the ordinary course of business less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Investment in an Associate

An Associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. An Associate is accounted for using the equity method. Investment in an associate is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of associate, until the date on which significant influence ceases. Unrealized gains arising from transactions with associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances to Suppliers

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the statement of financial position.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statement of financial position, respectively.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value. The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	3 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of investment in an associate, right-of-use assets and property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue, unless it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or

    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as a Lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:-(a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the amortization charge for the right-of-use asset. The interest expense on lease liability is presented under "Other charges - net" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Company has not applied the following relevant and applicable new or amended standards and interpretations in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following amended standards on the respective effective dates, as applicable.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";

  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;

  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;

  (d) clarifying the explanatory paragraphs accompanying the definition; and

  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 19).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade Receivables
The Company uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for expected credit losses would increase the recorded operating expenses and decrease current assets.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Company considers the counterparties' financial condition and their capacity to return the amounts due. The Company assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

The carrying values of trade and other receivables amounted to P498,147,551 and P796,755,289 as at December 31, 2019 and 2018, respectively. As at December 31, 2019 and 2018, the Company's allowance for impairment losses on trade receivables amounted P2,620,922 (see Note 6).

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2019 and 2018. The cost of inventories amounted to P599,727,310 and P564,920,108 as at December 31, 2019 and 2018, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2019 and 2018.

The carrying values of property and equipment amounted to P6,540,902 and P7,772,298 as at December 31, 2019 and 2018, respectively. Depreciation and amortization recognized in profit or loss amounted to P3,045,051 and P2,980,754 for the years ended December 31, 2019 and 2018, respectively (see Note 9).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to investment in an associate, right-of-use assets and property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In 2019 and 2018, no impairment loss was recognized on the Company's property and equipment, right-of-use assets and investment in an associate.

The carrying values of property and equipment amounted to P6,540,902 and P7,772,298 as at December 31, 2019 and 2018, respectively (see Note 9).

The carrying values of investment in an associate amounted to P118,193,553 and nil as at December 31, 2019 and 2018, respectively (see Note 10).

The carrying values of right-of-use assets amounted to P4,851,092 and P14,626,093 as at December 31, 2019 and 2018, respectively (see Note 19).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The Company has retirement benefits liability amounting to P9,203,625 and P6,562,556 as at December 31, 2019 and 2018, respectively (see Note 18).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized net deferred income tax assets amounting to P3,705,373 and P3,920,025 as at December 31, 2019 and 2018, respectively (see Note 20).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has recognized a provision for probable losses amounting to P13,901,018 as at December 31, 2019 and 2018 (see Note 11). Provision for probable losses amounting to nil and P8,153,093 was set up by the Company in 2019 and 2018, respectively (see Notes 11 and 16).

5. Cash

This account consists of:

	Note	**2019**	2018
Cash on hand		**P800,096**	P265,065
Cash in banks	*21*	**229,150,415**	130,655,881
		P229,950,511	P130,920,946

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss from bank deposits amounted to P1,398,227 and P354,578 in 2019 and 2018, respectively (see Note 17).

6. Trade and Other Receivables - net

This account consists of:

	Note	**2019**	2018
Trade:			
Third parties		**P291,249,156**	P602,432,352
Related parties	*12*	**172,737,750**	195,187,171
Less allowance for expected credit losses on trade receivables		**(2,620,922)**	(2,620,922)
		461,365,984	794,998,601
Nontrade		**34,655,267**	1,383,336
Others		**2,126,300**	373,352
	21	**P498,147,551**	P796,755,289

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally have a 60 to 90 days credit terms.

7. Inventories

This account consists of:

	Note	**2019**	2018
Spirits - at cost		**P457,894,694**	P408,967,051
Wines - at cost		**92,171,926**	88,056,215
Specialty beverages - at cost		**49,660,690**	67,896,842
	15	**P599,727,310**	P564,920,108

In 2019 and 2018, the inventories amounting to P1,348,453,996 and P2,011,404,563, respectively, were recognized as an expense during the year and included in "Cost of goods sold" (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2019	2018
Advances to suppliers	**P241,546,226**	P360,778,648
Input VAT on imports	**4,520,193**	13,062,393
Prepaid expenses	**1,280,868**	900,132
	P247,347,287	P374,741,173

Advances to suppliers pertain to initial down payments made by the Company for purchases of inventories and will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
December 31, 2017	P17,467,991	P3,917,061	P8,845,801	P2,092,952	P8,771,095	P41,094,900
Additions	721,429	29,821	5,355,440	680,050	487,381	7,274,121
December 31, 2018	18,189,420	3,946,882	14,201,241	2,773,002	9,258,476	48,369,021
Additions	570,000	-	649,531	131,062	463,062	1,813,655
Disposal	(813,000)	-	-	-	-	(813,000)
December 31, 2019	**17,946,420**	**3,946,882**	**14,850,772**	**2,904,064**	**9,721,538**	**49,369,676**
Accumulated Depreciation and Amortization						
December 31, 2017	17,451,220	3,901,686	7,055,792	1,345,107	7,862,164	37,615,969
Depreciation and amortization for the year	74,494	13,037	1,485,550	573,551	834,122	2,980,754
December 31, 2018	17,525,714	3,914,723	8,541,342	1,918,658	8,696,286	40,596,723
Depreciation and amortization for the year	290,372	21,321	1,681,587	520,412	531,359	3,045,051
Disposals	(813,000)	-	-	-	-	(813,000)
December 31, 2019	**17,003,086**	**3,936,044**	**10,222,929**	**2,439,070**	**9,227,645**	**42,828,774**
Carrying Amounts						
December 31, 2018	P663,706	P32,159	P5,659,899	P854,344	P562,190	P7,772,298
December 31, 2019	**P943,334**	**P10,838**	**P4,627,843**	**P464,994**	**P493,893**	**P6,540,902**

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 were charged as part of "Operating expenses" in profit or loss.

10. Investment in an Associate

The Company engaged in a Shareholders' Agreement and a Share Purchase Agreement with 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 (P126.96 million) in February 2019.

Pernod wholesales and distributes distilled spirits. The Company offers neutral spirits and ethyl alcohol used in blended wines and distilled liquors. Pernod serves customers throughout the world. Its principal address is at 4-C Palm Coast Avenue One E-com Center Building, Pasay City, 1300. As at December 31, 2019 the Company owns 30% of Pernod shares.

The movements and balances of the Company's investment in an associate are as follows:

	2019
Acquisition costs	P126,956,404
Share in net loss during the period	(8,762,851)
Net carrying amount	P118,193,553

The following table summarizes the financial information of Pernod and shows the reconciliation of the Company's share in net assets of such investee to the carrying amounts of its investment as of December 31, 2019:

	2019
Percentage ownership interest	30%
Current assets	P823,322,979
Noncurrent assets	193,217,651
Current liabilities	627,083,858
Noncurrent liabilities	40,381,518
Net assets	349,075,254
Company's share of net assets	P104,722,576
Goodwill	13,470,977
Carrying amount of investment in an associate	P118,193,553
Revenue	P1,339,369,395
Net loss/total comprehensive loss	(29,209,504)
Company's share in net loss (30%)	(P8,762,851)

11. Trade and Other Payables

This account consists of:

	Note	2019	2018 (As restated - Note 24)
Trade payables to third parties		P103,214,594	P152,268,905
Nontrade:			
Related parties	*12*	948,310	12,509,003
Third parties		7,423,349	17,110,571
Accrued expenses		22,197,936	19,212,625
Provision		13,901,018	13,901,018
Payables to government agencies		1,288,898	2,296,076
	21	P148,974,105	P217,298,198

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit terms. These also include interest on advances from Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

The Company sets-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

The movements and balances of provisions as at and for the years ended December 31 are as follows:

	Note	2019	2018
Balances at beginning of year		P13,901,018	P5,747,925
Provision during the year	*16*	-	8,153,093
Balances at end of year		P13,901,018	P13,901,018

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

				Outstanding Balance			
Category	Year	*Note*	Transactions During the Year	Trade Receivables	Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Advances	2019	*a*	P -	P -	P -	Payable on demand	Unsecured
	2018		-	-	105,000,000		
• Interest expense	2019	*a, 11, 17*	1,062,292	-	787,500	Payable on demand	Unsecured
	2018		3,315,599	-	4,103,099		
• Management fee	2019	*b*	-	-	106,700,000	Due and demandable	Unsecured
	2018		-	-	106,700,000	non-interest-bearing	
Entities under Common Control							
• Advances	2019	*c*	151,618	-	86,151,618	Payable on demand;	Unsecured
	2018		-	-	86,000,300	non-interest-bearing	
• Sales of goods	2019	*d, 6*	519,081,156	172,737,750	-	30 to 60-day	Unsecured;
	2018		533,787,615	195,187,171	-	credit term; non-interest-bearing	no impairment
• Lease liability	2019	*e, 19*	2,284,446	-	3,683,860	Payable on a	Unsecured
	2018		2,234,447	-	5,978,306	monthly basis	
• Reimbursement of expenses	2019	*f, 11*	160,810	-	160,810	Payable on demand;	Unsecured
	2018		8,405,904	-	8,405,904	non-interest-bearing	
TOTAL	2019			P172,737,750	P197,493,788		
TOTAL	2018			P195,187,171	P316,187,311		

a. Cash advances extended from its Parent Company in the form of promissory note. These advances earn annual interest rate of 4.5% and 3.25% for 2019 and 2018, respectively with maturities of two (2) years. Full payment was made in 2019.

b. This pertains to amount due to the Parent Company for corporate services rendered in 2017 and 2016.

c. These are cash advances from an entity under common control for additional working capital requirements.

d. In the normal course of business, the Company distributes wines and liquors to entities under common control (see Note 6).

e. The Company entered into lease agreements with an entity under common control for its office space and warehouse. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 19).

f. This represents advances from officers and related parties in the form of reimbursement of expenses and working capital advances.

g. The compensation of the key management personnel of the Company, by benefit type, follows:

	2019	2018
Short-term employee benefits	**P4,215,415**	P3,716,838
Retirement benefits cost	**111,204**	110,009
	P4,326,619	P3,826,847

As at December 31, 2019 and 2018, amounts owed to related parties are presented as follows:

	Note	2019	2018
Trade and other payables	*11*	**P948,310**	P12,509,003
Lease liabilities	*19*	**3,693,860**	5,978,308
Due to related parties		**192,851,618**	297,700,000
		P197,493,788	P316,187,311

13. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 5.875% and 3.00% in 2019 and 2018. This loan is intended to finance the inventory build-up and additional working capital requirements of the Company.

This loan is not subject to compliance with any loan covenant.

Interest expenses recognized in profit or loss relating to loan payable amounted to P23,302,000 and P16,224,251 for the years ended December 31, 2019 and 2018, respectively (see Notes 17 and 23).

14. Equity

Retained Earnings

On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100 million, payable to stockholders of record as at the same date. The management is planning to settle in 2021 the dividends payable as at December 31, 2019.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the BODs; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2019, the Company has retained earnings in excess of its paid-up capital. The Company is planning to apply for an increase in the authorized capital stock of the Company with the SEC in 2020 or 2021 to address the excess retained earnings.

15. Cost of Goods Sold

This account consists of:

	Note	**2019**	2018
Inventory at beginning of year		**P564,920,108**	P694,796,560
Net purchases during the year		**1,383,261,198**	1,881,528,111
Cost of goods available for sale		**1,948,181,306**	2,576,324,671
Inventory at end of year	*7*	**(599,727,310)**	(564,920,108)
		P1,348,453,996	P2,011,404,563

16. Operating Expenses

This account consists of:

	Note	**2019**	2018 (As restated - Note 24)
Advertising		**P61,591,647**	P140,094,281
Salaries, wages and other employee benefits	*18*	**43,970,386**	42,742,510
Warehousing and delivery		**26,075,964**	47,935,715
Depreciation and amortization	*9, 19*	**12,820,052**	12,434,257
Taxes and licenses		**5,442,298**	3,985,973
Utilities		**2,239,733**	3,521,377
Insurance		**1,787,795**	2,123,012
Transportation and travel		**1,120,676**	1,715,796
Janitorial services		**742,622**	1,337,530
Representation		**728,252**	1,403,849
Office supplies		**668,445**	939,138
Repair and maintenance		**226,192**	739,313
Professional fees		**202,520**	530,246
Provision for probable loss	*11*	**-**	8,153,093
Miscellaneous		**789,725**	1,568,956
		P158,406,307	P269,225,046

17. Other Charges - net

This account consists of:

	Note	2019	2018 (As restated - Note 24)
Interest expense	*12, 13, 19, 23*	**(P24,951,433)**	(P20,337,987)
Foreign exchange gain (loss) - net	*21*	**3,683,336**	(1.044,792)
Interest income	*5*	**1,398,227**	354,578
Bank charges		**(864,601)**	(397,461)
Others - net		**160,714**	-
		(P20,573,757)	(P21,425,662)

18. Retirement Benefits Liability

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one year.

The succeeding table summarizes the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2019.

The table below shows the present value of the defined benefits retirement obligation/ retirement benefits liability and its components as at December 31:

	2019	2018
Balance at beginning of year	**P6,562,556**	P14,233,985
Recognized in Profit or Loss		
Current service cost	**637,948**	581,737
Interest expense	**492,192**	765,789
	1,130,140	1,347,526
Included in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Financial assumptions	**1,539,531**	(3,614,998)
Experience adjustments	**(28,602)**	830,744
Demographic assumptions	**-**	(6,234,701)
	1,510,929	(9,018,955)
Balance at end of year	**P9,203,625**	P6,562,556

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss (see Note 16).

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) as at December 31 used to determine retirement benefits liability are as follows:

	2019	2018
Discount rate	**5.18%**	7.50%
Salary increase rate	**8.00%**	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the benefit payments is approximately 8.4 years and 7.7 years as at December 31, 2019 and 2018, respectively.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

	2019		2018	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P720,182)**	**P823,851**	(P476,084)	P535,575
Future salary growth	**793,010**	**(708,698)**	527,757	(478,187)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis of the benefit payments as at December 31 follow:

Defined Benefits Obligation	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
2019	P9,203,625	P10,698,659	P -	P4,383,215	P6,315,444
2018	P8,662,556	P10,040,406	P -	P708,262	P9,332,144

19. Lease Agreements

The significant lease agreements entered into by the Company are as follows:

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties. This lease agreement was subsequently renewed for three (3) years from July 16, 2018 to July 16, 2021 (see Note 12).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building located at 3270 Gasanco Compound, Merville Annex Road, Pasay City for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting second year and 10% starting fourth year.

The lease agreements provide for, among others, security deposits amounting to P3,203,153 and P2,807,854 as at December 31, 2019 and 2018, respectively, which are shown as "Refundable deposits" in the statements of financial position.

On transition to PFRS 16, the Company recognized right-of-use assets in relation to the lease agreements (a) and (b). As at January 1, 2018, the right-of-use assets and lease liabilities recognized amounted to P16,973,987 and P20,068,702, respectively.

The movement of the right-of-use assets and lease liabilities for the years ended December 31, 2019 and 2018 are as follows:

i. Right-of-Use Assets

	Note	**2019**	2018 (As restated - see Note 24)
Balance at beginning of year		**P14,626,093**	P16,973,987
Additions		**-**	7,105,609
Amortization charge for the year	*16*	**(9,775,001)**	(9,453,503)
Balance at end of year		**P4,851,092**	P14,626,093

ii. Lease Liabilities

	Note	2019	2018 (As restated - see Note 24)
Balance at beginning of year		**P17,526,134**	P20,068,702
Additions		**-**	7,105,609
Interest charge for the year	17	**587,141**	798,137
Payments made:			
Principal portion of lease liabilities	23	**(10,833,018)**	(9,648,177)
Interest expense	23	**(587,141)**	(798,137)
Balance at end of year		**P6,693,116**	P17,526,134

Maturity analyses of the undiscounted lease liabilities as at December 31, 2019 and 2018 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P5,596,124**	**P171,360**	**P5,424,764**
Later than one year but not later than five years	**1,290,665**	**22,313**	**1,268,352**
Balance at December 31, 2019	**P6,886,789**	**P193,673**	**P6,693,116**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P11,449,597	P616,579	P10,833,018
Later than one year but not later than five years	6,886,789	193,673	6,693,116
Balance at December 31, 2018	P18,336,386	P810,252	P17,526,134

The Company's lease liabilities classified in the statements of financial position are as follows:

	2019	2018 (As restated - see Note 24)	2017 (As restated - see Note 24)
Current	**P5,424,764**	P10,833,018	P8,520,876
Noncurrent	**1,268,352**	6,693,116	11,547,826
	P6,693,116	P17,526,134	P20,068,702

iii. Amounts Recognized in Profit or Loss

	Note	2019	2018 (As restated - see Note 24)
Amortization expense	16	**P9,775,001**	P9,453,503
Interest on lease liabilities	17	**587,141**	798,137
		P10,362,142	P10,251,640

iv. Amounts Recognized in the Statements of Cash Flows

	2019	2018 (As restated - see Note 24)
Total cash outflows for leases	**P11,420,159**	P10,446,314

20. Income Taxes

The components of provision for income tax are shown below:

	2019	2018
Current	**P19,139,647**	P14,611,436
Deferred	**667,930**	(418,143)
	P19,807,577	P14,193,293

Current provision for income tax represents regular corporate income tax in 2019 and 2018.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2019	2018
Income before income tax	**P66,846,716**	P66,525,619
Provision for income tax computed at statutory income tax rate of 30%	**P20,054,015**	P19,957,686
Additions to (reductions in) income taxes resulting from the tax effects of:		
Interest income subjected to final tax	**(419,468)**	(106,373)
Other adjustments	**173,030**	(5,658,020)
Provision for income tax	**P19,807,577**	P14,193,293

The components of the Company's net deferred income tax assets are as follows:

	2019	2018
Retirement benefits liability	P2,761,087	P1,968,767
Effect of PFRS 16	**552,608**	870,013
Allowance for expected credit losses on trade receivables	**786,277**	786,277
Unrealized foreign exchange loss (gain)	**(394,599)**	294,968
	P3,705,373	P3,920,025

The movements of net deferred income tax assets are accounted for as follows:

	2019	2018
Amount charged to profit or loss	**(P667,930)**	P418,143
Amount charged to OCI relating to remeasurement on retirement benefits	**453,278**	(2,705,687)
Net decrease in deferred income tax assets	**(P214,652)**	(P2,287,544)

21. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2019**	2018
Cash in banks	5	**P229,150,415**	P130,655,881
Trade and other receivables - net	6	**498,147,551**	796,755,289
Refundable deposits	19	**3,203,153**	2,807,854
		P730,501,119	P930,219,024

As at December 31, 2019 and 2018, the aging per class of financial assets is as follows:

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P229,150,415	P -	P -	P -	P -	P229,150,415
Trade and other receivables	294,771,165	118,622,452	35,351,475	49,402,459	2,620,922	500,768,473
Refundable deposits	3,203,153	-	-	-	-	3,203,153
	P527,124,733	P118,622,452	P35,351,475	P49,402,459	P2,620,922	P733,122,041

	Neither Past Due nor Impaired	Past Due but not Impaired 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P130,655,881	P -	P -	P -	P -	P130,655,881
Trade and other receivables	504,681,127	121,565,128	47,812,232	122,696,802	2,620,922	799,376,211
Refundable deposits	2,807,854	-	-	-	-	2,807,854
	P638,144,862	P121,565,128	P47,812,232	P122,696,802	P2,620,922	P932,839,946

Based on the historical default rates, the Company believes that other than the specifically impaired trade and other receivables, no additional allowance for expected credit losses is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no expected credit loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2019 and 2018, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2019 and 2018 are as follows:

	December 31, 2019 High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P229,150,415	P -	P -	P229,150,415
Trade and other receivables	-	294,771,165	-	294,771,165
Refundable deposits	-	3,203,153	-	3,203,153
	P229,150,415	P297,974,318	P -	P527,124,733

	December 31, 2018			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P130,655,881	P -	P -	P130,655,881
Trade and other receivables	-	504,681,127	-	504,681,127
Refundable deposits	-	2,807,854	-	2,807,854
	P130,655,881	P507,488,981	P -	P638,144,862

The Company assessed the credit quality of the financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. High grade trade and other receivables pertain to those receivables from customers who consistently pay before the maturity date. Standard grade trade and other receivables include those that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that Company made a persistent effort to collect them are included under substandard grade receivables.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

ECL Assessment

The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2019 and 2018:

	December 31, 2019		
	Gross Carrying Amount	**Expected Credit Loss Allowance**	**Credit-impaired**
Current (not past due)	**P294,771,165**	**P -**	**No**
1-30 days past due	**118,622,452**	-	**No**
31-60 days past due	**35,351,475**	-	**No**
61-90 days past due	**13,818,532**	-	**No**
91-180 days past due	**11,747,312**	-	**No**
181-360 days past due	**22,991,644**	-	**No**
More than 360 days past due	**3,465,893**	**2,620,922**	**Yes**
	P500,768,473	**P2,620,922**	

	December 31, 2018		
	Gross Carrying Amount	Expected Credit Loss Allowance	Credit-impaired
Current (not past due)	P504,681,127	P -	No
1-30 days past due	121,565,128	-	No
31-60 days past due	47,812,232	-	No
61-90 days past due	34,833,626	-	No
91-180 days past due	29,149,660	-	No
181-360 days past due	38,807,876	-	No
More than 360 days past due	22,526,562	2,620,922	Yes
	P799,376,211	P2,620,922	

The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumptions is immaterial.

Liquidity Risk

The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P229,150,415	P229,150,415	P229,150,415	P -
Trade and other receivables - net	498,147,551	498,147,551	498,147,551	-
Refundable deposits	3,203,153	3,203,153	-	3,203,153
	P730,501,119	P730,501,119	P727,297,966	P3,203,153

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P133,784,189	P133,784,189	P133,784,189	P -
Loan payable	313,000,000	314,852,377	314,852,377	-
Due to related parties	192,851,618	193,913,910	193,913,910	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Lease liabilities	6,693,116	6,886,789	5,596,124	1,290,665
	P746,328,923	P749,437,265	P748,146,600	P1,290,665

Excluding payables to government agencies and provision.

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P130,655,881	P130,655,881	P130,655,881	P -
Trade and other receivables - net	796,755,289	796,755,289	796,755,289	-
Refundable deposits	2,807,854	2,807,854	-	2,807,854
	P930,219,024	P930,219,024	P927,411,170	P2,807,854

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P201,101,104	P201,101,104	P201,101,104	P -
Loan payable	357,000,000	359,782,767	359,782,767	-
Due to related parties	297,700,000	301,015,599	301,015,599	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Lease liabilities	17,526,134	18,336,386	11,449,597	6,886,789
	P973,327,238	P980,235,856	P973,349,067	P6,886,789

**Excluding payables to government agencies and provision.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to foreign currency risk.

Foreign Currency Risk

The Company's foreign currency denominated assets and liabilities as at December 31, 2019 and 2018 are as follows:

	As at December 31, 2019				
Currency	**Financial Assets**	**Financial Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	-	1,674,832	(1,674,832)	50.74	(84,980,976)
EUR	-	439,285	(439,285)	56.35	(24,753,710)
AUD	-	434,133	(434,133)	35.26	(15,307,530)
GBP	791	-	791	65.99	52,198
					(124,990,018)

	As at December 31, 2018				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	437,722	(437,722)	52.72	(23,076,704)
GBP	-	8,318	(8,318)	66.73	(555,060)
					(23,631,764)

Net foreign exchange gain recognized in profit or loss amounted to P3,683,336 for the year ended December 31, 2019 and net foreign exchange loss recognized in profit or loss amounted to P1,044,792 for the year ended December 31, 2018 (see Note 17).

Sensitivity Analysis
The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2019	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income after Income Tax**
USD	**3.76%**	**P2,236,699 decrease**
EUR	**6.57%**	**1,138,423 decrease**
AUD	**4.88%**	**522,905 decrease**
GRB	**1.11%**	**406 decrease**

	December 31, 2018	
	Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	6%	P902,640 decrease
GRB	0.58%	2,237 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management
The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

22. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable
The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits
The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties
The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

Lease Liabilities
The fair value of lease liabilities is based on the prevailing market rates for similar instruments.

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as at December 31, 2019 and 2018 are presented below:

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash	**P229,950,511**	**P229,950,511**	P130,920,946	P130,920,946
Trade and other receivables - net	**498,147,551**	**498,147,551**	796,755,289	796,755,289
Refundable deposits	**3,203,153**	**3,195,001**	2,807,854	2,800,706
	P731,301,215	**P731,293,063**	P930,484,089	P930,476,941

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Other Financial Liabilities				
Trade and other payables	**P133,784,189**	**P133,784,189**	P201,101,104	P201,101,104
Due to related parties	**192,851,618**	**193,913,910**	297,700,000	301,015,599
Loan payable	**313,000,000**	**314,852,377**	357,000,000	359,782,767
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Lease liabilities	**6,693,116**	**6,767,071**	17,526,134	17,266,698
	P746,328,923	**P749,317,547**	P973,327,238	P979,166,168

23. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2019 and 2018 are as follow:

December 31, 2019	Loan Payable	Accrued Interest	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P357,000,000	P4,103,099	P17,526,134	P297,700,000	P676,329,233
Cashflows from Financing Activities					
Payments of:					
Loan payable	(170,000,000)	-	-	-	(170,000,000)
Advances from related parties	-	-	-	(104,848,382)	(104,848,382)
Lease liabilities	-	-	(10,833,018)	-	(10,833,018)
Interest	(23,302,000)	(4,377,891)	(587,141)	-	(28,267,032)
Proceeds from availment of loan payable	126,000,000	-	-	-	126,000,000
Interest expense	23,302,000	1,062,292	587,141	-	24,951,433
	P313,000,000	P787,500	P6,693,116	P192,851,618	P513,332,234

December 31, 2018	Loan Payable	Accrued Interest	Lease Liabilities	Due to Related Parties	Total
Balances at beginning of year	P50,000,000	P787,500	P20,068,702	P297,700,000	P368,556,202
Cashflows from Financing Activities					
Payments of:					
Loan payable	(130,000,000)	-	-	-	(130,000,000)
Advances from related parties	-	-	-	-	-
Lease liabilities	-	-	(9,648,177)	-	(9,648,177)
Interest	(16,224,251)	-	(798,137)	-	(17,022,388)
Proceeds from availment of loan payable	437,000,000	-	-	-	437,000,000
Interest expense	16,224,251	3,315,599	798,137	-	20,337,987
Additions to lease liabilities	-	-	7,105,609	-	7,105,609
	P357,000,000	P4,103,099	P17,526,134	P297,700,000	P676,329,233

24. Prior Period Restatements

The Company restated its statements of financial position as at December 31, 2018 and January 1, 2018 and its statement of comprehensive income for the year ended December 31, 2018 in accordance with PAS 8 to recognize the required asset and obligation under PFRS 16 (see Note 3). These restatements have material impact on the statement of financial position and the statement of comprehensive income as at the beginning of the earliest period presented. The following tables summarize the impacts on the Company's financial statements.

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Right-of-use assets - net	P -	P14,626,093	P14,626,093
Deferred income tax assets	3,050,013	870,012	3,920,025
Others	1,877,917,668	-	1,877,917,668
Total Assets	P1,880,967,681	P15,496,105	P1,896,463,786
Lease liabilities - current portion	P -	P10,833,018	P10,833,018
Lease liabilities - net of current portion	-	6,693,116	6,693,116
Trade and other payables	218,924,769	(1,626,571)	217,298,198
Others	766,889,268	-	766,889,268
Total Liabilities	P985,814,037	P15,899,563	P1,001,713,600
Retained earnings	P737,675,237	(P403,458)	P737,271,779
Others	157,478,407	-	157,478,407
Total Equity	P895,153,644	(P403,458)	P894,750,186
Statement of Comprehensive Income			
Net sales	(P2,368,580,890)	P -	(P2,368,580,890)
Cost of goods sold	2,011,404,563	-	2,011,404,563
Operating expenses	270,211,131	(986,085)	269,225,046
Other charges - net	20,627,525	798,137	21,425,662
Provision for income tax	14,134,891	58,402	14,193,293
Net Income	(P52,202,780)	(P129,546)	(P52,332,326)
Total Comprehensive Income	(P58,516,048)	(P129,546)	(P58,645,594)

December 31, 2018	As Previously Reported	Adjustments	As Restated
Statement of Cash Flows			
Operating Activities			
Income before income tax	P66,337,671	P187,948	P66,525,619
Adjustments for:			
Interest expense	19,539,850	798,137	20,337,987
Provision for probable loss	8,153,093	-	8,153,093
Depreciation and amortization	2,980,754	9,453,503	12,434,257
Retirement benefits costs	1,347,526	-	1,347,526
Unrealized foreign exchange loss	983,228	-	983,228
Interest income	(354,578)	-	(354,578)
Operating income before working capital changes	98,987,544	10,439,588	109,427,132
Decrease (increase) in:			
Trade and other receivables - net	(34,770,964)	-	(34,770,964)
Inventories	129,876,452	-	129,876,452
Prepaid expenses and other current assets	(307,590,998)	-	(307,590,998)
Refundable deposits	(485,734)	-	(485,734)
Increase (decrease) in:			
Trade and other payables	(79,540,138)	6,726	(79,533,412)
Cash used in operations	(193,523,838)	10,446,314	(183,077,524)
Income taxes paid	(33,351,153)	-	(33,351,153)
Interest paid	(16,224,251)	(798,137)	(17,022,388)
Interest received	354,578	-	354,578
Net cash used in operating activities	(P242,744,664)	P9,648,177	(P233,096,487)
Investing Activity			
Additions to property and equipment	(P7,274,121)	P -	(P7,274,121)
Financing Activities			
Proceeds from availment of loan payable	P437,000,000	P -	P437,000,000
Payments on loan payable	(130,000,000)	-	(130,000,000)
Payments of lease liabilities	-	(9,648,177)	(9,648,177)
Net cash from financing activities	P307,000,000	(P9,648,177)	P297,351,823

January 1, 2018	As Previously Reported	Adjustments	As Restated
Statement of Financial Position			
Right-of-use assets - net	P -	P16,973,987	P16,973,987
Deferred income tax assets	5,279,156	928,413	6,207,569
Others	1,603,671,842	-	1,603,671,842
Total Assets	P1,608,950,998	P17,902,400	P1,626,853,398
Lease liabilities - current portion	P -	P8,520,876	P8,520,876
Lease liabilities - net of current portion	-	11,547,826	11,547,826
Trade and other payables	286,012,987	(1,633,298)	284,379,689
Others	486,300,415	-	486,300,415
Total Liabilities	P772,313,402	P18,435,404	P790,748,806
Retained earnings	P685,472,457	(P533,004)	P684,939,453
Others	151,165,139	-	151,165,139
Total Equity	P836,637,596	(P533,004)	P836,104,592

25. Subsequent Events

On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households; all public transportations were suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions.

Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

26. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2019:

a. VAT

1. Output VAT	**P187,935,581**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P1,566,129,838**
Zero rated sales	**36,176,785**
Exempt sales	**737,004**
	P1,603,043,627

2. Input VAT	
Balance at beginning of year	P13,062,393
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	159,669,116
b. Goods other than for resale or manufacture	-
c. Services lodged under other accounts	13,468,637
VAT payments and other adjustments	6,255,628
VAT credits used	(187,935,581)
Balance at end of year	P4,520,193

b. **Customs Duties and Tariff Fees**

Landed cost of imports	P1,143,989,000
Customs duties and tariff fees paid or accrued	71,489,553
	P1,215,478,553

c. **Excise Taxes**

Imported excisable items wines and liquor	P201,223,810

d. **Documentary Stamp Tax**

On borrowings	P3,273,168
On purchase of stocks	710,157
	P3,983,325

e. **Withholding Taxes**

Tax on compensation and benefits	P5,023,551
Expanded withholding taxes	4,427,945
	P9,451,496

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	P1,154,391
Others	304,582
	P1,458,973

g. **Tax Cases and Assessments**

On June 19, 2019, the Company received a Preliminary Assessment Notice (PAN) covering Income Tax, Value Added Tax, Withholding Tax on Compensation and Documentary Stamp Tax for the taxable year 2018. The initial deficiency assessment based on preliminary investigation amounted to P4.1 million. The Company paid the deficiency tax in 2019.

Information on tariff fees paid or accrued, are not applicable since the Company did not enter into transactions which will result to payment or accrual of such taxes.

"ANNEX D-4"

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Premier Wine and Spirits, Inc. ("the Company")** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Premier Wine and Spirits, Inc.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(a) **Premier Wine and Spirits, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

RECEIVED
ROGELIO G. ANCHETA

Signed this 19th day of November 2020

KPMG

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., for the year ended December 31, 2018, on which we have rendered our report dated November 27, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash	*5*	**P130,920,946**	P73,939,731
Trade and other receivables - net	*6, 11*	**796,755,289**	761,984,325
Inventories	*7, 14*	**564,920,108**	694,796,560
Prepaid expenses and other current assets	*8*	**374,741,173**	67,150,175
Total Current Assets		**1,867,337,516**	1,597,870,791
Noncurrent Assets			
Property and equipment - net	*9*	**7,772,298**	3,478,931
Deferred income tax assets	*19*	**3,050,013**	5,279,156
Refundable deposits	*18*	**2,807,854**	2,322,120
Total Noncurrent Assets		**13,630,165**	11,080,207
		P1,880,967,681	P1,608,950,998
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*10, 11*	**P218,924,769**	P286,012,987
Due to related parties	*11*	**297,700,000**	297,700,000
Dividends payable	*13*	**100,000,000**	100,000,000
Loan payable	*12, 22*	**357,000,000**	50,000,000
Income tax payable		**5,626,712**	24,366,430
Total Current Liabilities		**979,251,481**	758,079,417
Noncurrent Liability			
Retirement benefits liability	*17*	**6,562,556**	14,233,985
Total Liabilities		**985,814,037**	772,313,402
Equity			
Capital stock - P100 par value Authorized, issued and outstanding - 1,500,000 shares	*13*	**150,000,000**	150,000,000
Additional paid-in capital		**1,500,000**	1,500,000
Retained earnings	*13*	**737,675,237**	685,472,457
Accumulated remeasurements on retirement benefits		**5,978,407**	(334,861)
Total Equity		**895,153,644**	836,637,596
		P1,880,967,681	P1,608,950,998

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See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2018	2017
NET SALES	*11*	**P2,368,580,890**	P2,025,391,666
COST OF GOODS SOLD	*14*	**2,011,404,563**	1,644,155,615
GROSS PROFIT		**357,176,327**	381,236,051
OPERATING EXPENSES	*15*	**270,211,131**	229,755,167
INCOME FROM OPERATIONS		**86,965,196**	151,480,884
OTHER CHARGES - Net	*16*	**(20,627,525)**	(5,062,689)
INCOME BEFORE INCOME TAX		**66,337,671**	146,418,195
PROVISION FOR INCOME TAX	*19*	**14,134,891**	42,027,731
NET INCOME		**52,202,780**	104,390,464
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	*17*	**9,018,955**	-
Deferred income tax expense	*19*	**(2,705,687)**	-
		6,313,268	-
TOTAL COMPREHENSIVE INCOME		**P58,516,048**	P104,390,464

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Capital Stock	Additional Paid-in Capital	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 13)	Total
Balances at December 31, 2016	P150,000,000	P1,500,000	(P334,861)	P581,081,993	P732,247,132
Net income for the year	-	-	-	104,390,464	104,390,464
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	104,390,464	104,390,464
Balances at December 31, 2017	150,000,000	1,500,000	(334,861)	685,472,457	836,637,596
Net income for the year	-	-	-	52,202,780	52,202,780
Other comprehensive income	-	-	6,313,268	-	6,313,268
Total comprehensive income	-	-	6,313,268	52,202,780	58,516,048
Balances at December 31, 2018	**P150,000,000**	**P1,500,000**	**P5,978,407**	**P737,675,237**	**P895,153,644**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P66,337,671**	P146,418,195
Adjustments for:			
Interest expense	*11, 12, 16, 22*	**19,539,850**	3,719,770
Provision for probable losses	*10, 15*	**8,153,093**	5,747,925
Depreciation and amortization	*9, 15*	**2,980,754**	2,051,051
Retirement benefits costs	*17*	**1,347,526**	2,273,883
Unrealized foreign exchange losses		**983,228**	742,274
Interest income	*5, 16*	**(354,578)**	(80,816)
Impairment loss on creditable withholding taxes	*15*	**-**	4,426,092
Operating income before working capital changes		**98,987,544**	165,298,374
Decrease (increase) in:			
Trade and other receivables - net		**(34,770,964)**	(11,671,143)
Inventories		**129,876,452**	(177,228,488)
Prepaid expenses and other current assets		**(307,590,998)**	21,318,072
Refundable deposits		**(485,734)**	(115,000)
Increase (decrease) in:			
Trade and other payables		**(79,540,138)**	86,413,854
Due to related parties		**-**	58,200,000
Cash generated from (used in) operations		**(193,523,838)**	142,215,669
Income taxes paid		**(33,351,153)**	(58,117,452)
Interest paid	*22*	**(16,224,251)**	(3,719,770)
Interest received	*5, 16*	**354,578**	80,816
Net cash from (used in) operating activities		**(242,744,664)**	80,459,263
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	**(7,274,121)**	(1,040,292)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loan payable	*22*	**437,000,000**	-
Payments on loan payable	*22*	**(130,000,000)**	(20,000,000)
Net cash from (used in) financing activities		**307,000,000**	(20,000,000)
NET INCREASE IN CASH		**56,981,215**	59,418,971
CASH AT BEGINNING OF YEAR		**73,939,731**	14,520,760
CASH AT END OF YEAR	*5*	**P130,920,946**	P73,939,731

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("CosCo" or "Parent Company"), a company incorporated in the Philippines. CosCo's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BOD) on November 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

<u>Adoption of New Standards and Interpretation</u>
The Company has adopted the following new standards and interpretation starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these standards did not have any significant impact on the Company's financial statements. These standards are as follows:

- PFRS 9, *Financial Instruments (2014)* replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurements requirements (in 2009 and 2010) and a new hedge accounting model (in 2013).

  PFRS 9 includes revised guidance on the classification and measurement of financial assets that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss (ECL) model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  Classification and Measurement of Financial Assets and Financial Liabilities
  PFRS 9 contains three principal classification categories for financial assets: (1) measured at amortized cost; (2) measured at fair value through other comprehensive income (FVOCI); and (3) measured at fair value through profit or loss (FVTPL). The classification of financial assets under PFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. PFRS 9 eliminates the previous PAS 39 categories of held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets.

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Company's financial assets as at January 1, 2018.

Financial Assets	Original Classification under PAS 39	New Classification under PFRS 9	Original Carrying Amount under PAS 39	New Carrying Amount under PFRS 9
Cash in banks	Loans and receivables	Financial assets at amortized cost	P73,614,333	P73,614,333
Trade and other receivables	Loans and receivables	Financial assets at amortized cost	761,984,325	761,984,325
Refundable deposits	Loans and receivables	Financial assets at amortized cost	2,322,120	2,322,120
Total Financial Assets			**P837,920,778**	**P837,920,778**

  Financial assets that were previously classified as loans and receivables were all classified at amortized cost as the Company intends to hold these assets to maturity to collect contractual cash flows which consist solely of payments of principal and interest on the principal amount outstanding.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 has not had a significant effect on the Company's accounting policies related to financial liabilities.

There were no financial assets or financial liabilities which the Company has previously designated as at FVTPL under PAS 39 that were subject to reclassification or which the Company has elected to reclassify upon the application of PFRS 9. There were no financial assets or financial liabilities which the Company has elected to designate as at FVTPL at the date of initial application of PFRS 9.

Impairment of Financial Assets
PFRS 9 replaces the "incurred loss" model in PAS 39 with an ECL model in relation to the impairment of financial assets. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39. For assets in the scope of PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company has assessed that the impact of providing ECL is immaterial. Thus, the Company has determined that the application of PFRS 9's impairment requirements as at January 1, 2018 did not result in an additional allowance for impairment.

General Hedging Accounting
The adoption of PFRS 9 with respect to hedging accounting did not have an impact on the Company's accounting policies since the Company has no hedging transactions.

The Company used an exemption not to restate comparative information. The classification and measurement requirements previously applied in accordance with PAS 39 and disclosure requirements in PFRS 7 are retained for the comparative period. Accordingly, the information presented for the comparative period does not reflect the requirements of PFRS 9 and the consequential amendments to PFRS 7.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC-13, *Customer Loyalty Programmes*, IFRIC-18, *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled.

  PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

  Depending on whether certain criteria are met, revenue is recognized over time in a manner that best reflects the Company's performance, or at a point in time, when control of the goods or services is transferred to the customer.

The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of other PFRS, then the guidance on separation and measurement contained in other PFRS takes precedence.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. Accordingly, the information presented for 2017 has not been restated - i.e. it is presented as previously reported under PAS 18 and related interpretations. Additionally, the disclosure requirements in PFRS 15 have not generally been applied to comparative information.

For the year ended December 31, 2018, the Company carried out a detailed review of the revenue recognition criteria applying the requirements of PFRS 15 to ensure that the same principles were being applied consistently. This review in particular examined the timing of revenue recognition and variable consideration such as discounts, rebates, listing and slotting fees/display allowances for which no distinct goods or services is received.

Timing of Revenue Recognition
The Company concluded that PFRS 15 will not impact the timing of revenue recognition as revenue from sale of goods is currently recognized when the goods are delivered to the customers' warehouse, which is taken to be point in time at which control over the goods is transferred.

Variable Consideration
The revised accounting policy establishes that revenue is recognized to the extent that it is highly probable that a reversal in the amount of revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently settled. This means that discounts, allowances, listing and slotting fees/display allowances are deducted from revenue unless it is highly probable that they will not be incurred. Based on management's assessment, the application of PFRS 15 did not impact the current classification of these variable consideration, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue. Variable considerations are measured based on the most likely amount based on the agreement with customers.

The new standard did not have a material impact on the financial statements, including the Company's accounting policies with respect to its revenue streams.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Company makes foreign currency purchases. The Company's accounting policy is aligned with the interpretation.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities at FVTPL, includes transaction costs.

Classification and Measurement of Financial Instruments - Policy Applicable from January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information;

(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Company's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (e) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2018.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables, and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding provision and payables to government agencies), due to related parties, dividends payable and loan payable.

Classification and Measurement of Financial Instruments - Policy Applicable before January 1, 2018

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, HTM investments and AFS financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities, respectively.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017, the Company's loans and receivables include cash in banks, trade and other receivables, and refundable deposits.

Other Financial Liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017, the Company's other financial liabilities include trade and other payables (excluding provision and payables to government agencies), due to related parties, dividends payable and loan payable.

Impairment of Financial Assets
Policy Applicable from January 1, 2018

PFRS 9 replaces the "incurred loss" model in PAS 39 with an ECL model. The new impairment model applies to financial assets measured at amortized cost. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 360 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Policy Applicable before January 1, 2018

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables
The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level of input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2018 and 2017, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances to Suppliers

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the statement of financial position.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statement of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	3 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increase amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Prior to January 1, 2018, under PAS 18, *Revenue*, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable considerations, i.e. discounts, rebates, listing and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurements are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted
A number of new standards, amendments to standards and interpretation are effective for annual periods beginning after January 1, 2018. However, the Company has not applied the following relevant and applicable new standard, amendments to standards and interpretation in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant effect on the Company's financial statements.

The Company plans to adopt the following new standard, amendments to standards and interpretation on the respective effective dates, as applicable.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  Early adoption is permitted. The Company has performed its assessment on the potential impact of PFRS 16 on its financial statements. The details of the financial impact in the financial statements upon adoption on January 1, 2019 are as follows:

	Impact of Adopting PFRS 16
Assets	
Right-of-use asset - net	P14,626,093
Liabilities and Equity	
Lease liability	17,526,134
Retained earnings	(401,440)
Operating Expenses	
Depreciation expense	9,453,503
Rent expense	(10,439,588)
Other Income (Expense)	
Interest expense	798,137

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* set out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardships, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Operating Lease - Company as a Lessee

The Company entered into various lease agreements for its office space and warehouse as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Recognition of Revenue

The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Receivables and Refundable Deposits
Policy applicable from 2018
The Company uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime ECLs and the 12-month ECLs are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for expected credit losses would increase the recorded operating expenses and decrease current assets.

ECLs of refundable deposits has been measured on a 12-month expected credit loss basis. In determining the ECL of refundable deposits, the Company considers the counterparties' financial condition and their capacity to return the amounts due. The Company assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

Policy applicable before 2018
The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded general and administrative expenses and decrease current assets.

The carrying values of trade and other receivables and refundable deposits amounted to P799,563,143 and P764,306,445 as at December 31, 2018 and 2017, respectively (see Notes 6 and 18). As at December 31, 2018 and 2017, the Company's allowance for ECLs on trade receivables amounted to P2,620,922 (see Note 6). No allowance for ECL was recognized for refundable deposits as at December 31, 2018 and 2017.

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2018 and 2017. The cost of inventories amounted to P564,920,108 and P694,796,560 as at December 31, 2018 and 2017, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2018 and 2017.

The carrying values of property and equipment amounted to P7,772,298 and P3,478,931 as at December 31, 2018 and 2017, respectively. Depreciation and amortization recognized in profit or loss amounted to P2,980,754 and P2,051,051 for the years ended December 31, 2018 and 2017, respectively (see Notes 9 and 15).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertains to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying values of property and equipment amounted to P7,772,298 and P3,478,931 as at December 31, 2018 and 2017, respectively. No impairment loss was recognized for the Company's property and equipment in 2018 and 2017 (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P6,562,556 and P14,233,985 as at December 31, 2018 and 2017, respectively. Retirement benefits costs recognized in profit or loss amounted to P1,347,526 and P2,273,883 in 2018 and 2017, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P3,050,013 and P5,279,156 as at December 31, 2018 and 2017, respectively (see Note 19).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has recognized a provision for probable losses amounting to P13,901,018 and P5,747,925 as at December 31, 2018 and 2017, respectively. Provision for probable losses amounting to P8,153,093 and P5,747,925 was set up by the Company in 2018 and 2017, respectively (see Notes 10 and 15).

5. Cash

This account consists of:

	Note	2018	2017
Cash on hand		**P265,065**	P325,398
Cash in banks	20	**130,655,881**	73,614,333
		P130,920,946	P73,939,731

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss from bank deposits amounted to P354,578 and P80,816 in 2018 and 2017, respectively (see Note 16).

6. Trade and Other Receivables

This account consists of:

	Note	2018	2017
Trade			
Third parties		**P602,432,352**	P507,965,424
Related parties	11	**195,187,171**	219,122,389
Less allowance for expected credit losses on trade receivables		**(2,620,922)**	(2,620,922)
		794,998,601	724,466,891
Nontrade		**1,383,336**	37,189,362
Others		**373,352**	328,072
	20	**P796,755,289**	P761,984,325

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and generally have a 60 to 90 days credit terms.

The movement in allowance for expected credit losses on trade receivables during the year was as follows:

	2018	2017
Balance at beginning of year	**P2,620,922**	P3,340,548
Write-off	-	(719,626)
Balance at end of year	**P2,620,922**	P2,620,922

7. Inventories

This account consists of:

	Note	2018	2017
Spirits - at cost		**P408,967,051**	P530,912,055
Wines - at cost		**88,056,215**	51,121,349
Specialty beverages - at cost		**67,896,842**	112,763,156
	14	**P564,920,108**	P694,796,560

In 2018 and 2017, inventories amounting to P2,011,404,563 and P1,644,155,615, respectively, were recognized as an expense during the year and included in "Cost of goods sold" (see Note 14).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2018	2017
Advances to suppliers	**P360,778,648**	P58,202,844
Input VAT	**13,062,393**	7,756,548
Prepaid expenses	**900,132**	1,190,783
	P374,741,173	P67,150,175

Advances to suppliers pertain to initial down payment made by the Company to suppliers and will be applied against future billings.

In 2017, the Company recognized an impairment loss on its unutilized creditable withholding taxes (see Note 15).

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
December 31, 2016	P17,467,991	P3,882,920	P8,845,801	P1,883,144	P7,974,752	P40,054,608
Additions	-	34,141	-	209,808	796,343	1,040,292
December 31, 2017	17,467,991	3,917,061	8,845,801	2,092,952	8,771,095	41,094,900
Additions	721,429	29,821	5,355,440	680,050	487,381	7,274,121
December 31, 2018	**18,189,420**	**3,946,882**	**14,201,241**	**2,773,002**	**9,258,476**	**48,369,021**
Accumulated Depreciation and Amortization						
December 31, 2016	17,436,845	3,836,795	6,462,815	901,884	6,926,579	35,564,918
Depreciation and amortization for the year	14,375	64,891	592,977	443,223	935,585	2,051,051
December 31, 2017	17,451,220	3,901,686	7,055,792	1,345,107	7,862,164	37,615,969
Depreciation and amortization for the year	74,494	13,037	1,485,550	573,551	834,122	2,980,754
December 31, 2018	**17,525,714**	**3,914,723**	**8,541,342**	**1,918,658**	**8,696,286**	**40,596,723**
Carrying Amounts						
December 31, 2017	P16,771	P15,375	P1,790,009	P747,845	P908,931	P3,478,931
December 31, 2018	**P663,706**	**P32,159**	**P5,659,899**	**P854,344**	**P562,190**	**P7,772,298**

Depreciation and amortization expense for the years ended December 31, 2018 and 2017 were charged as part of "Operating expenses" in profit or loss (see Note 15).

10. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade payables to third parties	*20*	**P152,268,905**	P212,714,270
Nontrade:			
Related parties	*11, 20*	**13,562,353**	2,717,707
Third parties	*20*	**17,683,792**	39,891,739
Accrued expenses	*20*	**19,212,625**	14,666,018
Provision		**13,901,018**	5,747,925
Payables to government agencies		**2,296,076**	10,275,328
		P218,924,769	P286,012,987

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit term.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit term. These also include interest on advances from the Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

In 2018 and 2017, the Company set-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

The Company has recognized provision for probable losses as part of "Operating expenses" in profit or loss amounting to P8,153,093 and P5,747,925 as at December 31, 2018 and 2017, respectively (see Notes 15).

11. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category	Year	Note	Transactions During the Year	Outstanding Balance: Trade Receivables	Outstanding Balance: Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Advances	2018	a	P -	P -	P105,000,000	Payable on demand	Unsecured
	2017		-	-	105,000,000		
• Interest expense	2018	a, 10	3,315,699	-	4,103,099	Payable on demand	Unsecured
	2017		1,890,000	-	787,500		
• Management fee	2018	b, 15	-	-	106,700,000	Due and demandable	Unsecured
	2017		60,000,000		106,700,000	non-interest-bearing	
Entities under Common Control							
• Advances	2018	c	-	-	86,000,000	Payable on demand;	Unsecured
	2017		-	-	86,000,000	non-interest-bearing	
• Sales of goods	2018	d, 6	533,707,616	195,187,171	-	30 to 60-day	Unsecured;
	2017		448,927,615	219,122,389	-	credit term; non-interest-bearing	no impairment
• Rent expense	2018	e, 10, 18	2,224,290	-	1,053,350	Payable on demand;	Unsecured
	2017		2,412,425	-	1,633,296	non-interest bearing	
• Reimbursement of expenses	2018	f, 10	8,405,904	-	8,405,904	Payable on demand;	Unsecured
	2017		296,911	-	296,911	non-interest bearing	
TOTAL	**2018**			**P195,187,171**	**P311,262,353**		
TOTAL	2017			P219,122,389	P300,417,707		

a. Cash advances extended by its Parent Company in the form of promissory note. These advances earn annual interest rate of 3.0% and 1.8% for 2018 and 2017, respectively with maturities of two (2) years.

b. The Parent Company provides corporate services to the Company.

c. These are cash advances from an entity under common control for additional working capital requirements.

d. In the normal course of business, the Company distributes wines and liquors to entities under common control.

e. The Company entered into a lease agreement with an entity under common control for its office space (see Note 18).

f. This represents advances from officers and related parties in the form of reimbursement of expenses and working capital advances.

g. The compensation of the key management personnel of the Company, by benefit type, follows:

	2018	2017
Short-term employee benefits	P3,716,838	P2,799,844
Retirement benefits cost	110,009	499,841
	P3,826,847	P3,299,685

As at December 31, 2018 and 2017, amounts owed to related parties are presented as follows:

	Note	2018	2017
Trade and other payables	10	P13,562,353	P2,717,707
Due to related parties		297,700,000	297,700,000
		P311,262,353	P300,417,707

Amounts owed by and owed to related parties are to be settled in cash.

12. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 3.00% and 2.875% in 2017 and 2018, respectively. This loan is intended to finance the inventory build up and additional working capital requirements of the Company.

This loan is not subject to compliance with any loan covenant.

Interest expense recognized in profit or loss relating to the loan payable amounted to P16,224,251 and P1,829,770 for the year ended December 31, 2018 and 2017, respectively (see Note 16 and 22).

13. Equity

Retained Earnings

On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100 million, payable to stockholders of record as at the same date.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the Board of Directors; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2018, the Company has retained earnings in excess of its paid-up capital. The Company is planning to apply for an increase in the authorized capital stock of the Company with the SEC in 2020 or 2021 to address the excess retained earnings.

14. Cost of Goods Sold

This account consists of:

	Note	**2018**	2017
Inventory at beginning of year		**P694,796,560**	P517,568,072
Net purchases during the year		**1,881,528,111**	1,821,384,103
Cost of goods available for sale		**2,576,324,671**	2,338,952,175
Inventory at end of year	7	**(564,920,108)**	(694,796,560)
		P2,011,404,563	P1,644,155,615

15. Operating Expenses

This account consists of:

	Note	2018	2017
Advertising		**P140,094,281**	P42,509,159
Warehousing and delivery		**47,935,715**	44,860,685
Salaries, wages and other employee benefits	*17*	**42,742,510**	38,445,753
Rent	*18*	**10,439,588**	9,783,136
Provision for probable losses	*10*	**8,153,093**	5,747,925
Taxes and licenses		**3,985,973**	5,120,236
Utilities		**3,621,377**	3,533,786
Depreciation and amortization	9	**2,980,754**	2,051,051
Insurance		**2,123,012**	1,761,520
Transportation and travel		**1,715,796**	1,911,756
Representation		**1,403,849**	4,637,538
Janitorial services		**1,337,530**	1,067,469
Office supplies		**939,138**	1,090,762
Repair and maintenance		**739,313**	587,441
Professional fees		**530,246**	2,101,384
Management fee	*11*	**-**	60,000,000
Impairment loss on creditable withholding taxes	*8*	**-**	4,426,092
Miscellaneous		**1,568,956**	119,474
		P270,211,131	P229,755,167

16. Other Income (Charges) - net

This account consists of:

	Note	2018	2017
Interest expense	*11, 12*	**(P19,539,850)**	(P3,719,770)
Foreign exchange losses - net	*20*	**(1,044,792)**	(791,464)
Bank charges		**(397,461)**	(632,271)
Interest income	*5*	**354,578**	80,816
		(P20,627,525)	(P5,062,689)

17. Retirement Benefits

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, Retirement Pay Law, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one year.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2018.

The table below shows the present value of defined benefits retirement obligation/ retirement benefits liability and its components as at December 31, 2018:

	2018	2017
Balance at beginning of year	**P14,233,985**	P11,960,102
Recognized in Profit or Loss		
Current service cost	**581,737**	1,630,430
Interest expense	**765,789**	643,453
	1,347,526	2,273,883
Included in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Financial assumptions	**(3,614,998)**	-
Demographic assumptions	**(6,234,701)**	-
Experience adjustments	**830,744**	-
	(9,018,955)	-
Balance at end of year	**P6,562,556**	P14,233,985

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) as at December 31 used to determine retirement benefits are as follows:

	2018	2017
Discount rate	**7.50%**	5.38%
Salary increase rate	**8.00%**	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the benefit payments is approximately 7.7 years as at December 31, 2018.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

	2018		2017	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P476,084)**	**P535,575**	(P908,128)	P623,449
Future salary growth	**527,757**	**(478,187)**	1,281,059	(996,379)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis of the expected future benefit payments is as follows:

	2018				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Defined benefits obligation	**P6,562,566**	**P10,040,406**	**P -**	**P708,262**	**P9,332,144**

	2017				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Defined benefits obligation	P14,233,985	P14,745,976	P -	P745,385	P14,000,591

18. Operating Lease Agreements

Company as Lessee

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties. This lease agreement was subsequently renewed for three (3) years from July 16, 2018 to July 16, 2021 (see Note 11).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building located at 3270 Gasanco Compound, Merville Annex Road, Pasay City for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting second year and 10% starting fourth year.

The lease agreements provide for, among others, security deposits amounting to P2,807,854 and P2,322,120 as at December 31, 2018 and 2017, respectively, which are shown as "Refundable deposits" in the statements of financial position.

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P10,439,588 and P9,783,136 in 2018 and 2017, respectively (see Note 15).

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2018	2017
Within one year	**P11,420,158**	P9,155,648
After one year but not more than five years	**6,886,789**	11,853,622
	P18,306,947	P21,009,270

19. Income Taxes

The components of provision for income tax are shown below:

	2018	2017
Current	**P14,611,435**	P41,834,381
Deferred	**(476,544)**	193,350
	P14,134,891	P42,027,731

Current provision for income tax represents regular corporate income tax in 2018 and 2017.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2018	2017
Income before income tax	**P66,348,503**	P146,418,195
Provision for income tax computed at the statutory tax rate of 30%	**19,901,301**	P43,925,458
Reductions in income taxes resulting from the tax effects of:		
Interest income subjected to final tax	**(106,373)**	(24,245)
Other adjustments	**(5,660,037)**	(1,873,482)
Provision for income tax	**P14,134,891**	P42,027,731

The components of the Company's deferred income tax assets are as follows:

	2018	2017
Retirement benefits liability	**P1,968,768**	P4,270,196
Allowance for expected credit losses on trade receivables	**786,277**	786,277
Unrealized foreign exchange losses	**294,968**	222,683
	P3,050,013	P5,279,156

The movements of net deferred income tax assets are accounted for as follows:

	2018	2017
Amount charged to profit or loss	**P476,544**	(P193,350)
Amount charged to OCI relating to remeasurement of defined benefits plan	**(2,705,687)**	-
Net decrease in deferred income tax assets	**(P2,229,143)**	(P193,350)

20. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2018**	2017
Cash in banks	5	**P130,655,881**	P73,614,333
Trade and other receivables - net	6	**796,755,289**	761,984,325
Refundable deposits	18	**2,807,854**	2,322,120
		P930,219,024	P837,920,778

As at December 31, 2018 and 2017, the aging per class of financial assets is as follows:

December 31, 2018

	Neither Past Due nor Impaired	Past Due but not Impaired: 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P130,655,881	P -	P -	P -	P -	P130,655,881
Trade and other receivables	504,681,127	121,565,128	47,812,232	122,696,802	2,620,922	799,376,211
Refundable deposits	2,807,854	-	-	-	-	2,807,854
	P638,144,862	P121,565,128	P47,812,232	P122,696,802	P2,620,922	P932,839,946

December 31, 2017

	Neither Past Due nor Impaired	Past Due but not Impaired: 1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in banks	P73,614,333	P -	P -	P -	P -	P73,614,333
Trade and other receivables	384,908,023	101,444,794	31,283,038	244,348,470	2,620,922	764,605,247
Refundable deposits	2,322,120	-	-	-	-	2,322,120
	P460,844,476	P101,444,794	P31,283,038	P244,348,470	P2,620,922	P840,541,700

Based on the historical default rates, the Company believes other than the specifically impaired trade and other receivables, no additional allowance for expected credit losses is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2018 and 2017, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2018 and 2017 are as follows:

	December 31, 2018			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P130,655,881	P -	P -	P130,655,881
Trade and other receivables	-	504,681,127	-	504,681,127
Refundable deposits	-	2,807,854	-	2,807,854
Total	P130,655,881	P507,488,981	P -	P638,144,862

	December 31, 2017			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P73,614,333	P -	P -	P73,614,333
Trade and other receivables	-	384,908,023	-	384,908,023
Refundable deposits	-	2,322,120	-	2,322,120
Total	P73,614,333	P387,230,143	P -	P460,844,476

The Company assessed the credit quality of the following financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. High grade trade and other receivables pertain to those receivables from customers who consistently pay before the maturity date. Standard grade trade and other receivable includes those that are collected on their due dates even without an effort from the Company to follow them up while receivables which are collected on their due dates provided that Company made a persistent effort to collect them are included under substandard grade receivables.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

ECL Assessment as at December 31, 2018
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, the trade and other receivables have been assessed on the collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2018:

	December 31, 2018		
	Gross Carrying Amount	Expected Credit Loss Allowance	Credit-impaired
Current (not past due)	P504,681,127	P -	No
1-30 days past due	121,565,128	-	No
31-60 days past due	47,812,232	-	No
61-90 days past due	34,833,626	-	No
91-180 days past due	29,149,660	-	No
181-360 days past due	38,807,876	-	No
More than 360 days past due	22,526,562	2,620,922	Yes
	P799,376,211	P2,620,922	

The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The additional allowance for expected credit losses of trade and other receivables of the Company as a result of the expected credit loss assessment amounted to nil as at December 31, 2018. The application of the expected credit loss rates to the trade and other receivables of the Company did not have a material impact on the financial statements.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumptions is immaterial.

Liquidity Risk

The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P130,655,881	P130,655,881	P130,655,881	P -
Trade and other receivables - net	796,755,289	796,755,289	796,755,289	-
Refundable deposits	2,807,854	2,807,854	-	2,807,854
Total	P930,219,024	P930,219,024	P927,411,170	P2,807,854

	As at December 31, 2018			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P202,727,675	P202,727,675	P202,727,675	P -
Due to related parties	297,700,000	301,015,599	301,015,599	-
Loan payable	357,000,000	359,782,767	359,782,767	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Total	P957,427,675	P963,526,041	P963,526,041	P -

**Excluding provision and payables to government agencies.*

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P73,614,333	P73,614,333	P73,614,333	P -
Trade and other receivables - net	761,984,325	761,984,325	761,984,325	-
Refundable deposits	2,322,120	2,322,120	-	2,322,120
Total	P837,920,778	P837,920,778	P835,598,658	P2,322,120

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P269,989,734	P269,989,734	P269,989,734	P -
Due to related parties	297,700,000	299,590,000	299,590,000	-
Loan payable	50,000,000	50,704,966	50,704,966	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Total	P717,689,734	P720,284,700	P720,284,700	P -

**Excluding provision and payables to government agencies.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Foreign Currency Risk

The Company's foreign currency denominated assets and liabilities as at December 31, 2018 and 2017 are as follows:

	As at December 31, 2018				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	437,722	(437,722)	52.72	(23,076,704)
GBP	-	8,318	(8,318)	66.73	(555,060)
					(23,631,764)

As at December 31, 2017					
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	319,405	319,405	49.93	(15,947,892)
EUR	-	238,932	238,932	59.61	(14,242,737)
					(30,190,629)

Net foreign exchange losses recognized in profit or loss amounted to P1,044,792 and P791,464 for the years ended December 31, 2018 and 2017, respectively (see Note 16).

Sensitivity Analysis
The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2018	
	Percentage Increase (Decrease) in Foreign Exchange Rates	**Effect in Income after Income Tax**
USD	**5.59%**	**P902,640 decrease**
GBP	**- 0.58%**	**2,237 increase**

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	0.23%	P26,221 decrease
EUR	15%	1,494,245 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management
The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

21. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable
The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits
The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties
The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as at December 31, 2018 and 2017 are presented below:

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash	**P130,920,946**	**P130,920,946**	P73,939,731	P73,939,731
Trade and other receivables - net	**796,755,289**	**796,755,289**	761,984,325	761,984,325
Refundable deposits	**2,807,854**	**2,800,706**	2,322,120	2,316,206
	P930,484,089	**P930,476,941**	P838,246,176	P838,240,262

	2018		2017	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Liabilities				
Trade and other payables	**P202,727,675**	**P202,727,675**	P269,989,734	P269,989,734
Due to related parties	**297,700,000**	**301,015,599**	297,700,000	299,590,000
Loan payable	**357,000,000**	**359,782,767**	50,000,000	50,704,966
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
	P957,427,675	**P963,526,041**	P717,689,734	P720,284,700

22. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities are as follow:

	December 31, 2018		
	Loan Payable	**Accrued Interest**	**Total**
Balances at beginning of year	**P50,000,000**	**P787,500**	**P50,787,500**
Cash Flows from Financing Activities			
Proceeds from availment of loan payable	**437,000,000**	**-**	**437,000,000**
Payments of loan payable	**(130,000,000)**	**-**	**(130,000,000)**
Interest expense	**16,224,251**	**3,315,599**	**19,539,850**
Interest paid	**(16,224,251)**	**-**	**(16,224,251)**
	P357,000,000	**P4,103,099**	**P361,103,099**

	December 31, 2017		
	Loan Payable	Accrued Interest	Total
Balances at beginning of year	P70,000,000	P787,500	P70,787,500
Cashflows from financing activities			
Payments of loan payable	(20,000,000)	-	(20,000,000)
Interest expense	-	3,719,770	3,719,770
Interest paid	-	(3,719,770)	(3,719,770)
	P50,000,000	P787,500	P50,787,500

23. Subsequent Events

Effects of Corona Virus Disease 2019 (COVID-19)
On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households, all public transportation are suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained.

The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

Purchase of Pernod Shares
In February 2019, the Company engaged in a Shareholders' Agreement and a Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of 30% shares of Pernod Ricards Philippines, Inc. (Pernod).

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2018:

a. VAT

1. Output VAT	**P278,163,377**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P2,318,028,144**
Zero rated sales	**50,552,746**
Total sales	**P2,368,580,890**
2. Input VAT	
Beginning of year	**P7,756,548**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**248,831,639**
b. Goods other than for resale or manufacture	**-**
c. Services lodged under other accounts	**14,237,140**
VAT payments and other adjustments	**20,400,443**
VAT credits used	**(278,163,377)**
Balance at end of year	**P13,062,393**

b. Customs Duties and Tariff Fees

Landed cost of imports	**P1,186,034,758**
Customs duties and tariff fees paid or accrued	**88,004,034**
	P1,274,038,792

c. Excise Taxes

Imported excisable items wines and liquor	**P222,541,195**

d. Documentary Stamp Tax

On borrowings	**P2,394,175**

e. Withholding Taxes

Tax on compensation and benefits	**P4,449,592**
Expanded withholding taxes	**5,260,685**
	P9,710,277

f. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	**P1,170,301**
Others	**421,497**
	P1,591,798

g. Tax Cases and Assessments

On June 14, 2018, the Company received a Preliminary Assessment Notice (PAN) covering Income Tax, Value Added Tax, Withholding Tax on Compensation and Documentary Stamp Tax for the taxable year 2017. The initial deficiency assessment based on preliminary investigation amounted to P7 million. The Company paid the deficiency tax in 2018.

Information on tariff fees paid or accrued, are not applicable since the Company did not enter into transactions which will result to payment of accrual of such taxes.

"ANNEX D-5"

PREMIER WINE & SPIRITS, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of **Premier Wine and Spirits, Inc. ("the Company")** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Premier Wine and Spirits, Inc.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Premier Wine and Spirits, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

RECEIVED

Signed this 19th day of November 2020

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6787 Ayala Avenue, Makati City
Philippines 1226
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Internet www.home.kpmg/ph
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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., for the year ended December 31, 2017, on which we have rendered our report dated November 27, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018, valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
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Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8116783
Issued January 2, 2020 at Makati City

November 27, 2020
Makati City, Metro Manila

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PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2017	2016
ASSETS			
Current Assets			
Cash	*5*	**P73,939,731**	P14,520,760
Trade and other receivables - net	*6, 11*	**761,984,325**	750,313,182
Inventories	*7, 14*	**694,796,560**	517,568,072
Prepaid expenses and other current assets	*8*	**67,150,175**	92,894,339
Total Current Assets		**1,597,870,791**	1,375,296,353
Noncurrent Assets			
Property and equipment - net	*9*	**3,478,931**	4,489,690
Deferred income tax assets	*19*	**5,279,156**	5,472,506
Refundable deposits	*16*	**2,322,120**	2,207,120
Total Noncurrent Assets		**11,080,207**	12,169,316
		P1,608,950,998	P1,387,465,669
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*10, 11*	**P286,012,987**	P193,108,934
Due to related parties	*11*	**297,700,000**	239,500,000
Dividends payable	*13*	**100,000,000**	100,000,000
Loan payable	*12*	**50,000,000**	70,000,000
Income tax payable		**24,366,430**	40,649,501
Total Current Liabilities		**758,079,417**	643,258,435
Noncurrent Liability			
Retirement benefits liability	*17*	**14,233,985**	11,960,102
Total Liabilities		**772,313,402**	655,218,537
Equity			
Capital stock - P100 par value: Authorized, issued and outstanding - 1,500,000 shares		**150,000,000**	150,000,000
Additional paid-in capital		**1,500,000**	1,500,000
Retained earnings	*13*	**685,472,457**	581,081,993
Accumulated remeasurements on retirement benefits		**(334,861)**	(334,861)
Total Equity		**836,637,596**	732,247,132
		P1,608,950,998	P1,387,465,669

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2017	2016
NET SALES	*11*	**P2,025,391,666**	P1,800,926,922
COST OF GOODS SOLD	*14*	**1,644,155,615**	1,455,222,626
GROSS PROFIT		**381,236,051**	345,704,296
OPERATING EXPENSES	*15*	**229,755,167**	158,579,734
INCOME FROM OPERATIONS		**151,480,884**	187,124,562
OTHER INCOME (CHARGES) - Net	*16*	**(5,062,689)**	3,368,825
INCOME BEFORE INCOME TAX		**146,418,195**	190,493,387
PROVISION FOR INCOME TAX	*19*	**42,027,731**	57,135,036
NET INCOME		**104,390,464**	133,358,351
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gain on retirement benefits	*17*	**-**	580,577
Deferred income tax expense	*19*	**-**	(174,173)
		-	406,404
TOTAL COMPREHENSIVE INCOME		**P104,390,464**	P133,764,755

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	Capital Stock	Additional Paid-in Capital	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 13)	Total
Balances at December 31, 2015	P150,000,000	P1,500,000	(P741,265)	P447,723,642	P598,482,377
Net income for the year	-	-	-	133,358,351	133,358,351
Other comprehensive income	-	-	406,404	-	406,404
Total comprehensive income	-	-	406,404	133,358,351	133,764,755
Balances at December 31, 2016	150,000,000	1,500,000	(334,861)	581,081,993	732,247,132
Net income for the year	-	-	-	104,390,464	104,390,464
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	-	104,390,464	104,390,464
Balances at December 31, 2017	**P150,000,000**	**P1,500,000**	**(P334,861)**	**P685,472,457**	**P836,637,596**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		P146,418,195	P190,493,387
Adjustments for:			
Provision for probable losses	*10, 15*	5,747,925	-
Impairment losses on creditable withholding taxes	*15*	4,426,092	-
Interest expense	*11, 12, 16, 22*	3,719,770	3,489,167
Retirement benefits costs	*17*	2,273,883	517,860
Depreciation and amortization	*9*	2,051,051	1,641,539
Unrealized foreign exchange losses - net		742,274	2,941,033
Interest income	*5, 16*	(80,816)	(73,654)
Operating income before working capital changes		165,298,374	199,009,332
Decrease (increase) in:			
Trade and other receivables		(11,671,143)	(220,870,558)
Inventories		(177,228,488)	57,526,196
Prepaid expenses and other current assets		21,318,072	(55,487,108)
Refundable deposits		(115,000)	(70,323)
Increase in:			
Trade and other payables		86,413,854	54,395,585
Due to related parties		58,200,000	48,342,500
Cash generated from operations		142,215,669	82,845,624
Income taxes paid		(58,117,452)	(65,213,750)
Interest paid	*22*	(3,719,770)	(3,331,667)
Interest received	*5, 16*	80,816	73,654
Net cash from operating activities		80,459,263	14,373,861
CASH FLOWS FROM AN INVESTING ACTIVITY			
Additions to property and equipment	*9*	(1,040,292)	(2,270,175)
CASH FLOWS FROM A FINANCING ACTIVITY			
Payments of loan payable	*22*	(20,000,000)	(30,000,000)
NET INCREASE (DECREASE) IN CASH		59,418,971	(17,896,314)
CASH AT BEGINNING OF YEAR		14,520,760	32,417,074
CASH AT END OF YEAR	*5*	P73,939,731	P14,520,760

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("CosCo" or "Parent Company"), a company incorporated in the Philippines. CosCo's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting, except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2017 and 2016 were approved and authorized for issue by the Board of Directors (BOD) on November 9, 2020.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following relevant and applicable amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies.

- PAS 7, *Statement of Cash Flows - Disclosure Initiative (Amendments)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company provided a reconciliation between the opening and closing balances for liabilities arising from financing activities (see Note 22).

- PAS 12, *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* (Amendments). The amendments clarify that: (a) the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset; (b) the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences; (c) the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and (d) an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The following interpretations and amendments to standards are not expected to have an impact on the Company's financial statements:

- Annual Improvements to PFRSs 2014 - 2016 Cycle - Clarification of the scope of the standard (Amendments to PFRS 12, *Disclosure of Interests in Other Entities*).

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition and Classification of Financial Instruments
Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except those designated at fair value through profit or loss (FVTPL), includes transaction cost.

On initial recognition, the Company classifies its financial assets in the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired and whether they are quoted in an active market. Financial liabilities on the other hand, are classified into the following categories: financial liabilities at FVTPL and other financial liabilities. Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at each reporting date.

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

As at December 31, 2017 and 2016, the Company's financial assets and financial liabilities consist of loans and receivables and other financial liabilities, respectively.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivables. After initial measurement, loans and receivables are subsequently carried at cost or amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date or the normal operating cycle, whichever is longer. Otherwise, these are classified as noncurrent assets.

As at December 31, 2017 and 2016, the Company's loans and receivables include cash in banks, trade and other receivables and refundable deposits.

Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVTPL upon the inception of the liability. These include liabilities arising from operations or borrowings (e.g., payables, accruals). Other financial liabilities are initially recognized at fair value, plus directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process. Financial liabilities are classified as current, except for maturities greater than twelve months after the reporting date. These are classified as noncurrent liabilities.

As at December 31, 2017 and 2016, the Company's other financial liabilities include trade and other payables (excluding provision, payables to government agencies and output VAT - net), due to related parties, dividends payable and loan payable.

Impairment of Financial Assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the contracted parties or group of contracted parties is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and Receivables

The Company first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as a difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced through the use of an allowance account, and the amount of the loss shall be recognized in profit or loss.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Loans and receivables, together with the related allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Where the continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset of transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2017 and 2016, no financial asset was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Trade and other payables" in the statement of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	3 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in the profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash and property dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax (VAT), returns, discounts, and rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing involvement with the goods. Transfer of risks and rewards of ownership coincide with the delivery of the products to the customers, under normal credit terms.

Commission Income
Commission income is recognized as income at the same time as the costs are incurred which generally coincides upon performance of service.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular, full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Company as Lessee
Leases where the lessors retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profits will allow the deferred income tax asset to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency-denominated Transactions and Translations

Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date

Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Company has not applied the following relevant and applicable new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

Effective January 1, 2018

- PFRS 9, *Financial Instruments (2014)*, replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The adoption of PFRS 9 will have no significant impact on the classification and measurement of the Company's financial assets and financial liabilities at January 1, 2018. Further, future adoption of the new hedge accounting requirements will have no effect on the Company's financial statements since the Company has no transactions eligible for hedge accounting. The Company also assessed that the adoption of this new standard will have no significant impact on the amount of impairment of the Company's financial assets.

- PFRS 15, *Revenue from Contracts with Customers*, replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes*, IFRIC 18, *Transfer of Assets from Customers*, and SIC-31, *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRS. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  The Company assessed that the adoption of PFRS 15 will have no significant impact on the Company's financial statements.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration* clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

  The Company assessed that the new standard will not have a significant impact in terms of the amounts reported in the financial statements. However, upon adoption, the Company will update its disclosure in accordance with the guidance on translation for foreign currency transactions involving advance consideration.

Effective January 1, 2019

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

  Early adoption is permitted. The Company has completed an initial assessment of the potential impact on its financial statements. The actual impact of applying PFRS 16 on the financial statements in the period of initial application will depend on future economic conditions and the Company's latest assessment of whether it will exercise any lease renewal options.

  So far, the most significant impact identified is that the Company will recognize new assets and liabilities for the operating lease of its office space and warehouse.

  In addition, the nature of expenses related to this lease will now change as PFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use of assets and interest expense on lease liabilities.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

  The interpretation also requires the reassessment of judgments and estimates applied if facts and circumstances change - e.g. as a result of examination or action by tax authorities. Following changes in tax rules or when a tax authority's right to challenge a treatment expires.

  Earlier application is permitted. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

- PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement (Amendments)* clarify that on amendment, curtailment or settlement of a defined benefit plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

  The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardships, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence";
  (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompany the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgments without substantively changing existing requirements.

  The amendments apply prospectively. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency

The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Operating Lease -Company as a Lessee

The Company entered into various lease agreements for its office space and warehouse as a lessee. The Company has determined that the lessors retain all significant risks and rewards of ownership of these properties which are accounted for under operating leases.

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The Company performs regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provides these with the appropriate allowance for impairment losses. The review is accomplished using a combination of specific and collective assessment approaches, with the impairment losses being determined for each risk grouping identified by the Company. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded general and administrative expenses and decrease current assets.

The carrying values of trade and other receivables amounted to P761,984,325 and P750,313,182 as at December 31, 2017 and 2016, respectively. As at December 31, 2017 and 2016, the Company's allowance for impairment losses on trade receivables amounted P2,620,922 and P3,340,548, respectively (see Note 6).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2017 and 2016. The cost of inventories amounted to P694,796,560 and P517,568,072 as at December 31, 2017 and 2016, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2017 and 2016.

The carrying amounts of property and equipment amounted to P3,478,931 and P4,489,690 as at December 31, 2017 and 2016, respectively. Depreciation and amortization recognized in profit or loss amounted to P2,051,051 and P1,641,539 in 2017 and 2016, respectively (see Notes 9 and 15).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertains to property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial asset which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

The carrying amounts of property and equipment amounted to P3,478,931 and P4,489,690 as at December 31, 2017 and 2016, respectively. No impairment loss was recognized for the Company's property and equipment in 2017 and 2016 (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P14,233,985 and P11,960,102 as at December 31, 2017 and 2016, respectively. (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P5,279,156 and P5,472,506 as at December 31, 2017 and 2016, respectively (see Note 19).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has recognized a provision for probable losses amounting to P5,747,925 and nil as at December 31, 2017 and 2016, respectively (see Notes 10 and 15).

6. Cash

This account consists of:

	Note	2017	2016
Cash on hand		**P325,398**	P449,598
Cash in banks	*20*	**73,614,333**	14,071,162
		P73,939,731	P14,520,760

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss from bank deposits amounted to P80,816 and P73,654 in 2017 and 2016, respectively (see Note 16).

6. Trade and Other Receivables

This account consists of:

	Note	2017	2016
Trade:			
Third parties		**P507,965,424**	P471,478,157
Related parties	*11*	**219,122,389**	137,743,807
Less allowance for impairment losses on trade receivables		**(2,620,922)**	(3,340,548)
		724,466,891	605,881,416
Nontrade		**37,189,362**	140,849,339
Others		**328,072**	3,582,427
	20	**P761,984,325**	P750,313,182

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit term.

Nontrade receivables pertain to unreimbursed portion of expenses paid in advance by the Company on behalf of its suppliers for brand promotions. These are non-interest-bearing and generally have a 60 to 90 days credit term.

The movement in allowance for impairment losses on trade receivables during the year was as follows:

	2017	2016
Balance at beginning of year	**P3,340,548**	P3,340,548
Write-off	**(719,626)**	-
Balance at end of year	**P2,620,922**	P3,340,548

7. Inventories

This account consists of:

	Note	2017	2016
Spirits - at cost		**P530,912,055**	P381,391,424
Wines - at cost		**51,121,349**	73,264,237
Specialty beverages - at cost		**112,763,156**	62,912,411
	14	**P694,796,560**	P517,568,072

In 2017 and 2016, the inventories amounting to P1,644,155,615 and P1,455,222,626, respectively, were recognized as an expense during the year and included in "Cost of goods sold".

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2017	2016
Advances to suppliers	**P58,202,844**	P92,454,056
Prepaid expenses	**1,190,783**	440,283
Input VAT on imports	**7,756,548**	-
	P67,150,175	P92,894,339

Advances to suppliers pertain to initial down payment for purchases of inventories and will be applied against future progress billings.

In 2017, the Company recognized an impairment loss on its unutilized creditable withholding taxes (see Note 15).

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
December 31, 2015	P17,424,866	P3,882,920	P7,881,631	P1,826,001	P6,769,015	P37,784,433
Additions	43,125	-	964,170	57,143	1,205,737	2,270,175
December 31, 2016	17,467,991	3,882,920	8,845,801	1,883,144	7,974,752	40,054,608
Additions	-	34,141	-	209,808	796,343	1,040,292
December 31, 2017	**17,467,991**	**3,917,061**	**8,845,801**	**2,092,952**	**8,771,095**	**41,094,900**
Accumulated Depreciation						
December 31, 2015	17,424,866	3,683,981	5,980,953	507,717	6,325,862	33,923,379
Depreciation and amortization for the year	11,979	152,814	481,862	394,167	600,717	1,641,539
December 31, 2016	17,436,845	3,836,795	6,462,815	901,884	6,926,579	35,564,918
Depreciation and amortization for the year	14,375	64,891	592,977	443,223	935,585	2,051,051
December 31, 2017	**17,451,220**	**3,901,686**	**7,055,792**	**1,345,107**	**7,862,164**	**37,615,969**
Carrying Amounts						
December 31, 2016	P31,146	P46,125	P2,382,986	P981,260	P1,048,173	P4,489,690
December 31, 2017	**P16,771**	**P15,375**	**P1,790,009**	**P747,845**	**P908,931**	**P3,478,931**

Depreciation and amortization expense in 2017 and 2016 were charged as part of "Operating expenses" in profit or loss.

10. Trade and Other Payables

This account consists of:

	Note	2017	2016
Trade payables to third parties	*20*	**P212,714,270**	P119,653,681
Nontrade:			
Related parties	*11, 20*	**2,717,707**	13,489,119
Third parties	*20*	**39,891,739**	47,762,585
Accrued expenses	*20*	**14,666,018**	2,426,029
Payables to government agencies		**10,275,328**	8,349,874
Provision	*15*	**5,747,925**	-
Output VAT - net		**-**	1,427,646
		P286,012,987	P193,108,934

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit term.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit term. These also include interest on advances from the Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

In 2017, the Company set-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only a general description is provided.

11. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

				Outstanding Balance			
Category	Year	*Note*	Transactions During the Year	Trade Receivables	Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Advances	**2017**	*a*	**P -**	**P -**	**P105,000,000**	Payable on demand on the second year from the date of receipt;	Unsecured
	2016		-	-	105,000,000	annual interest rate	
• Interest expense	**2017**	*a, 10*	**1,890,000**	-	**787,500**	of fixed 1.8% on the	
	2016		1,890,000	-	787,500	outstanding balance	
• Management fee	**2017**	*b, 15*	**60,000,000**	-	**106,700,000**	Due and demandable	Unsecured
	2016		50,000,000	-	48,500,000	non-interest-bearing	
Entities under Common Control							
• Advances	**2017**	*c*	**-**	-	**86,000,000**	Payable on demand,	Unsecured
	2016		-	-	86,000,000	non-interest-bearing	
• Sales of goods	**2017**	*d, 6*	**448,927,615**	**219,122,389**	-	30 to 60-day	Unsecured;
	2016		429,940,063	137,743,807	-	credit term; non-interest-bearing	no impairment
• Rent expense	**2017**	*e, 10, 16*	**2,412,425**	-	**1,633,296**	Demandable,	Unsecured
	2016		2,061,293	-	1,053,350	non-interest bearing	
• Reimbursement of expenses	**2017**	*f, 10*	**296,911**	-	**296,911**	Payable on demand;	Unsecured
	2016		722,433	-	11,648,269	non-interest bearing	
TOTAL	**2017**			**P219,122,389**	**P300,417,707**		
TOTAL	2016			P137,743,807	P252,989,119		

a. Cash advances extended from its Parent Company in a form of promissory note. These advances earn annual interest rate of 1.8% with maturities of two (2) years.

b. The Parent Company provides corporate services to the Company.

c. These are cash advances from an entity under common control for additional working capital requirements.

d. In the normal course of business, the Company distributes wines and liquors to entities under common control.

e. The Company leases its office space from an entity under common control (see Note 18).

f. This represents advances from officers and related parties in the form of reimbursement of expenses and working capital advances.

g. The compensation of the key management personnel of the Company, by benefit type, follows:

	2017	2016
Short-term employee benefits	**P2,799,844**	P6,680,581
Retirement benefits cost	**499,841**	499,841
	P3,299,685	P7,180,422

As at December 31, 2017 and 2016, amounts owed to related parties are presented as follows:

	Note	2017	2016
Trade and other payables	*10*	**P2,717,707**	P13,489,119
Due to related parties		**297,700,000**	239,500,000
		P300,417,707	P252,989,119

12. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 2.875% and 2.375% in 2017 and 2016, respectively. This loan is intended to finance the inventory build up and additional working capital requirements of the Company.

This loan is not subject to compliance with any loan covenant.

Interest expenses recognized in profit or loss relating to loan payable amounted to P1,829,770 and P1,599,167 in 2017 and 2016, respectively (see Note 16).

13. Equity

Retained Earnings

On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100 million, payable to stockholders of record as of the same date.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the Board of Directors; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2017, the Company has retained earnings in excess of its paid-up capital. The Company's management plans to apply for an increase in the authorized capital stock of the Company with the SEC in 2020 or 2021 to address the excess retained earnings.

14. Cost of Goods Sold

This account consists of:

	Note	**2017**	2016
Inventory at beginning of year		**P517,568,072**	P575,094,268
Net purchases during the year		**1,821,384,103**	1,397,696,430
Cost of goods available for sale		**2,338,952,175**	1,972,790,698
Inventory at end of year	*7*	**(694,796,560)**	(517,568,072)
		P1,644,155,615	P1,455,222,626

15. Operating Expenses

This account consists of:

	Note	2017	2016
Management fee	*11*	**P60,000,000**	P50,000,000
Warehousing and delivery		**44,860,685**	26,232,125
Advertising and samples		**42,509,159**	16,990,789
Salaries, wages and other employee benefits	*17*	**38,445,753**	29,925,766
Rent	*18*	**9,783,136**	10,149,729
Provision for probable losses	*10*	**5,747,925**	-
Taxes and licenses		**5,120,236**	5,030,805
Representation		**4,637,538**	4,754,743
Impairment losses on creditable withholding taxes	*8*	**4,426,092**	-
Utilities		**3,533,786**	3,915,334
Professional fees		**2,101,384**	1,984,520
Depreciation and amortization	*9*	**2,051,051**	1,641,539
Transportation and travel		**1,911,756**	1,885,972
Insurance		**1,761,520**	2,141,168
Office supplies		**1,090,762**	1,420,556
Janitorial services		**1,067,469**	931,979
Repair and maintenance		**587,441**	796,963
Miscellaneous		**119,474**	777,746
		P229,755,167	P158,579,734

16. Other Income (Charges) - net

This account consists of:

	Note	2017	2016
Interest expense	*11, 12*	**(P3,719,770)**	(P3,489,167)
Foreign exchange losses - net	*20*	**(791,464)**	(2,941,033)
Bank charges		**(632,271)**	(403,077)
Interest income	*5*	**80,816**	73,654
Reimbursements of salaries and wages		**-**	8,281,584
Commission income		**-**	1,615,944
Others - net		**-**	230,920
		(P5,062,689)	P3,368,825

Reimbursements of salaries and wages pertain to recovery of expense charged by the Company for promoting the products of its major suppliers.

Commission income is derived from intermediating between other local distributors of wines and liquors and foreign suppliers.

17. Retirement Benefits Liability

The Company has an unfunded, non-contributory, defined benefits retirement plan covering all of its regular, full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six (6) months or more of service considered as one year.

The succeeding table summarizes the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position. Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2016.

The table below shows the present value of defined benefits retirement obligation/ retirement benefits liability and its components as at December 31, 2017:

	2017	2016
Balance at beginning of year	**P11,960,102**	P12,022,819
Recognized in Profit or Loss		
Current service cost	**1,630,430**	1,630,430
Interest expense	**643,453**	508,639
Past service cost	-	(1,621,209)
	2,273,883	517,860
Included in Other Comprehensive Income		
Actuarial gain arising from:		
Financial assumptions	-	(847,445)
Experience adjustments	-	266,868
	-	(580,577)
Balance at end of year	**P14,233,985**	P11,960,102

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits in 2016 are as follows:

Discount rate	5.38%
Salary increase rate	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of the benefit payments is approximately 13.9 years as at December 31, 2016.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefits obligation by the amounts shown below:

	2017		2016	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P908,128)**	**P623,449**	(P1,494,068)	P1,824,401
Future salary growth	**1,281,059**	**(996,379)**	1,631,740	(1,375,534)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analysis of the benefit payments as at December 31, 2016 follow:

	2016				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefits obligation	P11,980,102	P14,745,976	P -	P745,385	P14,000,591

18. Operating Lease Agreements

Company as Lessee

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties (see Note 11).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building located at 3270 Gasanco Compound, Merville Annex Road, Pasay City for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting second year and 10% starting fourth year.

The lease agreements provides for, among others, security deposits amounting to P2,322,120 and P2,207,120 as at December 31, 2017 and 2016, respectively, which are shown as "Refundable deposits" in the statements of financial position.

Total rent expense on the above-mentioned lease agreements recognized in profit or loss amounted to P9,783,136 and P10,149,729 in 2017 and 2016, respectively (see Note 15).

Future minimum lease payments under non-cancellable operating leases as at December 31 are as follows:

	2017	2016
Within one year	**P9,155,648**	P9,626,411
After one year but not more than five years	**11,853,622**	20,373,175
	P21,009,270	P29,999,586

19. Income Taxes

The components of provision for income tax are shown below:

	2017	2016
Current	**P41,834,381**	P58,074,309
Deferred	**193,350**	(939,273)
	P42,027,731	P57,135,036

Current income tax represents regular corporate income tax in 2017 and 2016.

The reconciliation of the provision for income tax computed at statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2017	2016
Income before income tax	**P146,418,195**	P190,493,388
Provision for income tax computed at statutory tax rate of 30%	**P43,925,458**	P57,148,016
Additions to (reductions in) income taxes resulting from the tax effects of:		
Other adjustments	**(1,873,482)**	9,116
Interest income subjected to final tax	**(24,245)**	(22,096)
Provision for income tax	**P42,027,731**	P57,135,036

The components of the Company's deferred income tax assets are as follows:

	2017	2016
Retirement benefits liability	**P4,270,196**	P3,588,031
Allowance for impairment losses on trade receivables	**786,277**	1,002,165
Unrealized foreign exchange losses	**222,683**	882,310
	P5,279,156	P5,472,506

The movements of net deferred income tax asset are accounted for as follows:

	2017	2016
Amount charged to profit or loss	**(P193,350)**	P939,273
Amount charged to OCI relating to remeasurement on defined benefits plan	**-**	(174,173)
Increase (decrease) in deferred income tax assets	**(P193,350)**	P765,100

20. Financial Risk and Capital Management Objectives and Policies

Financial Risk Management Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, trade and other receivables, refundable deposits, security deposits, trade and other payables, due to related parties, loan payable and dividend payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Market Risk
- Liquidity Risk

Credit Risk

The investment of the Company's cash resources is managed so as to minimize risk while seeking to enhance yield. The Company's holding of cash in banks, trade and other receivables, and refundable deposits expose the Company to credit risk if the counterparty is unwilling or unable to fulfill its obligations, and the Company consequently suffers financial loss. Credit risk management involves entering into financial instruments only with counterparties with acceptable credit standing. The treasury policy sets aggregate limits of any one counterparty and annually reviews the exposure limits and credit ratings of the counterparties.

The Company has credit management policies in place to ensure that rental contracts are entered into with lessees who have sufficient financial capacity and good credit history. The Company and certain related parties' respective credit management units conduct a comprehensive credit investigation and evaluation of each buyer to establish paying capacity and creditworthiness.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	2017	2016
Cash in banks	5	**P73,614,333**	P14,071,162
Trade and other receivables - net	6	**761,984,325**	750,313,182
Refundable deposits	18	**2,322,120**	2,207,120
		P837,920,778	P766,591,464

As at December 31, 2017 and 2016, the aging per class of financial assets is as follows:

December 31, 2017

	Neither Past Due nor Impaired	**Past Due but not Impaired**			**Impaired**	**Total**
		1 to 30 Days	**31 to 60 Days**	**More than 60 Days**		
Cash in banks	P73,614,333	P -	P -	P -	P -	P73,614,333
Trade and other receivables	384,908,023	101,444,794	31,283,038	244,348,470	2,620,922	764,605,247
Refundable deposits	2,322,120	-	-	-	-	2,322,120
	P460,844,476	P101,444,794	P31,283,038	P244,348,470	P2,620,922	P840,541,700

December 31, 2016

	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in banks	P14,071,162	P -	P -	P -	P -	P14,071,162
Trade and other receivables	465,763,235	89,252,841	58,379,619	136,917,487	3,340,548	753,653,730
Refundable deposits	2,207,120	-	-	-	-	2,207,120
	P482,041,517	P89,252,841	P58,379,619	P136,917,487	P3,340,548	P769,932,012

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2017 and 2016, the Company does not expect any counterparty, other than trade customers, to fail to meet their obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration. The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality. In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The credit quality of the Company's financial assets that are neither past due nor impaired as at December 31, 2017 and 2016 are as follows:

	December 31, 2017			
	High Grade	**Standard Grade**	**Substandard Grade**	**Total**
Cash in banks	**P73,614,333**	**P -**	**P -**	**P73,614,333**
Trade and other receivables	**-**	**384,908,023**	**-**	**384,908,023**
Refundable deposits	**-**	**2,322,120**	**-**	**2,322,120**
	P73,614,333	**P387,230,143**	**P -**	**P460,844,476**

	December 31, 2016			
	High Grade	Standard Grade	Substandard Grade	Total
Cash in banks	P14,071,162	P -	P -	P14,071,162
Trade and other receivables	-	465,763,235	-	465,763,235
Refundable deposits	-	2,207,120	-	2,207,120
	P14,071,162	P467,970,355	P -	P482,041,517

The Company assessed the credit quality of the financial assets that are neither past due nor impaired as follows:

a. Cash in banks were assessed as high grade since these are deposited in reputable banks with a good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit quality of these financial assets is considered to be high grade.

b. High grade trade and other receivables pertain to those receivables from customers who consistently pay before the maturity date. Standard grade trade and other receivable includes those that are collected on their due dates event without an effort from the Company to follow them up while receivables which are collected on their due dates provided that Company made a persistent effort to-collect them are included under substandard grade receivables.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

Liquidity Risk

The following are the contractual maturities of financial assets and liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P73,614,333	P73,614,333	P73,614,333	P -
Trade and other receivables - net	761,984,325	761,984,325	761,984,325	-
Refundable deposits	2,322,120	2,322,120	-	2,322,120
	P837,920,778	P837,920,778	P835,598,658	P2,322,120

	As at December 31, 2017			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P269,989,734	P269,989,734	P269,989,734	P -
Due to related parties	297,700,000	299,590,000	299,590,000	-
Loan payable	50,000,000	50,704,966	50,704,966	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
	P717,689,734	P720,284,700	P720,284,700	P -

**Excluding provision and payables to government agencies.*

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P14,071,162	P14,071,162	P14,071,162	P -
Trade and other receivables - net	750,313,182	750,313,182	750,313,182	-
Refundable deposits	2,207,120	2,207,120	-	2,207,120
	P766,591,464	P766,591,464	P764,384,344	P2,207,120

	As at December 31, 2016			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Trade and other payables*	P183,331,414	P183,331,414	P183,331,414	P -
Due to related parties	239,500,000	240,287,500	240,287,500	-
Loan payable	70,000,000	70,815,308	70,815,308	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
	P592,831,414	P594,434,222	P594,434,222	P -

**Excluding payables to government agencies and output VAT - net.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to foreign currency risk.

Foreign Currency Risk

The Company's foreign currency denominated assets and liabilities as at December 31, 2017 and 2016 are as follows:

	As at December 31, 2017				
Currency	**Financial Assets**	**Financial Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	-	319,405	319,405	49.93	15,947,892
EUR	-	238,932	238,932	59.61	14,242,737
					30,190,629

	As at December 31, 2016				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	194,923	194,923	49.81	9,709,699
EUR	-	257,743	257,743	51.84	13,361,500
AUD	-	242,155	242,155	35.78	8,663,265
					31,734,464

Net foreign exchange losses recognized in profit or loss amounted to P791,464 and P2,941,033 for the years ended December 31, 2017 and 2016, respectively (see Note 16).

Sensitivity Analysis

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2017	
	Percentage Increase in Foreign Exchange Rates	**Effect in Income after Income Tax**
USD	0.23%	P26,221 decrease
EUR	15%	1,494,245 decrease

	December 31, 2016	
	Percentage Increase in Foreign Exchange Rates	Effect in Income after Income Tax
USD	6%	P382,355 decrease
EUR	3%	233,068 decrease
AUD	5%	304,840 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

21. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties

The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

The carrying amounts and estimated fair values of the Company's financial assets and liabilities as at December 31, 2017 and 2016 are presented below:

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Loans and Receivables				
Cash	**P73,939,731**	**P73,939,731**	P14,520,760	P14,520,760
Trade and other receivables - net	**761,984,325**	**761,984,325**	750,313,182	750,313,182
Refundable deposits	**2,322,120**	**2,316,206**	2,207,120	2,201,498
	P838,246,176	**P838,240,262**	P767,041,062	P767,035,440

	2017		2016	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Other Financial Liabilities				
Trade and other payables	**P269,989,734**	**P269,989,734**	P183,331,414	P183,331,414
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Loan payable	**50,000,000**	**50,704,966**	70,000,000	70,815,308
Due to related parties	**297,700,000**	**299,590,000**	239,500,000	240,287,500
	P717,689,734	**P720,284,700**	P592,831,414	P594,434,222

22. Reconciliation between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2017 are as follow:

	Loan Payable	Accrued Interest	Total
Balances at beginning of year	P70,000,000	P787,500	P70,787,500
Cashflows from Financing Activities			
Payments of loan payable	(20,000,000)	-	(20,000,000)
Interest expense	-	3,719,770	3,719,770
Interest paid	-	(3,719,770)	(3,719,770)
	P50,000,000	P787,500	P50,787,500

23. Subsequent Events

Effects of Corona Virus Disease 2019 (COVID-19)
On March 8, 2020, under Proclamation 922, the President of the Philippines (the "President") has declared a state of public health emergency due to the spread of the Corona Virus Disease 2019 (COVID-19) in the country. Subsequently on March 16, 2020, under Proclamation 929, the previously declared state of public health emergency was upgraded into a state of calamity. To manage the spread of the COVID-19, the entire Luzon has been placed under an Enhanced Community Quarantine (ECQ), effective from March 17, 2020 until April 12, 2020, which was further extended to May 15, 2020. During the ECQ, a strict home quarantine is implemented in all households, all public transportation are suspended, provision for food and essential health services is regulated and the presence of uniformed military personnel to enforce quarantine procedures is heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas is prohibited and retail stores are only allowed to sell the same during a limited time in the day. On May 16, 2020 onwards, the Philippine government placed different areas of the country either Modified Enhanced Community Quarantine (MECQ) or General Community Quarantine (GCQ), depending on the assessed risk. Several local government units lifted the liquor bans under MECQ and GCQ, subject to certain restrictions. Since the Company's primary operation is the importation and distribution of wines and spirits, the Company was only able to operate limitedly amidst the quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and make sure facilities, vital equipment, sanitation and security are adequately and properly maintained. The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

Purchase of Pernod Shares
In February 2019, the Company engaged in a Shareholders' Agreement and a Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of 30% shares of Pernod Ricards Philippines, Inc. (Pernod).

24. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2017:

a. **VAT**

1. Output VAT	**P227,409,995**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P1,895,083,293**
Zero rated sales	**130,308,373**
Total sales	**P2,025,391,666**
2. Input VAT	
Beginning of the year	**P -**
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	**205,950,759**
b. Goods other than for resale or manufacture	**-**
c. Services lodged under other accounts	**19,713,061**
VAT payments and other adjustments	**9,502,723**
VAT credits used	**(227,409,995)**
Balance at the end of the year	**P7,756,548**

b. **Customs Duties and Tariff Fees**

Landed cost of imports	**P819,361,802**
Customs duties and tariff fees paid or accrued	**59,146,382**
	P878,508,184

c. **Excise Taxes**

Imported excisable items wines and liquor	**P146,554,698**

d. **Documentary Stamp Tax**

On borrowings	**P440,345**

e. **Withholding Taxes**

Tax on compensation and benefits	**P5,630,026**
Expanded withholding taxes	**10,715,987**
	P16,346,013

f. **All Other Taxes (Local and National)**

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	**P4,679,891**

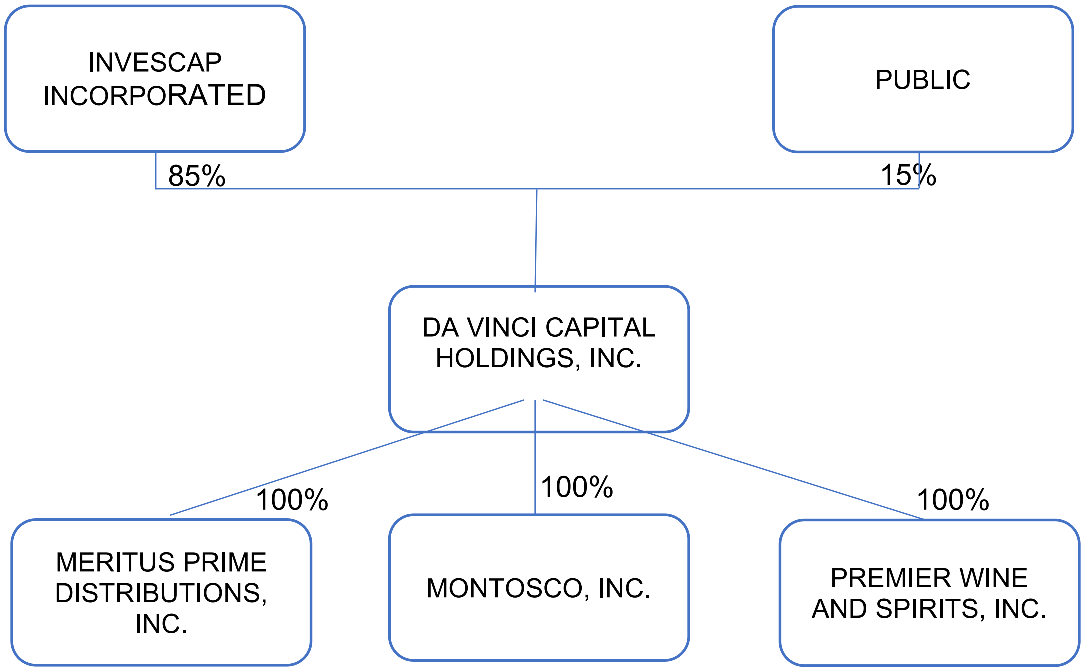
g. **Tax Cases and Assessments**

As at December 31, 2017, the Company has no pending tax cases nor has received tax assessment notices from the BIR.

Information on tariff fees paid or accrued, are not applicable since the Company did not enter into transactions which will result to payment of accrual of such taxes.

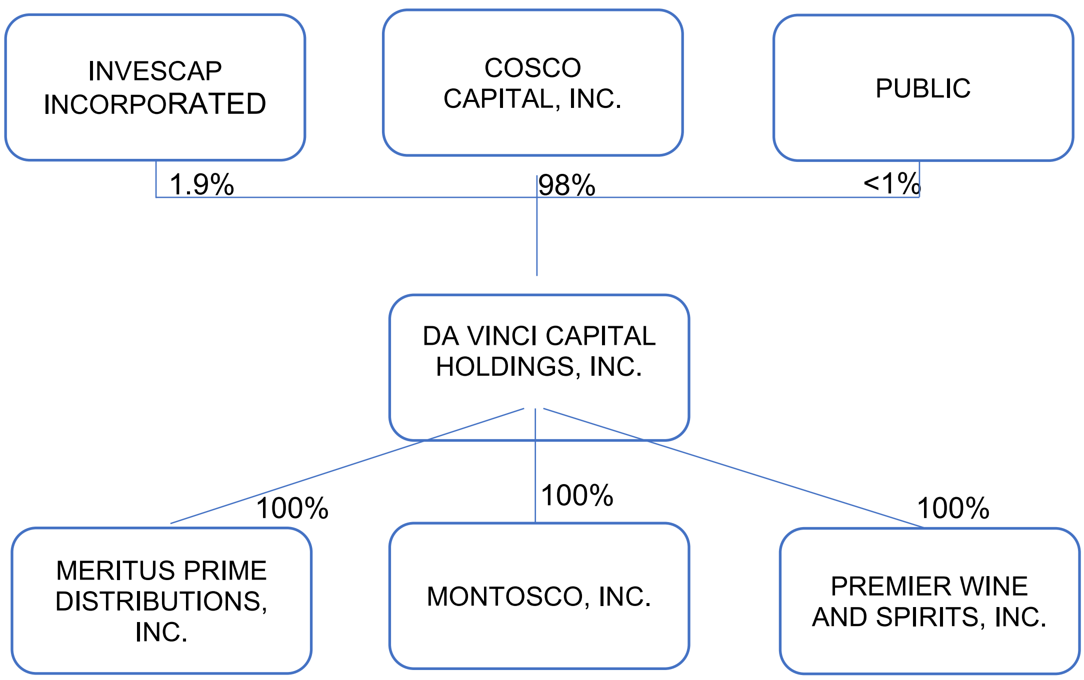
“ANNEX E”

OWNERSHIP STRUCTURE BEFORE THE
SHARE SWAP TRANSACTION



“ANNEX E-1”

OWNERSHIP STRUCTURE AFTER THE
SHARE SWAP TRANSACTION



"ANNEX D"

Project Integra

Valuation and issuance of fairness opinion on the shares of companies operating in the liquor distribution, and a listed shell company

8 April 2021

Strictly private and confidential

pwc

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Cosco Capital, Inc.
2/F Tabacalera Building, 900 Romualdez St.,
Paco, Manila, 1007

For the attention of Mr. Leonardo B. Dayao, President

8 April 2021

Dear Mr. Dayao,

Valuation report prepared by Isla Lipana & Co. ("we", "PwC", or the "Firm"), a member firm of PwC, in connection with the valuation and issuance of fairness opinion on the shares of companies operating in the liquor distribution industries (collectively, the "Subject Entities"), and a listed shell company.

This valuation report (the "Report") has been prepared by Isla Lipana & Co., a member firm of PwC, solely for Cosco Capital, Inc. ("Cosco", "You", or the "Company") with respect to the valuation of the shares of the Subject Entities and Da Vinci Capital Holdings, Inc. ("Da Vinci" or the "Listed Shell Company") as at 30 September 2020 and issuance of fairness opinion on the share swap ratio, in connection with Cosco's plan to enter into a share swap transaction with the Listed Shell Company.

The Subject Entities / Liquor Distribution Companies are as follows:

- Montosco, Inc. ("Montosco")
- Meritus Prime Distributions, Inc. ("Meritus")
- Premier Wine & Spirits, Inc. ("PWSI")

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Cosco Capital, Inc.
2/F Tabacalera Building, 900 Romualdez St.,
Paco, Manila, 1007

For the attention of Mr. Leonardo B. Dayao, President

This Report has been prepared in accordance with our supplemental letter dated 22 October 2020 and is solely for the purpose stated herein and should not be relied upon for any other purpose.

This Report is strictly confidential and, save to the extent required by applicable law and/or regulation, must not be released to any third-party without our expressed written consent.

If you require any clarification or further information, please contact me at +63 917 523 5913 or Darwin Saribay at +63 917 510 8069.

Yours faithfully,

Mary Jade T. Roxas – Divinagracia, CFA®, CVA

Managing Partner

Deals and Corporate Finance

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Scope and process (1 of 4)

Scope of work

To the fullest extent permitted by law, we accept no duty of care to any third-party in connection with the provisions of this Report and/or any related information or explanation (together, the “Information”). Accordingly, regardless of the form of action, whether in contract, tort or otherwise, and to the extent permitted by applicable law, the Firm accepts no liability of any kind to any third-party and disclaims all responsibility for the consequences of any third-party acting or refraining to act in reliance on the Information.

Accordingly, you understand and accept that the Deals and Corporate Finance group of Isla Lipana and Co., a member Firm of PwC, has not been employed in the capacity of examining certified public accountants and therefore has not expressed any form of comfort or assurance on the achievability of forecasts or the reasonableness of underlying assumptions beyond what is generally accepted under the standards common to the business value measurement profession.

We performed our procedures with the assumption that all information obtained in the valuation of the shares of the Subject Entities and the Listed Shell Company, including representations and warranties by Management are true, accurate, and provided in good faith.

Moreover, the scope of our work does not include a compliance review of financial information to tax laws and Philippine and International financial reporting standards. Accordingly, this Report may not have identified all matters that might be of concern to you.

Forecasts relate to future events and are based on Management assumptions which may not remain valid for the whole of the relevant period. We express no assurance of any kind on such prospective or forecast information since there will usually be differences between estimated and actual results, because events and circumstances frequently do not occur as expected, and those differences in results may be material. Consequently, this Information cannot be relied upon to the same extent as that derived from audited accounts for completed accounting periods. Accordingly, we express no opinion as to how closely the actual results achieved will correspond to the forecasts, and we take no responsibility of any kind for the achievement of the forecast provided by the Company and/or the Subject Entities.

Scope and process (2 of 4)

Sources of information

The information used by the Firm in preparing this Report have been obtained from a variety of sources as indicated within it. These include public disclosures and information obtained, discussed, and agreed with you. **Specifically, the information used by the Firm in preparing this Report is based substantially on information provided by the Management.** These inputs include, but are not limited to:

- Unaudited standalone trial balances of the Subject Entities and the Listed Shell Company as at 30 September 2020
- Audited financial statements of the Subject Entities for 2017, 2018 and 2019 reporting periods
- Forecasted financial information of the Subject Entities
- Historical and forecasted operating statistics of the Subject Entities, particularly average price per case per brand and number of cases sold per year per brand
- Expected policies on working capital management, including target DSO, DPO and DIO for the Subject Entities
- The outstanding number of shares of the Subject Entities and the Listed Shell Company

Moreover, except where otherwise stated in the Report, we have not subjected the financial information in the Report to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information provided by and on behalf of the Subject Entities or the Listed Shell Company. Our work cannot be relied upon to discover errors, irregularities, or illegal acts.

Scope and process (3 of 4)

Limitations

Our Report is not intended to be the basis for investment decisions and any action you take must ultimately remain a decision for you, taking into account matters outside the scope of our work of which you are aware of.

By its very nature, valuation work cannot be regarded as an exact science and the conclusions arrived at in many cases will be subjective and dependent on the exercise of individual judgment. There is, therefore, no indisputable single value and we normally express our valuation as falling within expected ranges, which in our opinion is reasonable and defensible, and others might wish to argue for different values.

Our conclusions are based on the information available as at the date of the Report. **To the extent appropriate and given the information made available to us, we have incorporated the potential impact of COVID-19 in the valuation. We have considered current company and market conditions as a result of the pandemic in analyzing the reasonableness of assumptions used. However, given the uncertainties brought about by the pandemic, we do not purport to have fully accounted for its impact in the valuation.**

We have not considered events subsequent to the date of the Report. Based on discussions with Management, we are not aware of any events subsequent to the Valuation Date and up to the date hereof that may materially impact the forecasted financial performance and other key inputs used in the valuation, or any circumstances that may materially impact the conclusions drawn in the valuation report. As to the impact of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) signed into law subsequent to the Valuation date, we have simulated its impact on the resulting fair values.

Economic conditions, market factors and changes in the performance of the business of the Subject Entities may result in our conclusions becoming quickly outdated and may require updating from time to time or before any major decisions are taken based on the Report. In any event, if you intend to make any decision based on the Report more than three months from the date of the Report, you must request our written confirmation as to the currency of our findings and conclusions.

The Report shall not be construed to cover and support any decisions and/or actions of the Subject Entities, their Management, and/or their shareholders that are outside the scope of the Transaction described herein.

Scope and process (4 of 4)

Independence

The Firm has been compliant with the independence requirements of Securities Regulation Code (SRC) Rule 19 and the Philippine Stock Exchange (PSE) in relation to the Transaction. Specifically, SRC Rule 19 section 19.2.6.1 defines independence as the absence of any business interest or family relationship with any party to the Transaction or of any of its directors, officers, or major stockholders, that could, or could reasonably be perceived to, materially interfere with the exercise of the professional judgment of the Firm, its representative or any member of the engagement team, in carrying out their responsibilities in assessing the fairness of the issuer's securities. Moreover, per Memorandum No. 2011-0104, the PSE does not consider a firm to be independent if:

- It is a related party to the applicant companies
- Its holding or subsidiary company provides financial advisory in relation to the applicant companies' listing application, or external audit services to the applicant companies, and
- Other circumstances or arrangements, direct or indirect, between the firm and the applicant companies that, in the determination of the PSE, may influence, or tend to influence, the objectivity and reliability of the fairness opinion and valuation report(s).

Isla Lipana & Co. has no present contemplated future interest in the Subject Entities or any other interest that might tend to prevent making a fair and unbiased valuation.

At a glance

At a glance (1 of 3)

Highlights – Using the discounted cash flows approach, we estimated the Liquor Distribution Companies' total value to be between PHP20,740.7m to PHP24,245.8m. The largest contributor to this value is Montosco, which accounts for around 84.3% of the total equity value of the Liquor Distribution Companies.

Business overview

1. Montosco - Its recovery and eventual growth will mainly be driven by sales from its brandy and whiskey segments, particularly Johnnie Walker, and Alfonso from Bodegas Williams & Humbert, S.A.U.
2. Meritus - Meritus distributes brands like Alhambra, Jim Beam, and Glenfiddich where it expects majority of its value to come from.
3. PWSI - PWSI's growth will be driven by its sales from wines and spirits through brands such Penfold Wines, Jose Cuervo, and Carlos.

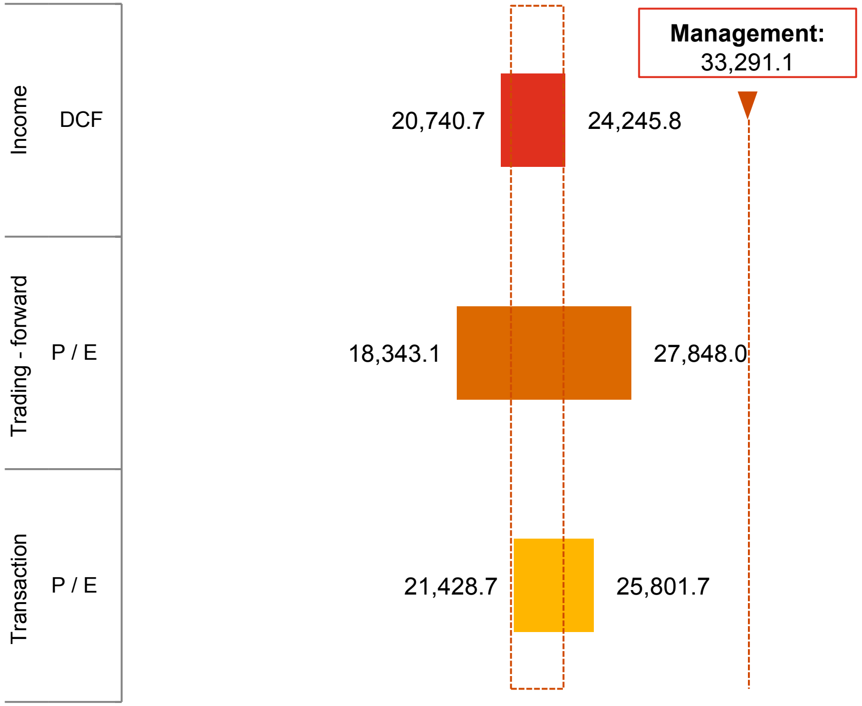
Key drivers of differences between the Management and PwC cases (1 of 2):

In determining the range of values for the low and high cases, we have analyzed available information based on the historical performance and key operating statistics of the Liquor Distribution Companies, outlook for the alcoholic beverages industry, and Management recovery and long-term plans.

a. Volume growth - Management's implied volume growth was derived from forecasted y-o-y revenue growth of 20.0% - 30.0%. For the low and high cases, volume growth was assessed based on the outlook of the industry and Management's plans and expectations on the recovery and sustainable growth of each liquor category.

b. Cost of sales - Assumptions regarding cost of sales under the low and high cases consider historical and/or forecasted levels to account for historical performances and planned measures to improve margins. that affect their costs.

Liquor Distribution Companies' range of equity values
PHP in millions



Source: PwC Analysis, Management Information

At a glance (2 of 3)

Highlights – Using the discounted cash flows approach, we estimated the Liquor Distribution Companies' total value to be between PHP20,740.7m to PHP24,245.8m. The largest contributor to this value is Montosco, which accounts for around 84.3% of the total equity value of the Liquor Distribution Companies.

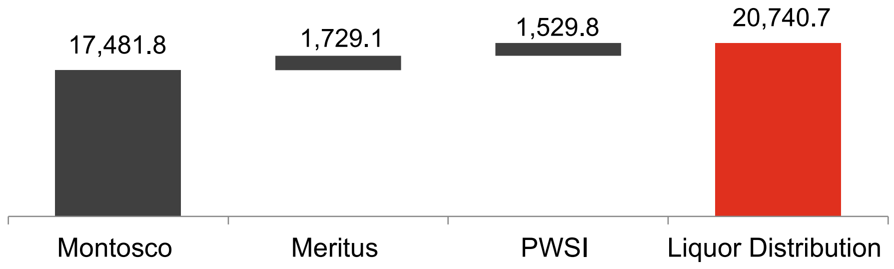
Key drivers of differences between the Management and PwC cases (2 of 2):

c. General and administrative expenses - We have assessed operating expenses based on their nature and the expected level of spending to sufficiently support the Liquor Distribution Companies' path to recovery and sustainable revenue growth. For the low and high cases, we generally deferred to Management from 2020 to 2022 to consider latest performance, and immediate strategies and recovery plans. Subsequently, we used annual price escalation based on EIU's Philippine inflation forecast, except for salaries and wages that were grown by nominal GDP from 2021 onwards.

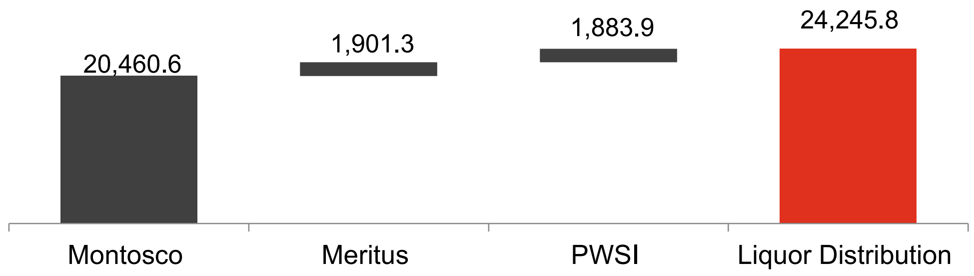
d. Net working capital - generally, we have considered the historical and contractual terms with suppliers and customers including actual cash collection and payment patterns of the Liquor Distribution Companies in order to estimate reasonable working capital levels. We have also considered working capital improvements that the Subject Entities are expecting based on efficiency measures that the Management has started to implement.

Please refer to pages 22 to 25 for a more detailed discussion on these assumptions

Range of equity values (Low case)
PHP in millions



Range of equity values (High case)
PHP in millions



Source: PwC Analysis, Management Information

At a glance (3 of 3)

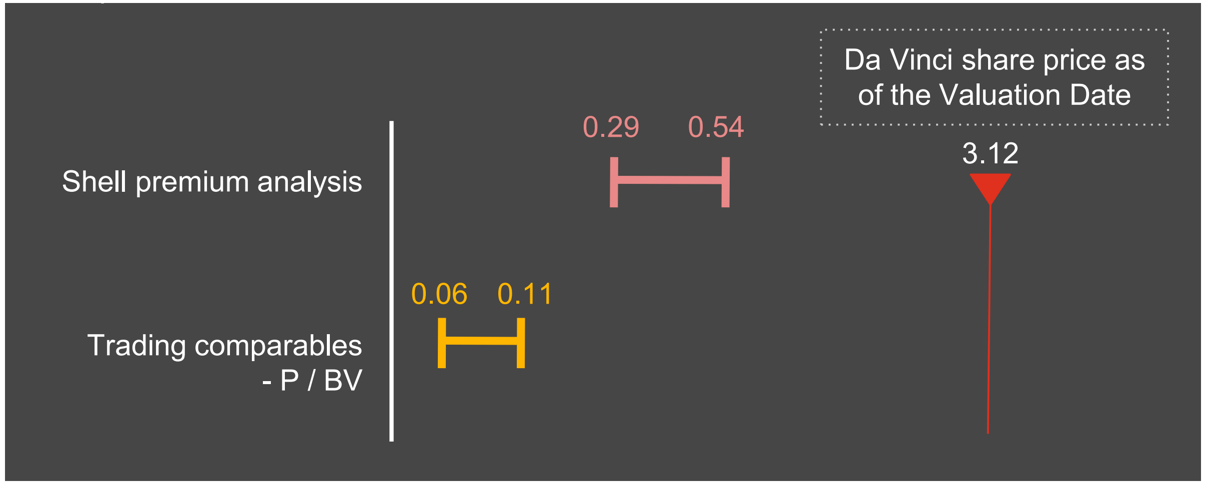
Highlights – Using the shell premium analysis, we estimated the value of Da Vinci to be between PHP320.6m to PHP603.4m or PHP0.29 to PHP0.54 price per share.

Overview

The implied market price of Da Vinci under the shell premium analysis is estimated to be between PHP0.29 to PHP0.54 per share. Under the trading comparables approach using P / BV multiple, the implied market price is estimated to be between PHP0.06 to PHP0.11 per share. As of 30 Sep 2020, Da Vinci was trading at PHP3.12 per share. The equity values are much lower than the traded price given the minimal net assets of the Listed Shell Company, and absence of operations and recurring sources of cash flows. As it is a non-operating company, we assessed that the share price of PHP3.12 as of 30 Sep 2020 may not be supportable by its fundamentals and circumstances.

PHP320.6m - PHP603.4m
Shell premium analysis

PHP63.9m - PHP127.2m
Trading comparables - P / BV multiple



Notes:

(1) The 30, 60, and 90-day Volume Weighted Average Share Price ("VWAP") of Da Vinci are PHP3.30, PHP3.51, and PHP3.54, respectively.

(2) As of 30 Sep 2020, Da Vinci has issued and outstanding shares of around 1.12bn.

(3) The P / BV multiple was used considering that Da Vinci does not have operations and earnings. The selected comparables used likewise do not have operations and earnings.

Source: PwC Analysis, Management Information, S&P CapIQ

Valuation methodologies, scope and limitations

Valuation methodology (1 of 2)

Income approach

The income-based approaches are premised on the principle that the value of a company/business is dependent upon the future economic benefits it can generate.

Discounted Cash Flows Approach ("DCF")

This method indicates the value of a business enterprise based on the present value of the cash flows that the business can be expected to generate in the future. Such cash flows are discounted at the weighted average cost of capital ("WACC") that reflects the time value of money and the risks associated with the cash flows and/or the business.

We deem it appropriate to use the discounted cash flow approach as a method to estimate the value of the Liquor Distribution Companies for the following reasons:

- The Liquor Distribution Companies are going concern businesses with cash flows that can be reasonably estimated;
- The DCF valuation methodology has the advantage of allowing explicit judgments to be made regarding matters specific to the business (e.g. price and volume growth, cost ratios, operating expenses, capital expenditures, discount rate, etc.); and,
- The DCF valuation methodology allows explicit recognition to be given to the time value of money.

Market approach

We used the market approach (1) in estimating the value of the Listed Shell Company and to (2) cross-check the Subject Entities' value estimated using the DCF method. The market approach entails three main steps:

1. selection of suitable comparable companies/transactions,
2. estimation of appropriate valuation multiples for the selected comparable companies/transactions, and
3. application of valuation multiples to the financials, adjusted for unusual or non-recurring items.

Comparable company analysis or "trading comps"

Trading comps was applied to know and understand how businesses like the Liquor Distribution Companies, and the Listed Shell Company are currently valued in the market relative to their peers. This is based on the idea that similar companies provide an appropriate and significant benchmark for valuing a company since they share key business and financial characteristics, performance drivers, and risks.

In performing relative valuation using this approach, we selected a set of comparable publicly-listed companies based on certain criteria (i.e. products, services, growth, market size, returns, etc.), as a result of their varying nature of business.

Valuation methodology (2 of 2)

Precedent transaction analysis or “transaction comps”

Similar to trading comps, transaction comps approach employs a multiples-based approach to estimate an implied valuation range for the Subject Entities.

The selection process included determining a universe of recent comparable transactions, considering targets with similar business models and financial characteristics as the Subject Entities.

The forward trading and implied transaction multiples were multiplied to the Subject Entities’ forecasted net income to come up with an estimated valuation range.

Precedent shell transactions analysis or “shell company valuation”

We used the precedent shell transactions analysis as the primary approach in valuing the Listed Shell Company. The shell company valuation approach estimates a shell premium over the book value of an entity’s net assets. The excess represents the premium over the net book value that a buyer is willing to pay to acquire a vehicle that will take a company public more efficiently.

Scope risks and limitations

The forecasts use certain key variables to arrive at an estimated range of fair values. Changes in these assumptions and business conditions may materially and adversely impact the valuation.

General assumptions

Several general assumptions are made to support the estimates of the values of the Subject Entities. These assumptions are:

1. There will be no major change in the existing political, legal, fiscal, and economic conditions (i.e. interest, inflation rate, easing of foreign ownership limits of property) in the country in which the Subject Entities operate in;
2. There will be no major change in the tax laws of the Philippines, including applicable tax rates, and that all applicable laws and regulations will be complied with;
3. We have not performed a review of the historical financials of the Subject Entities and have assumed that the financial information provided to us reflect an accurate representation of the financial performance of the businesses;
4. All forecasts and financial schedules have been reasonably prepared, reflecting estimates and historical financial information that have been arrived at after due and careful consideration by Management;
6. The Subject Entities will retain and have competent Management, key personnel, technical staff and distribution network to support its operations; and
7. We have used mid-year discounting throughout the forecast years as the cash flows are distributed throughout the year instead of at the end of each year.

Market approach

Comparable company and precedent transaction analyses reflect current valuation based on prevailing market conditions/sentiment and past transactions, respectively. However, valuation range derived from this type of valuation methodology may sometimes be skewed either too high or too low since the multiples used may be subject to periods of irrational investor sentiment.

Moreover, certain limitations need to be considered in selecting comparable companies/transactions. A set of comparable companies/transactions, where differences in risk, growth, cash flow potential, and accounting policies and tax treatments are not taken into consideration, may lead to misleading conclusions. It is also understood that no two companies/transactions are exactly alike. Therefore, assigning a valuation based on the trading and transaction characteristics of similar companies/transactions may fail to accurately capture the intrinsic value of a company.

Industry overview

Wines and spirits industry in the Philippines (1 of 2)

The industry in 2020

According to Euromonitor, the COVID-19 pandemic (the “pandemic” or “COVID-19”) had a significant impact on the alcoholic beverages industry, where a decline in both on-premise and off-premise consumption was observed due to community quarantine protocols which imposed temporary restrictions on alcohol sales, closures of bars and restaurants, and prohibitions on public gatherings.

Restrictions have already been eased across the country with few cities still implementing the liquor ban. However, consumption level is still not expected to return to the previous level in the short-term due to the continuous concern on the spread of COVID-19.

Outlook

The pandemic is expected to inhibit the robust growth experienced by the on-premise category with the closure of drinking and tourism establishments, and with more consumers choosing to drink at home due to concerns over the spread of COVID-19.

For most alcoholic beverage categories, Euromonitor expects recovery to pre-COVID-19 levels by 2022 once restrictions are fully lifted and the pandemic has been contained.

> “Locally-produced brandy Emperador lost shares to imported Spanish brandy Alfonso, and to locally produced gin and rum.”

Industry trends

The International Wine and Spirits Research (“IWSR”) and Euromonitor have highlighted recent industry trends for each major liquor category.

Brandy

Imported Spanish brandies have penetrated both rural and urban areas and is expected to drive the category in terms of volume, with consumers trading up locally produced brandy for imported Spanish brandy. Alfonso, the leading imported Spanish brandy, continues to grow rapidly, increasing its market share from 6.1% in 2018 to 9.1% in 2019. Emperador maintains its lead in 2019 with a market share of 80.8%.

Whisky

The continued premiumisation within the whisky segment is expected to benefit the entire category, with many younger drinkers, especially millennials, associating categories like Scotch to success and sophistication. Brands like Johnnie Walker continue to dominate the Premium Scotch Whisky segment with extremely competitive pricing policies. Other brands like Glenfiddich, Jack Daniel’s, and Jim Beam also posted moderate growth.

Tequila

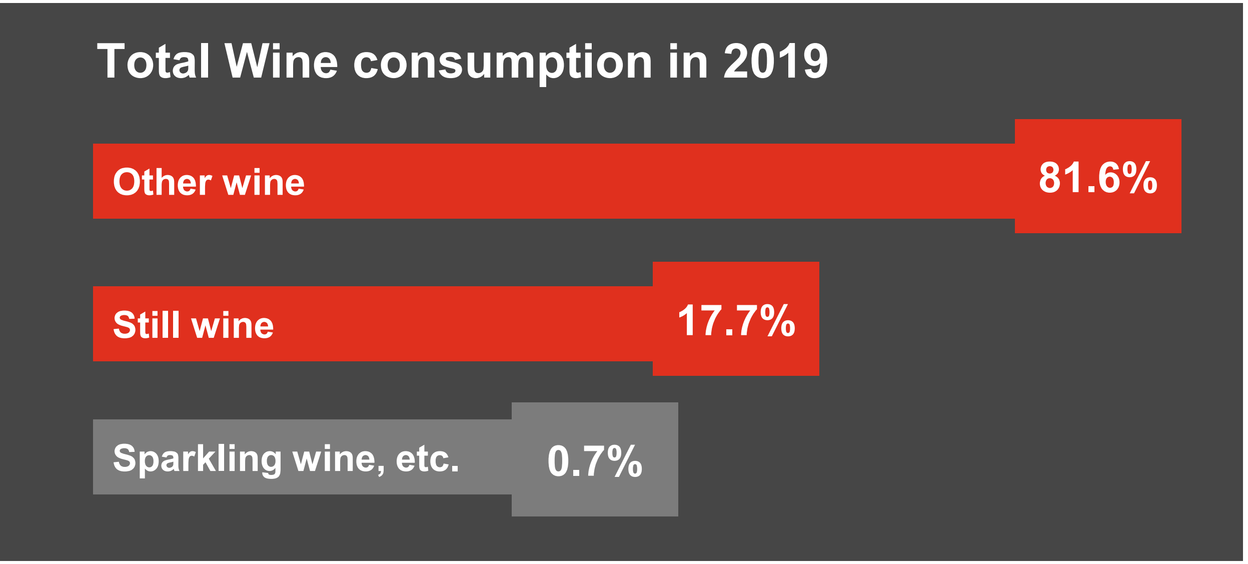
Growth in the standard segment was observed, primarily driven by Jose Cuervo which account for 76.1% of agave-based spirits consumption in the Philippines in 2019. More premium segments also saw more traction, driven by renewed investments from Patrón and growing interest in 100.0% agave tequilas.

Sources: International Wine and Spirits Research, Euromonitor

Wines and spirits industry in the Philippines (2 of 2)

Wine

According to Euromonitor and IWSR, with the growing middle and upper classes and increasing disposable income, a growing interest for wines will drive its growth, especially in the standard-and-above categories. Wine still has plenty of room for development in the Philippines, with interest and awareness only starting to take off. Though the pandemic inhibited its growth, further growth can be expected once restrictions are lifted and the pandemic has been contained. Key to this growth will be the reopening of bars, restaurants, and tourism establishments which serves as avenues for brand building.



Sources: International Wine and Spirits Research, Euromonitor

Other structural trends

Preference for premium brands

According to Euromonitor and IWSR, with the growing legal-drinking-age population and the increasing spending power of consumers, imported categories have seen robust growth due to shifting preference towards new and more premium products.

Premium products are also expected to sustain demand as their consumers have been less vulnerable to the economic effects of the pandemic, have higher financial security and as such is expected to continue the consumption of these products.

Internationalisation

According to IWSR, more consumers are gradually trading up from locally produced wines and spirits to imported brands, especially for the brandy segment. More brands are becoming available in the market and may encourage consumers to experiment more.

Growth in E-commerce

According to IWSR, with the prevalence of smart mobile devices, digital payment methods, and increasing disposable income, online sales of alcoholic beverages have seen continued growth in the past years. With the risks related to the COVID-19 pandemic, purchasing alcoholic beverages online may further drive the growth of this channel. Popular E-commerce platforms include Boozy and Manila-Wine who offer a wide range of products and services to tend to evolving consumer needs.

Valuation analysis

General assumptions (1 of 3)

Introduction

- As agreed with Management, we used 30 September 2020 as the Valuation Date.
- Management forecasted financial performances for a period of 5 years, which we used to estimate cash flows.
- We have calculated a weighted average cost of capital (“WACC”) to discount the free cash flows to the firm (“FCFF”) in order to calculate the estimated values of the Liquor Distribution Companies.

Discounted Cash Flows approach (“DCF”)

The DCF approach involves the following key steps:

- determining an appropriate discount rate (WACC or Ke),
- estimating future cash flows for a certain discrete projection period,
- estimating the terminal value (i.e. the value of the cash flows subsequent to the discrete projection period), as applicable, and
- discounting the cash flows and terminal value at the relevant discount rate to determine the standalone equity value.

Potential impact of COVID-19

We have incorporated the potential impact of COVID-19 based on industry outlook, discussions with Management, and the information made available to us.

- Management’s forecast for the Liquor Distribution Companies generally assumes full recovery of 2019 sales volume by 2021 to 2022. For high and low cases, we considered the Philippine alcoholic beverage industry’s expected recovery only by 2022 and the industry outlook throughout the forecast period.
- Incremental costs and potential cost savings in operating expenses arising from recovery plans and Management strategies were considered in 2021 and 2022.
- A 20.0% discount was applied to the multiples used for the precedent transactions analysis of the Liquor Distribution Companies, due to lower liquidity in the market as at the Valuation Date brought about by the pandemic.

We have considered current company and market conditions as a result of the pandemic in analyzing the reasonableness of the key assumptions used. However, given the uncertainties brought about by the pandemic, we do not purport to have fully accounted for its impact in the valuation.

General assumptions (2 of 3)

Discount rate

The discount rate is based on our independent estimate of the WACC and Ke using the Capital Asset Pricing Model (CAPM), derived from identified set of publicly-listed comparable companies.

We selected comparable companies having the closest business model to the Subject Entities, which are engaged in the liquor or food and beverage distribution business for the Liquor Distribution Companies. Using these comparable companies, we have calculated the discount rate summarized as follows. *Description of the comparable companies are provided in the Appendix 2.*

	A	B	C	D		E	F		
Entity	**Rfr**	**MRP**	**Beta**	**SP**	**Ke**	**Kd**	**Tax rate**	**Kd, net of tax**	**WACC**
Liquor Distribution	4.9%	6.9%	0.71	0.5%	10.0%	6.4%	30.0%	4.5%	10.0%

Certain limitations need to be considered in selecting comparable companies. A set of comparable companies, where differences in risk, growth, or cash flow potential are not taken into consideration, may lead to misleading conclusions. It is also understood that no two companies are exactly alike.

A **Risk-free rate:** 12-month average yield on 10-year treasury bonds for the period ended 29 February 2020 to consider the pre-COVID-19 normalized risk-free rate.

B **Market risk premium:** Damodaran's normalized equity risk premium rating for the Philippines.

C **Adjusted beta:** Average unlevered beta of comparable companies, re-levered using the industry average debt to equity ratio.

D **Size adjustment:** Company specific risk-measure adjustment which takes into account size differential between comparable companies and the Subject Entities', based on CRSP's methodology on size premium.

E **Cost of debt:** Normalized risk-free rate plus estimated credit spread based on Cosco's 10-year loan.

F **Tax rate:** Philippine corporate tax rate of 30.0% for liquor distribution.

Terminal Growth Rate

The terminal growth rate is a stable and sustainable rate at which an entity will grow from the terminal year to perpetuity.

As we expect that the Liquor Distribution Companies will operate until perpetuity (going concern), we assumed a normalized stable growth rate of 3.0% from the end of the forecast horizon until perpetuity, based on Economist Intelligence Unit's ("EIU") forecast.

General assumptions (3 of 3)

Taxes

The Liquor Distribution Companies are subject to the regular corporate income tax ("RCIT") and minimum corporate income tax ("MCIT").

RCIT is equal to 30.0% of taxable income, while MCIT is computed as 2.0% of gross income.

To arrive at the taxable income, the Philippine tax code allows the use of either (a) optional standard deduction ("OSD") not exceeding 40.0% of gross income or (b) itemized deductions. For the low and high cases, we considered which of the two will be more beneficial for the Liquor Distribution Companies, and used that in estimating income taxes per year.

The Corporate Recovery and Tax Incentives for Enterprises ("CREATE") Act proposes to lower the corporate income tax rate and rationalize corporate tax incentives, which may result in a potential upside on the valuation. However, this was not considered yet in this Report, as it has not been enacted as at the Valuation Date.The CREATE Act was enacted on 26 March 2021.

If the reduced RCIT of 25% and MCIT of 1.0% under the CREATE Act will be considered in the valuation assumptions, the values of the Liquor Distribution Companies will increase to PHP22,025.7 (6.2% higher) and PHP25,764.6 (6.3% higher) for the low and high cases, respectively.

Given the changes in tax rates, the Management may also need to assess the recoverability of any recognized deferred tax assets subsequent to the Valuation Date.

Income approach: Liquor Distribution Companies (1 of 4)

Revenues

Management forecasted a 20.0% to 30.0% year-on-year ("y-o-y") revenue growth for each liquor category. To analyze the drivers of revenue, price and volume were separately assessed.

Price

The price movements of the Liquor Distribution Companies are subject to the changes in the duties, taxes, exchange rate, and other costs associated with the importation of products and sale to the local market. Price list provided by Management was used in 2020. Afterwards, annual price escalation based on EIU's Philippine inflation forecast is used to account for the potential changes in price.

Volume

The implied volume growth is derived from Management's forecasted revenue growth of 20.0% - 30.0%. Volume growth is driven by the (1) continuous efforts to strengthen their market presence, (2) increased efficiency in logistics and distribution across off-trade channels from outsourcing to third party logistics providers, (3) marketing and promotional support provided by certain brand owners to supplement activities initiated by the Liquor Distribution Companies, and (4) Management's revised expectations considering the estimated impact of the COVID-19 pandemic.

In general, we gave weight to (1) Management's expected volume growth and (2) industry growth from 2021 to 2023, applying 50-50 and 70-30 probability weights for the low and high cases, respectively, considering that historically, the Liquor Distribution Companies were able to achieve significantly higher growth than the industry. Beginning 2024, sales volumes are assumed to grow together with the industry once the Liquor Distribution Companies achieve sustainable levels of operations.

Montosco

Sales from Alfonso brandy will drive Montosco's value, accounting for around 84.0% of forecasted sales. IWSR expects the shift from local brandy to Spanish brandy will continue in the foreseeable future due to the increasing spending power of consumers. Alfonso is one of the leading imported Spanish brandies in the market.

We assumed that Spanish brandy sales will recover by 2021 given the (1) expected shift from local brandy to Spanish brandy and (2) Alfonso's position as a leading imported Spanish brandy in the country.

For 2022 to 2023, we gave weight to Management's expected volume growth and industry growth, applying 50-50 and 70-30 probability weights for the low and high cases, respectively.

Meritus

Meritus expects brands like Alhambra brandy, Jim Beam, and WGS scotch whisky to drive its value throughout the forecast period. With its premium portfolio, local industry expectations remain positive for these brands.

PWSI

For PWSI, Management intends to streamline their products to focus on more profitable brands. Management plans on unloading unprofitable brands and focusing their marketing efforts on Carlos, Tequila Rose, Jagermeister, and Campari, among others.

Income approach: Liquor Distribution Companies (2 of 4)

Cost of sales ("COS")

These pertain to purchases and other direct costs associated with the importation of products (e.g. freight-in, duties and taxes, among others).

Montosco

For Montosco, historical COS ratios ranged from 75.2% to 76.0% from 2017 to 2019. We used the historical average (75.7%) COS ratio for the low and high cases.

Meritus

For Meritus, historical COS ratios ranged from 74.0% to 81.4% from 2017 to 2019. We used the historical average (77.9%) COS ratio for the low and high cases.

PWSI

PWSI's historical COS ratio from 2016 to 2019 ranged from 80.8% to 84.2%. Management assumes a lower COS ratio of 78.1% to 79.8% as a result of unloading unprofitable brands. For the low and high cases, we gave weight to Management's estimate and the 2019 actual COS ratio, applying 50-50 and 70-30 probability weights, respectively.

COS ratio
% of net sales

	Montosco	Meritus	PWSI
Low	75.7%	77.9%	81.9%
High	75.7%	77.9%	81.1%
Management	73.5% - 75.0%	76.4% - 77.0%	77.5% - 79.8%

Operating expenses

These are classified between (1) selling expenses and (2) general and administrative expenses. Selling expenses include advertising and promotions, and distribution costs, while general and administrative expenses include salaries and wages, outside services, rentals, and taxes and licenses, among others.

Selling expenses

We assumed that Management will maintain historical advertising and promotion % throughout the forecast period. For distribution costs, we generally deferred to Management assumptions given expected increase in contracted rates with logistics partners, among others.

The table that follows summarizes the selling expense ratios used for the Liquor Distribution Companies.

Selling expense ratio
% of net sales

	Montosco	Meritus	PWSI
Low	5.4% - 5.7%	3.6% - 4.7%	5.4% - 5.6%
High	5.4% - 5.7%	3.6% - 4.7%	5.4% - 5.6%
Management	4.6% - 5.2%	3.6% - 5.1%	3.8% - 4.1%

Income approach: Liquor Distribution Companies (3 of 4)

<u>General and administrative expenses</u>

Management has projected general and administrative expenses to grow at an annual rate of 10.0% to 20.0%. Assuming this level of growth in the long term may not be sustainable as the companies should also take into account potential economies of scale and stable level of operations.

For outside services, we generally deferred to Management's assumptions from 2020 to 2022 to consider incremental costs expected by Management over the recovery phase. Subsequently, we used annual price escalation based on EIU's Philippine inflation forecast.

Based on discussions with Management, no retrenchments were made in 2020 and its existing manpower can support the forecasted performance. As such, salaries and wages were grown by nominal GDP for 2021 onwards.

For other general and administrative expenses, we generally deferred to Management's assumptions in 2020 to 2022 to consider their immediate strategies and recovery plans.

Subsequently, we used annual price escalation based on EIU's Philippine inflation forecast.

Working Capital

Generally, the net working capital assumptions for the low and high cases consider historical and contractual terms between the entities and their suppliers/customers.

Days Sales Outstanding ("DSO")

Each Liquor Distribution Company has its own dedicated credit and collection team that monitors outstanding receivables.

The Management has been able to significantly improve their collections in 2020 through stricter implementation of credit terms with customers and policies on release of products.

Generally, we have considered a DSO of 45 days based on the average contractual terms stated in the audited financial statements of 30 to 60 days for the low and high cases, except for PWSI where we assumed that the 9M2020 DSO of 117 days will improve to Management's assumption of 45 days by 2025, given its historical experience.

Days Sales Outstanding

In days

	Montosco	Meritus	PWSI
Low	45	45	45 - 117
High	45	45	45
Management	45	45	45

Income approach: Liquor Distribution Companies (4 of 4)

Days Inventory Outstanding ("DIO")

The low and high case assumptions for Montosco are based on its average historical DIO given its stable portfolio and existing distribution network.

For Meritus and PWSI, we assumed a linear improvement from their 2019 DIO to 120 days by 2025 given (1) Meritus' ongoing initiatives to offload Fundador stocks that were previously retained and (2) PWSI's ongoing initiatives to streamline its brand portfolio.

Days Inventory Outstanding
In days

	Montosco	Meritus	PWSI
Low	177	120 - 263	120 - 166
High	177	120 - 263	120 - 166
Management	120	120	120

Days Payable Outstanding ("DPO")

Management has existing credit terms with foreign suppliers. For new brands / entities, Management intends to obtain more favorable terms from their suppliers to optimize their cash management policies.

The low and high case DPO assumptions are based on the average historical DPO except for PWSI where we deferred to Management assumptions to consider negotiations with suppliers given ongoing streamlining of brands.

Days Payable Outstanding
In days

	Montosco	Meritus	PWSI
Low	40	26	60
High	40	26	60
Management	30	30	60

Capital expenditures ("capex")

Growth and replacement capex

The Liquor Distribution Companies' business model does not involve the need for significant investments in property and equipment since the majority of storage and distribution is outsourced to third-party logistics providers. As such, Management expects minimal additional capex to support expected growth in operations. The planned capex is mainly to replace existing assets, which are mostly for office or administrative use (e.g. leasehold improvements on their offices, transportation and delivery equipment, among others).

We have considered replacement capex for all cases. Replacement capex refers to the capital outlays needed to replace assets that have fully depreciated within the forecast period.

Maintenance capex

Maintenance capex, which refers to preventive maintenance costs that the Management expects to incur to utilize the existing property and equipment up to perpetuity, was also considered for all cases. In the terminal year, we assumed that fixed assets are regularly maintained for the continuing operations of the business until perpetuity.

Net debt and non-operating assets and liabilities

Liquor Distribution Companies

Net debt and debt-like items - 30 Sep 2020
PHP in millions

	Montosco	Meritus	PWSI
Cash	1,572.7	42.0	375.1
Notes and short-term loans payable	-	(77.0)	(163.0)
Due to related parties	-	-	(192.9)
Dividends payable	-	-	(100.0)
Retirement benefits liability	(2.3)	(0.8)	(12.0)
Total	**1,570.3**	**(35.8)**	**(92.7)**

Non-operating assets and liabilities ("NOAL") - 30 Sep 2020
PHP in millions

	Montosco	Meritus	PWSI
A Non-trade and other receivables	-	41.2	23.3
B Investment in associate	-	-	106.5
C Other assets and liabilities	3.8	(4.4)	16.1
Total	**3.8**	**36.9**	**145.9**

A **Non-trade receivables** - receivables from suppliers for the reimbursements of expenses incurred for brand promotions.

B **Investment in an associate** - equity investment in Pernod Ricard measured using the equity method as of the Valuation Date.

C **Other assets and liabilities** - include security deposits and non-trade payables.

Note: Numbers may not add up due to rounding differences

Market approach: Liquor Distribution

Market approach using comparable company analysis

Using Standard and Poor's Capital IQ ("CapIQ"), we screened for companies that have a similar business model to the Subject Entities'. We selected comparable companies to establish a range of values. The following criteria were used:

a. Publicly listed and currently operating
b. Business model includes distribution of liquor or food products
c. Located within Asia

Please refer to the Appendix 2 for a detailed description of the comparable companies.

Range of relative values based on forward trading multiples

We determined the value by applying the forward P/E multiples of the comparable companies to the Subject Entities' forecasted net income, which is based on the average between the low and high cases, and added any non-operating assets and liabilities.

We estimated the forward multiples of trading comps by assuming that the 2019 earnings would recover by 2021, in line with the alcoholic beverage industry reports by Fitch Solutions for their respective countries. We then estimated the 2022 earnings of the comparable companies by growing the 2021 earnings using the historical earnings growth of the comparable companies (i.e. CAGR 2016 - 2019) for the Liquor Distribution Companies.

Market approach using precedent transactions analysis

We estimated the range of values of the Subject Entities using the announced P/E multiples of precedent transactions. The selection process considered targets with the same business model as the Subject Entities as well as the availability of P/E multiples.

Please refer to the Appendix 3 for a detailed description of the comparable companies.

Range of relative values based on recent transactions

Multiples based on previous similar transactions are multiplied to the Subject Entities' forecasted net income, then adjusted for any NOAL to estimate equity values.

Control premium

Situational adjustments may be required to incorporate the valuation impact of specific issues. A controlling ownership position in a company carries with it control of the board of directors and valuation options of redeploying the company's assets or changing the company's capital structure. The value of a stock investment that would give an investor a controlling position will generally reflect a control premium; that is, it will be higher than a valuation produced by a generic quantitative valuation expression that did not explicitly consider such a premium.

A control premium of 20.0% was applied to the multiples used for the comparable company analysis and the minority stake transactions under the precedent transaction analysis for the Liquor Distribution Companies.

Discount due to lack of liquidity

A 20.0% discount was applied to the multiples used for the precedent transactions analysis of the Liquor Distribution Companies, due to lower liquidity in the market as at the Valuation Date brought about by the pandemic.

Market approach: Montosco

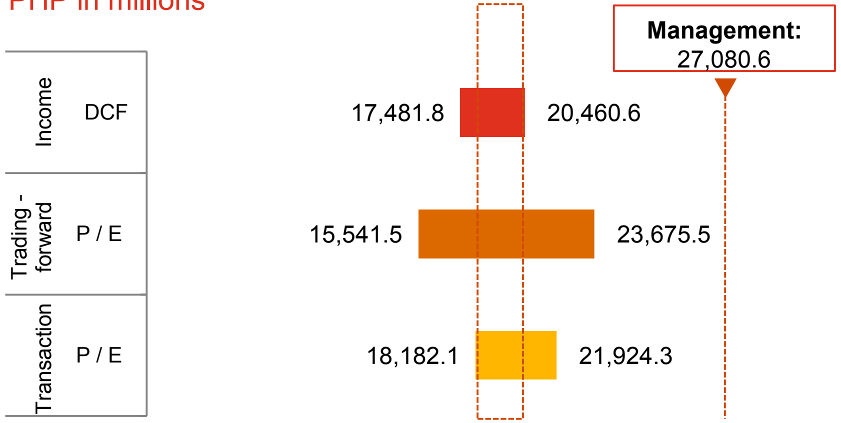
Estimating forecasted net income

Given that the performance in the first nine months of 2020 may not be representative of the stable operations of the Liquor Distribution Companies, we used forecasted earnings in 2022 to reflect its normalized level. We used the average between the low and high case net income by 2022 for the trading and transaction comparables approach.

Forecasted net income

PHP in millions	2022
Low case	1,099.2
High case	1,267.2
Average	**1,183.2**

Montosco's range of equity values
PHP in millions



Source: S&P CapIQ, PwC Analysis

Estimated Equity values using forward trading and transaction multiples

The estimated range of equity values of Montosco based on forward trading and precedent transaction multiples are summarized below:

Valuation using comparable companies (Forward P/E)
PHP in millions

Scenario	Adjusted Forward P/E	Estimated 2022 net income	Implied equity value, before NOAL	NOAL	Implied equity value
Low	13.1	1,183.2	15,537.7	3.8	15,541.5
Base	16.5	1,183.2	19,535.4	3.8	19,539.3
High	20.0	1,183.2	23,671.7	3.8	23,675.5

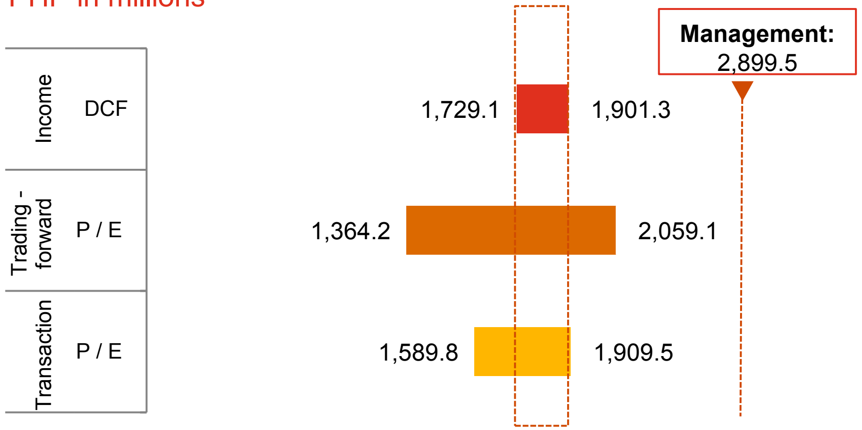
Valuation using recent transactions (Forward P/E)
PHP in millions

Scenario	Adjusted P/E	Estimated 2022 net income	Implied equity value, before NOAL	NOAL	Implied equity value
Low	15.4	1,183.2	18,178.3	3.8	18,182.1
Base	17.2	1,183.2	20,360.6	3.8	20,364.4
High	18.5	1,183.2	21,920.5	3.8	21,924.3

Note: Numbers may not add up due to rounding differences.

Market approach: Meritus

Meritus' range of equity values
PHP in millions



Forecasted net income

The average between the low and high case net income by 2022 is shown in the table below.

Forecasted net income PHP in millions	2022
Low case	95.4
High case	106.8
Average	**101.1**

Estimated Equity values using forward trading and transaction multiples

The estimated range of equity values of Meritus based on forward trading and precedent transaction multiples are summarized below:

Valuation using comparable companies (Forward P/E)
PHP in millions

Scenario	Adjusted Forward P/E	Estimated 2022 net income	Implied equity value, before NOAL	NOAL	Implied equity value
Low	13.1	101.1	1,327.3	36.9	1,364.2
Base	16.5	101.1	1,668.9	36.9	1,705.7
High	20.0	101.1	2,022.2	36.9	2,059.1

Valuation using recent transactions (Forward P/E)
PHP in millions

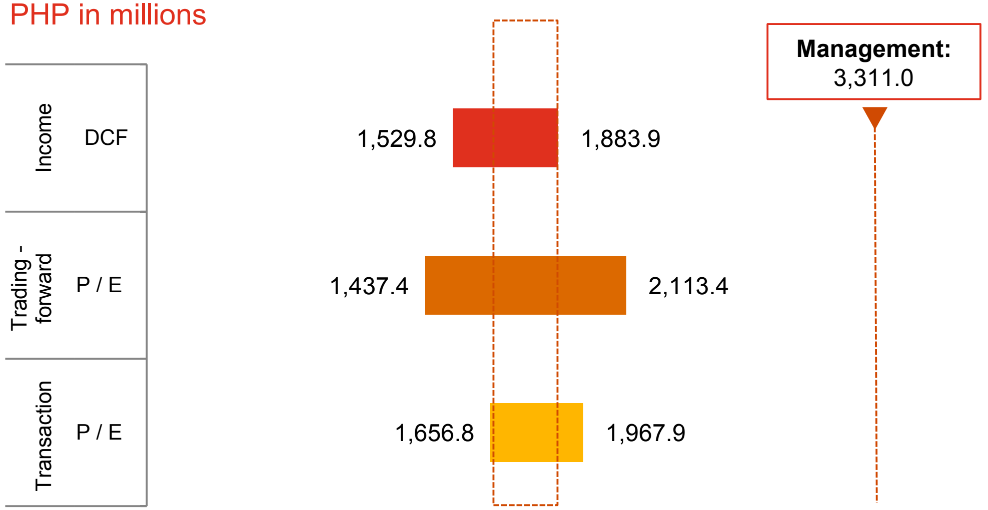
Scenario	Adjusted P/E	Estimated 2022 net income	Implied equity value, before NOAL	NOAL	Implied equity value
Low	15.4	101.1	1,552.9	36.9	1,589.8
Base	17.2	101.1	1,739.3	36.9	1,776.2
High	18.5	101.1	1,872.6	36.9	1,909.5

Note: Numbers may not add up due to rounding differences.

Source: S&P CapIQ, PwC Analysis

Market approach: PWSI

PWSI's range of equity values
PHP in millions



Forecasted net income

PHP in millions	2022
Low case	86.2
High case	110.5
Average	**98.3**

Estimated Equity values using forward trading and transaction multiples

The estimated range of equity values of PWSI based on forward trading and precedent transaction multiples are summarized below:

Valuation using comparable companies (Forward P/E)
PHP in millions

Scenario	Adjusted Forward P/E	Estimated 2022 net income	Implied equity value, before NOAL	NOAL	Implied equity value
Low	13.1	98.3	1,291.5	145.9	1,437.4
Base	16.5	98.3	1,623.7	145.9	1,769.6
High	20.0	98.3	1,967.5	145.9	2,113.4

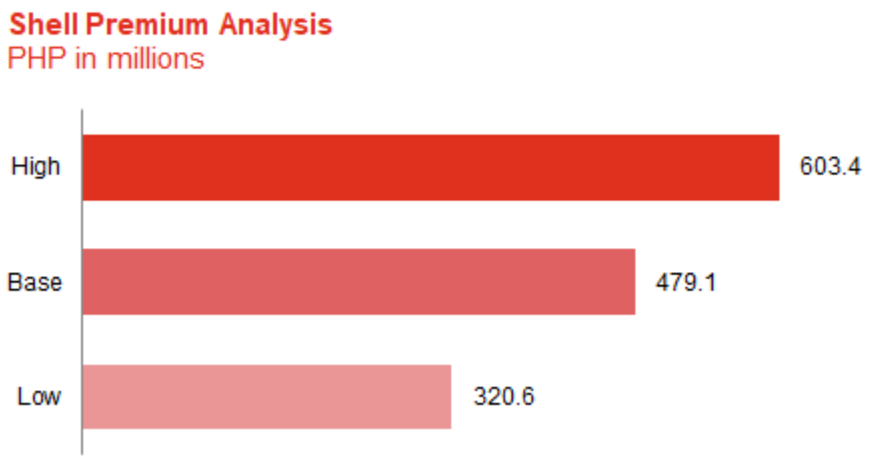
Valuation using recent transactions (Forward P/E)
PHP in millions

Scenario	Adjusted P/E	Estimated 2022 net income	Implied equity value, before NOAL	NOAL	Implied equity value
Low	15.4	98.3	1,510.9	145.9	1,656.8
Base	17.2	98.3	1,692.3	145.9	1,838.2
High	18.5	98.3	1,822.0	145.9	1,967.9

Note: Numbers may not add up due to rounding differences.

Source: S&P CapIQ, PwC Analysis

Market approach: Listed Shell Company (1 of 2)



Shell premium analysis

Since Da Vinci is listed on the Philippine Stock Exchange (PSE) and has no significant operations yet, the minimum value that may be considered is the shell value of a publicly-listed company.

A private company may take over a publicly-listed one for the purpose of a reverse takeover. In this deal, there are instances where the target company had no active businesses or significant assets. We reviewed such transactions in the case of the PSE and determined that buyers would pay a premium over the net book value of a shell company.

We estimated the premium for the stake acquired by deducting the target's net book value ("NBV") as of the acquisition date (or latest reporting date, whichever was disclosed) from the consideration paid by the acquirer.

Our analysis is based on estimating this shell premium and adding it to the book value of Da Vinci, resulting in an implied price of a publicly-listed shell company that a buyer is willing to pay for a vehicle that will take a company public instead of spending time and resources going through the regulatory and public offering processes. For purposes of this analysis, the assumed book value of Da Vinci is zero given the potential non-recovery of creditable withholding taxes by the Liquor Distribution Companies.

We then grossed-up the premium to reflect the implied shell value for the whole business

Shell comparable data

We filtered comparable transactions based on the following criteria:

a. Target is listed on the PSE and had no revenues from its identified main business segment by the time the transaction was completed;
b. Transaction took place in the last ten years; and
c. The transaction was made for the purpose of a reverse takeover.

Comparable shell transactions

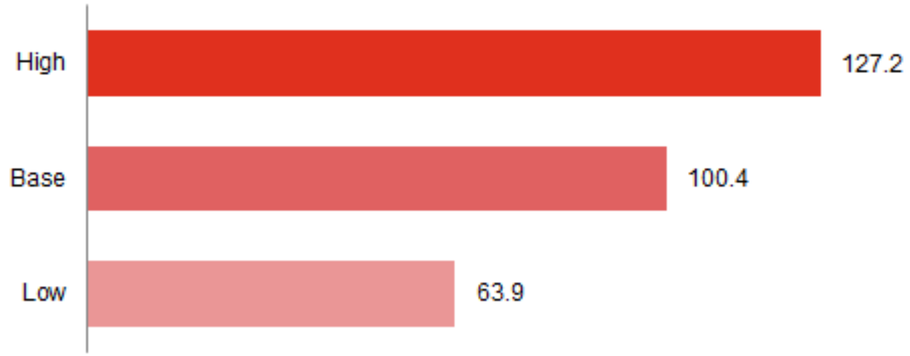
Comparable shell transactions and their respective implied shell values are shown in the table below.

PHP in millions (except for percentages)	NBV of ownership acquired	Consideration	Implied shell premium*	Ownership acquired	Implied shell value**
Philab Holdings, Inc. (2016)	20.2	362.3	342.2	66.7%	513.2
Southeast Asia Cement Holdings, Inc. (2014)	2,349.8	2,891.9	542.0	89.8%	603.4
Mariwasa Siam Holdings, Inc. (2013)	20.0	292.5	272.5	85.0%	320.6

Notes:
* Implied shell premium for the ownership stake acquired
** Implied shell value (i.e. grossed-up shell premium)

Market approach: Listed Shell Company (2 of 2)

Trading - P / BV
PHP in millions



Market approach using comparable company analysis

We valued Da Vinci by looking at the P / BV ratio of similar companies, which reflects the value that market participants attach to a company's equity relative to its book value. The P / BV ratio is useful because the book value of equity provides a relatively stable and intuitive metric that is easily compared to market price. It can also be used for companies with positive book values but zero or negative earnings.

We filtered comparable companies based on the following criteria:

a. Company must be based in the Philippines
b. No significant operations
c. No revenues generated
d. No material balance sheet assets

Estimated equity values using trading multiples

The estimated range of equity values of Da Vinci based on trading multiples are summarized below.

Valuation using comparable companies (P / BV)
PHP in millions

Scenario	Trailing P / BV	Book value of equity	Implied equity value
Low	4.4	14.4	63.9
Base	6.9	14.4	100.4
High	8.8	14.4	127.2

Source: S&P CapIQ

Appendices

Appendix 1: Discount rate - Liquor Distribution Companies

Cost of Capital

Nominal PHP figures

Calculation		Notes:
PHP Risk-free rate (R_f)	4.9%	12-month average yield on 10-year Philippine treasury bonds for the period ended 29 Feb 2020 to consider the pre-COVID-19 normalized risk-free rate
Debt/Equity ratio (D/E)	0.3%	Average debt/equity ratio of comparable companies
Equity Beta	0.71	Average relevered beta based on analysis on comparable companies
Philippine market risk premium (MRP)	6.9%	Damodaran's normalized equity market risk premium rating for the Philippines
Size premium	0.5%	CRSP decile methodology on size premium
Cost of Equity (K_e)	**10.3%**	
Tax	30.0%	Philippine corporate tax rate of 30.0%
Pre-tax Cost of Debt (K_d)	6.4%	Normalized risk-free rate, adjusted for the implied default spread of Cosco's 10-year loan
Post-tax Cost of Debt	**4.5%**	
Post-Tax WACC (%), rounded	**10.0%**	

Source: S&P CapIQ, Public Information, PwC Analysis

Appendix 2: Comparable companies - Liquor Distribution

Company	Country	Description
Harrisons Holdings (Malaysia) Berhad	Malaysia	Harrisons Holdings (Malaysia) Berhad, an investment holding company, **markets, sells, and distributes** building materials, industrial and agricultural chemical products, **liquor products, and consumer goods** primarily in Malaysia. It operates through Trade and Distribution, Retail, and Shipping and Others segment. **The company offers packaged food and beverages**, personal care products, pet care, **wines, beers,** and household products Further, it operates as an insurance agency; rents properties; and operates a wine shop. The company was formerly known as Jantoco Trading Sdn Bhd and changed its name to Harrisons Holdings (Malaysia) Berhad in October 1991. Harrisons Holdings (Malaysia) Berhad was incorporated in 1990 and is based in Kuala Lumpur, Malaysia.
Premier Marketing Public Company Limited	Thailand	Premier Marketing Public Company Limited **distributes consumer products** in Thailand, Japan, and internationally. The company operates in three segments: Distribution of Consumer Products, Manufacture of Food, and Cold Storage Warehouse and Services. It **distributes** snack foods, confectionery, **food and beverages,** nutrition food and supplements, and personal care products. It also manufactures and sells fish strips and fish sheets under the Taro brand name; fried seaweed products under the Taro Biggu brand; and tuna related products, such as pouched and canned ready-to-eat tuna, and tuna pet food under the customer brand. In addition, the company manufactures ketchup and chilli sauce under the King's Kitchen brand; and frozen processed food. The company distributes its products through wholesalers and sales staff; and general retailers, including trade stores. It also exports its tuna products to Asia, Europe, and the Middle East. Premier Marketing Public Company Limited was incorporated in 1977 and is based in Bangkok, Thailand.
Saha Pathanapibul Public Company Limited	Thailand	Saha Pathanapibul Public Company Limited, together with its subsidiaries, **distributes consumer goods** in Thailand and internationally. The company **distributes food and beverage**, household, and personal care products. It also invests in real estate; rents office buildings; and provides instant noodles, mineral water, and dairy products, as well as plastic packaging products. The company offers its products through 90,000 distribution channels. Saha Pathanapibul Public Company Limited was founded in 1942 and is based in Bangkok, Thailand.
Delfi Limited	Singapore	Delfi Limited, an investment holding company, manufactures and **distributes chocolate confectionery products** in Indonesia, the Philippines, Malaysia, Singapore, and internationally. Its products include molded chocolates, dragees, enrobed wafers, biscuits, chocolate spreads, baking condiments, and beverages. The company also **distributes a range of food**, healthcare, **and other consumer products**, including agency brands; and provides management consulting and administrative services. It markets its products under the Delfi, SilverQueen, Van Houten, Ceres, TOP, Selamat, Goya, and Knick Knacks brand names through hypermarkets, supermarkets, wholesalers, and chain stores. The company was formerly known as Petra Foods Limited and changed its name to Delfi Limited in May 2016. Delfi Limited was founded in 1984 and is headquartered in Singapore.

Source: S&P CapIQ

Appendix 2: Comparable companies - Listed Shell Company

Company	Country	Description
Asiabest Group International, Inc.	Philippines	Asiabest Group International, Inc. does not have significant operations. Previously, it was involved in mining business. The company was formerly known as AGP Industrial Corporation and changed its name to Asiabest Group International, Inc. in March 2012. The company was incorporated in 1970 and is headquartered in Makati City, the Philippines. Asiabest Group International, Inc. is a subsidiary of Tiger Resort Asia Limited.
Lodestar Investment Holdings Corporation	Philippines	Lodestar Investment Holdings Corporation does not have significant operations. Previously, it was engaged in the development of various gold and chromite mining claims in Masbate, Cebu, Negros Occidental, and Palawan in the Philippines. The company was formerly known as Lodestar Mining Corporation and changed its name to Lodestar Investment Holdings Corporation in October 2003. Lodestar Investment Holdings Corporation was incorporated in 1974 and is headquartered in Mandaluyong City, the Philippines.
LMG Corp.	Philippines	LMG Corp. does not have significant operations. Previously, the company was engaged in the chemical trading business. The company was formerly known as LMG Chemicals Corporation. The company was incorporated in 1970 and is headquartered in Pasig City, the Philippines.

Source: S&P CapIQ

Appendix 3: Comparable transactions - Liquor Distribution

Company	Transaction date	Business description of Target
HD Distributors (Thailand) Company Limited	30-Apr-16	HD Distributors (Thailand) Company Limited **imports, distributes, and markets** Häagen-Dazs branded ice creams. It sells products through hotels, cafes, restaurants, hypermarkets, and supermarkets. The company was founded in 1994 and is based in Bangkok, Thailand. HD Distributors (Thailand) Company Limited is a former subsidiary of General Mills, Inc.
I.C.C. International Public Company Limited	30-Sep-15	I.C.C. International Public Company Limited **distributes consumer products** in Thailand and internationally. The company also provides tops, pants, skirts, underwear, bags, shoes, accessories, beds, and other products for kids and babies, as well as products for newborn. In addition, it offers leather goods, watches, home appliances, foods, soy milk mixed with corn, drinking and spring water, etc., as well as and household items, such as laundry detergent and fabric care products. Further, the company is also involved in the manufacturing of ready-made garments; and real estate activities. It sells its products through shops and department stores, as well as online channels. The company was formerly known as International Cosmetics Public company Limited and changed its name to I.C.C. International Public Company Limited in 1996. I.C.C. International Public Company Limited was founded in 1964 and is headquartered in Bangkok, Thailand.
Yangzhou Huiyin Technology Group Co.,Ltd.	30-Nov-07	Yangzhou Huiyin Technology Group Co.,Ltd. **engages in the wholesale** and retail of **food and dairy products**. It is also involved in the **wholesale** and retail of home electricity products, computer and **consumable materials**, textiles, and industrial goods; and provision of home electricity repair and installment services. Yangzhou Huiyin Technology Group Co.,Ltd. was formerly known as Yangzhou Huiyin Household Appliances (Group) Co.,Ltd. The company was founded in 2002 and is based in Yangzhou, China. Yangzhou Huiyin Technology Group Co.,Ltd. operates as a subsidiary of operates as a subsidiary of Huiyin Smart Community Co., Ltd.

Source: S&P CapIQ

Appendix 3: Comparable transactions - Listed Shell Company

Target company	Background	Acquirer
Philab Holdings, Inc.	On 12 August 2016, a SPA was entered into between a group of shareholders of Alterra Capital Partners for the sale of an aggregate of 208,624,801 shares constituting 67% of ALT's total issued and outstanding capital stock for a total consideration of PHP362,324,961.21 or PHP1.74 per share	Genomics, Inc. and Hector Thomas A. Navasero
Southeast Asia Cement Holdings, Inc.	PGMC bought 6.29bn SEACEM shares at PHP0.46 per share, representing 89.87% of its total issued and outstanding stock.	Platinum Group Metals Corporation
Mariwasa Siam Holdings Inc.	a) Invescap Inc. purchased 85% ownership of Mariwasa Siam Holdings, Inc. b) BOD passed a resolution to change the name of Mariwasa to Da Vinci Capital Holdings Inc.	INVESCAP, Inc.

Source: S&P CapIQ, Public Information, Company Disclosures

Appendix 4: Montosco - Low case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	7,589.4	5,758.4	7,412.0	8,783.5	9,956.0	11,167.6	12,000.2	176,575.1
Cost of sales	(5,704.8)	(4,357.3)	(5,608.5)	(6,646.2)	(7,533.5)	(8,450.3)	(9,080.3)	(133,610.3)
Gross profit	**1,884.6**	**1,401.2**	**1,803.5**	**2,137.2**	**2,422.5**	**2,717.3**	**2,919.9**	**42,964.8**
Operating expenses, before depreciation	(498.9)	(417.0)	(547.2)	(649.5)	(726.5)	(805.5)	(862.2)	(12,687.3)
EBITDA	**1,385.7**	**984.2**	**1,256.3**	**1,487.7**	**1,696.0**	**1,911.8**	**2,057.7**	**30,277.4**
Depreciation	(3.2)	(2.4)	(3.1)	(3.8)	(3.4)	(1.8)	(1.6)	(24.2)
Interest expense	(34.7)	-	-	-	-	-	-	-
EBT	**1,347.8**	**981.8**	**1,253.2**	**1,483.9**	**1,692.6**	**1,910.1**	**2,056.0**	**30,253.2**
Income tax expense	(364.5)	(252.2)	(324.6)	(384.7)	(436.1)	(489.1)	(525.6)	(7,733.7)
Net income / (loss)	**983.3**	**729.6**	**928.6**	**1,099.2**	**1,256.6**	**1,420.9**	**1,530.5**	**22,519.6**
FCFF								
Net income		729.6	928.6	1,099.2	1,256.6	1,420.9	1,530.5	22,519.6
Interest expense		-	-	-	-	-	-	-
Depreciation		2.4	3.1	3.8	3.4	1.8	1.6	24.2
Change in NWC		(206.0)	(652.0)	(423.3)	(477.8)	(473.0)	(358.3)	-
Replacement capex		-	(3.5)	(3.6)	(0.2)	(0.2)	-	-
FCFF, undiscounted		**526.0**	**276.2**	**676.2**	**781.9**	**949.4**	**1,173.8**	**22,543.8**
Maintenance capex		-	-	-	-	-	-	(24.2)
Change in NWC (stable)		-	-	-	-	-	-	(2,169.9)
FCFF, undiscounted		**526.0**	**276.2**	**676.2**	**781.9**	**949.4**	**1,173.8**	**20,349.6**
Partial period		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**132.0**	**257.1**	**572.1**	**601.4**	**663.8**	**746.1**	**12,935.2**

WACC	TGR
10.0%	3.0%

Sum of PV of FCFF	**15,907.7**
Non-operating assets & liabilities	3.8
Enterprise value, 30-Sep-20	**15,911.5**
Net cash / (debt)	1,570.3
Equity value, 30-Sep-20	**17,481.8**

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: Montosco - High case

PHP in millions			2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue			7,589.4	5,758.4	8,108.5	9,981.9	11,580.1	13,276.2	14,432.1	212,357.7
Cost of sales			(5,704.8)	(4,357.3)	(6,135.5)	(7,553.0)	(8,762.4)	(10,045.8)	(10,920.4)	(160,686.2)
Gross profit			**1,884.6**	**1,401.2**	**1,973.0**	**2,428.8**	**2,817.7**	**3,230.4**	**3,511.7**	**51,671.5**
Operating expenses, before depreciation			(498.9)	(417.0)	(588.5)	(720.6)	(822.8)	(930.5)	(1,006.4)	(14,808.5)
EBITDA			**1,385.7**	**984.2**	**1,384.5**	**1,708.2**	**1,994.9**	**2,299.9**	**2,505.2**	**36,862.9**
Depreciation			(3.2)	(2.4)	(3.1)	(3.8)	(3.4)	(1.8)	(1.6)	(24.2)
Interest expense			(34.7)	-	-	-	-	-	-	-
EBT			**1,347.8**	**981.8**	**1,381.4**	**1,704.4**	**1,991.5**	**2,298.1**	**2,503.6**	**36,838.7**
Income tax expense			(364.5)	(252.2)	(355.1)	(437.2)	(507.2)	(581.5)	(632.1)	(9,300.9)
Net income / (loss)			**983.3**	**729.6**	**1,026.2**	**1,267.2**	**1,484.3**	**1,716.7**	**1,871.5**	**27,537.9**
FCFF										
Net income				729.6	1,026.2	1,267.2	1,484.3	1,716.7	1,871.5	27,537.9
Interest expense				-	-	-	-	-	-	-
Depreciation				2.4	3.1	3.8	3.4	1.8	1.6	24.2
Change in NWC				(206.0)	(903.3)	(632.4)	(651.6)	(663.0)	(496.2)	-
Replacement capex				-	(3.5)	(3.6)	(0.2)	(0.2)	-	-
FCFF, undiscounted				**526.0**	**122.6**	**635.1**	**835.9**	**1,055.2**	**1,376.9**	**27,562.1**
Maintenance capex				-	-	-	-	-	-	(24.2)
Change in NWC (stable)				-	-	-	-	-	-	(2,607.3)
FCFF, undiscounted				**526.0**	**122.6**	**635.1**	**835.9**	**1,055.2**	**1,376.9**	**24,930.6**
Partial period	WACC	TGR		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor	10.0%	3.0%		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted				**132.0**	**114.1**	**537.3**	**642.9**	**737.8**	**875.2**	**15,847.0**
Sum of PV of FCFF				**18,886.5**						
Non-operating assets & liabilities				3.8						
Enterprise value, 30-Sep-20				**18,890.3**						
Net cash / (debt)				1,570.3						
Equity value, 30-Sep-20				**20,460.6**						

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: Montosco - Management case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	7,589.4	5,758.4	7,482.9	9,727.7	11,673.3	14,007.9	16,809.5	247,339.6
Cost of sales	(5,704.8)	(4,234.6)	(5,537.3)	(7,295.8)	(8,754.9)	(10,505.9)	(12,607.1)	(185,504.7)
Gross profit	**1,884.6**	**1,523.8**	**1,945.5**	**2,431.9**	**2,918.3**	**3,502.0**	**4,202.4**	**61,834.9**
Operating expenses, before depreciation	(498.9)	(369.8)	(503.9)	(634.2)	(749.6)	(887.0)	(1,050.8)	(15,461.4)
EBITDA	**1,385.7**	**1,154.0**	**1,441.7**	**1,797.8**	**2,168.7**	**2,615.0**	**3,151.6**	**46,373.5**
Depreciation	(3.2)	(2.4)	(3.1)	(3.8)	(3.4)	(1.8)	(1.6)	(24.2)
Interest expense	(34.7)	-	-	-	-	-	-	-
EBT	**1,347.8**	**1,151.6**	**1,438.6**	**1,793.9**	**2,165.3**	**2,613.2**	**3,150.0**	**46,349.3**
Income tax expense	(364.5)	(274.3)	(350.2)	(437.7)	(525.3)	(630.4)	(756.4)	(11,130.3)
Net income / (loss)	**983.3**	**877.3**	**1,088.4**	**1,356.2**	**1,640.0**	**1,982.9**	**2,393.5**	**35,219.0**
FCFF								
Net income		877.3	1,088.4	1,356.2	1,640.0	1,982.9	2,393.5	35,219.0
Interest expense		-	-	-	-	-	-	-
Depreciation		2.4	3.1	3.8	3.4	1.8	1.6	24.2
Change in NWC		(203.4)	12.4	(533.6)	(599.2)	(690.8)	(851.8)	-
Replacement capex		-	(3.5)	(3.6)	(0.2)	(0.2)	-	-
FCFF, undiscounted		**676.3**	**1,100.4**	**822.9**	**1,044.0**	**1,293.6**	**1,543.4**	**35,243.2**
Maintenance capex		-	-	-	-	-	-	(24.2)
Change in NWC (stable)		-	-	-	-	-	-	(2,295.3)
FCFF, undiscounted		**676.3**	**1,100.4**	**822.9**	**1,044.0**	**1,293.6**	**1,543.4**	**32,923.7**
Partial period		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**169.8**	**1,024.1**	**696.2**	**803.0**	**904.5**	**981.1**	**20,927.8**
Sum of PV of FCFF		**25,506.5**						
Non-operating assets & liabilities		3.8						
Enterprise value, 30-Sep-20		**25,510.3**						
Net cash / (debt)		1,570.3						
Equity value, 30-Sep-20		**27,080.6**						

WACC	TGR
10.0%	3.0%

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: Meritus - Low case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	958.8	711.7	841.1	995.6	1,126.1	1,189.4	1,251.6	18,415.8
Cost of sales	(780.1)	(554.3)	(655.1)	(775.4)	(877.0)	(926.3)	(974.7)	(14,342.6)
Gross profit	**178.7**	**157.4**	**186.0**	**220.2**	**249.1**	**263.1**	**276.8**	**4,073.2**
Operating expenses, before depreciation	(64.9)	(61.5)	(77.1)	(85.2)	(93.7)	(98.9)	(104.2)	(1,533.8)
EBITDA	**113.8**	**95.9**	**108.9**	**135.0**	**155.4**	**164.1**	**172.6**	**2,539.4**
Depreciation	(3.9)	(0.5)	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)	(16.5)
Interest expense	(14.8)	(5.9)	(0.7)	-	-	-	-	-
Other income / (expenses)	(4.4)	(3.8)	0.2	0.8	0.8	0.7	0.7	10.0
EBT	**90.7**	**85.7**	**107.7**	**135.0**	**155.2**	**163.7**	**172.1**	**2,532.9**
Income tax expense	(28.7)	(25.7)	(32.3)	(39.6)	(44.8)	(47.4)	(49.8)	(733.2)
Net income / (loss)	**62.1**	**60.0**	**75.4**	**95.4**	**110.4**	**116.4**	**122.3**	**1,799.7**
FCFF								
Net income		60.0	75.4	95.4	110.4	116.4	122.3	1,799.7
Interest expense		4.1	0.5	-	-	-	-	-
Depreciation		0.5	0.7	0.8	1.0	1.1	1.1	16.5
Change in NWC		342.2	135.2	(20.8)	12.5	59.8	69.8	-
Replacement capex		(0.0)	(1.0)	(2.9)	(1.3)	(0.1)	(0.1)	-
FCFF, undiscounted		**406.8**	**210.7**	**72.4**	**122.6**	**177.1**	**193.1**	**1,816.3**
Maintenance capex		-	-	-	-	-	-	(16.5)
Change in NWC (stable)		-	-	-	-	-	-	(183.1)
FCFF, undiscounted		**406.8**	**210.7**	**72.4**	**122.6**	**177.1**	**193.1**	**1,616.6**
Partial period factor		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**102.1**	**196.1**	**61.3**	**94.3**	**123.8**	**122.7**	**1,027.6**
Sum of PV of FCFF		**1,728.1**						
Non-operating assets and liabilities		36.9						
Enterprise value, 30-Sep-20		**1,764.9**						
Net debt		(35.8)						
Equity value, 30-Sep-20		**1,729.1**						

WACC	TGR
10.0%	3.0%

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: Meritus - High case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	958.8	711.7	877.5	1,080.2	1,251.6	1,321.8	1,390.8	20,464.7
Cost of sales	(780.1)	(554.3)	(683.4)	(841.3)	(974.8)	(1,029.5)	(1,083.2)	(15,938.3)
Gross profit	**178.7**	**157.4**	**194.1**	**238.9**	**276.8**	**292.4**	**307.6**	**4,526.4**
Operating expenses, before depreciation	(64.9)	(61.5)	(78.9)	(89.1)	(99.5)	(105.1)	(110.7)	(1,629.5)
EBITDA	**113.8**	**95.9**	**115.2**	**149.8**	**177.3**	**187.2**	**196.9**	**2,896.8**
Depreciation	(3.9)	(0.5)	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)	(16.5)
Interest expense	(14.8)	(5.9)	(0.7)	-	-	-	-	-
Other income / (expenses)	(4.4)	(3.8)	0.2	0.8	0.8	0.7	0.7	10.0
EBT	**90.7**	**85.7**	**114.0**	**149.8**	**177.1**	**186.8**	**196.4**	**2,890.4**
Income tax expense	(28.7)	(25.7)	(34.2)	(43.0)	(49.8)	(52.6)	(55.4)	(814.7)
Net income / (loss)	**62.1**	**60.0**	**79.8**	**106.8**	**127.3**	**134.2**	**141.1**	**2,075.6**
FCFF								
Net income		60.0	79.8	106.8	127.3	134.2	141.1	2,075.6
Interest expense		4.1	0.5	-	-	-	-	-
Depreciation		0.5	0.7	0.8	1.0	1.1	1.1	16.5
Change in NWC		342.2	113.9	(44.5)	(1.0)	65.6	77.6	-
Replacement capex		(0.0)	(1.0)	(2.9)	(1.3)	(0.1)	(0.1)	-
FCFF, undiscounted		**406.8**	**193.8**	**60.2**	**126.0**	**200.7**	**219.7**	**2,092.1**
Maintenance capex		-	-	-	-	-	-	(16.5)
Change in NWC (stable)		-	-	-	-	-	-	(203.5)
FCFF, undiscounted		**406.8**	**193.8**	**60.2**	**126.0**	**200.7**	**219.7**	**1,872.1**
Partial period factor		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**102.1**	**180.4**	**50.9**	**96.9**	**140.3**	**139.6**	**1,190.0**
Sum of PV of FCFF		**1,900.3**						
Non-operating assets and liabilities		36.9						
Enterprise value, 30-Sep-20		**1,937.1**						
Net debt		(35.8)						
Equity value, 30-Sep-20		**1,901.3**						

WACC	TGR
10.0%	3.0%

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: Meritus - Management case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	958.8	711.7	932.1	1,213.6	1,456.4	1,747.6	2,097.2	30,858.2
Cost of sales	(780.1)	(547.7)	(713.3)	(927.3)	(1,112.8)	(1,335.4)	(1,602.5)	(23,579.0)
Gross profit	**178.7**	**163.9**	**218.8**	**286.3**	**343.5**	**412.3**	**494.7**	**7,279.3**
Operating expenses, before depreciation	(64.9)	(66.6)	(90.6)	(104.3)	(120.3)	(139.1)	(161.2)	(2,371.5)
EBITDA	**113.8**	**97.4**	**128.2**	**182.0**	**223.2**	**273.2**	**333.5**	**4,907.7**
Depreciation	(3.9)	(0.5)	(0.7)	(0.8)	(1.0)	(1.1)	(1.1)	(16.5)
Interest expense	(14.8)	(5.9)	(0.7)	-	-	-	-	-
Other income / (expenses)	(4.4)	(3.8)	0.2	0.8	0.8	0.7	0.7	10.0
EBT	**90.7**	**87.2**	**127.0**	**181.9**	**223.0**	**272.7**	**333.1**	**4,901.3**
Income tax expense	(28.7)	(26.1)	(38.1)	(51.5)	(61.8)	(74.2)	(89.0)	(1,310.3)
Net income / (loss)	**62.1**	**61.0**	**88.9**	**130.4**	**161.2**	**198.5**	**244.0**	**3,591.0**
FCFF								
Net income		61.0	88.9	130.4	161.2	198.5	244.0	3,591.0
Interest expense		4.1	0.5	-	-	-	-	-
Depreciation		0.5	0.7	0.8	1.0	1.1	1.1	16.5
Change in NWC		346.9	351.1	(63.3)	(75.4)	(87.2)	(107.5)	-
Replacement capex		(0.0)	(1.0)	(2.9)	(1.3)	(0.1)	(0.1)	-
FCFF, undiscounted		**412.6**	**440.1**	**65.0**	**85.5**	**112.3**	**137.5**	**3,607.5**
Maintenance capex		-	-	-	-	-	-	(16.5)
Change in NWC (stable)		-	-	-	-	-	-	(289.5)
FCFF, undiscounted		**412.6**	**440.1**	**65.0**	**85.5**	**112.3**	**137.5**	**3,301.5**
Partial period factor		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**103.6**	**409.6**	**55.0**	**65.8**	**78.5**	**87.4**	**2,098.6**

WACC	TGR
10.0%	3.0%

Sum of PV of FCFF	**2,898.4**
Non-operating assets and liabilities	36.9
Enterprise value, 30-Sep-20	**2,935.3**
Net debt	(35.8)
Equity value, 30-Sep-20	**2,899.5**

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: PWSI - Low case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	1,449.4	1,204.9	1,426.9	1,663.0	1,863.9	1,941.9	2,015.5	29,656.3
Cost of sales	(1,219.2)	(987.4)	(1,169.3)	(1,362.7)	(1,527.3)	(1,591.3)	(1,651.6)	(24,301.9)
Gross profit	**230.2**	**217.5**	**257.6**	**300.2**	**336.5**	**350.6**	**363.9**	**5,354.4**
Operating expenses, before depreciation	(146.0)	(137.1)	(149.4)	(168.7)	(188.7)	(202.0)	(215.9)	(3,176.2)
EBITDA	**84.2**	**80.5**	**108.2**	**131.5**	**147.9**	**148.7**	**148.0**	**2,178.2**
Depreciation	(3.0)	(6.1)	(5.3)	(4.1)	(3.1)	(3.1)	(3.8)	(55.5)
Interest expense	(21.2)	(6.1)	(6.1)	(4.2)	(1.2)	-	-	-
EBT	**60.0**	**68.2**	**96.8**	**123.2**	**143.6**	**145.5**	**144.3**	**2,122.7**
Income tax expense	(21.4)	(20.5)	(29.1)	(36.9)	(43.1)	(43.7)	(43.3)	(636.8)
Net income / (loss)	**38.6**	**47.8**	**67.8**	**86.2**	**100.5**	**101.9**	**101.0**	**1,485.9**
FCFF								
Net income		47.8	67.8	86.2	100.5	101.9	101.0	1,485.9
Interest expense		4.3	4.3	3.0	0.8	-	-	-
Depreciation		6.1	5.3	4.1	3.1	3.1	3.8	55.5
Change in NWC		(4.3)	108.8	58.2	29.6	92.1	107.8	-
Replacement capex		(14.8)	(0.2)	(0.2)	(0.2)	(0.2)	(18.1)	-
FCFF, undiscounted		**39.0**	**185.9**	**151.3**	**133.9**	**196.9**	**194.5**	**1,541.4**
Maintenance capex		-	-	-	-	-	-	(55.5)
Change in NWC (stable)		-	-	-	-	-	-	(225.0)
FCFF, undiscounted		**39.0**	**185.9**	**151.3**	**133.9**	**196.9**	**194.5**	**1,260.9**
Partial period		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**9.8**	**173.0**	**128.0**	**103.0**	**137.7**	**123.7**	**801.5**
Sum of PV of FCFF		**1,476.6**						
Non-operating assets & liabilities		145.9						
Enterprise value, 30-Sep-20		**1,622.5**						
Net cash / (debt)		(92.7)						
Equity value, 30-Sep-20		**1,529.8**						

WACC	TGR
10.0%	3.0%

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: PWSI - High case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	1,449.4	1,204.9	1,496.6	1,812.7	2,084.6	2,172.0	2,254.3	33,170.4
Cost of sales	(1,219.2)	(976.9)	(1,213.4)	(1,469.7)	(1,690.1)	(1,760.9)	(1,827.7)	(26,893.1)
Gross profit	**230.2**	**228.0**	**283.2**	**343.0**	**394.5**	**411.0**	**426.6**	**6,277.3**
Operating expenses, before depreciation	(146.0)	(137.1)	(153.2)	(176.8)	(200.9)	(215.0)	(229.8)	(3,380.7)
EBITDA	**84.2**	**90.9**	**130.0**	**166.2**	**193.6**	**196.0**	**196.9**	**2,896.5**
Depreciation	(3.0)	(6.1)	(5.3)	(4.1)	(3.1)	(3.1)	(3.8)	(55.5)
Interest expense	(21.2)	(6.1)	(6.1)	(4.2)	(1.2)	-	-	-
EBT	**60.0**	**78.7**	**118.6**	**157.8**	**189.3**	**192.9**	**193.1**	**2,841.0**
Income tax expense	(21.4)	(23.6)	(35.6)	(47.4)	(56.8)	(57.9)	(57.9)	(852.3)
Net income / (loss)	**38.6**	**55.1**	**83.0**	**110.5**	**132.5**	**135.0**	**135.2**	**1,988.7**
FCFF								
Net income		55.1	83.0	110.5	132.5	135.0	135.2	1,988.7
Interest expense		4.3	4.3	3.0	0.8	-	-	-
Depreciation		6.1	5.3	4.1	3.1	3.1	3.8	55.5
Change in NWC		(0.5)	78.0	26.6	11.4	99.9	120.0	-
Replacement capex		(14.8)	(0.2)	(0.2)	(0.2)	(0.2)	(18.1)	-
FCFF, undiscounted		**50.2**	**170.4**	**144.0**	**147.6**	**237.8**	**240.9**	**2,044.2**
Maintenance capex		-	-	-	-	-	-	(55.5)
Change in NWC (stable)		-	-	-	-	-	-	(250.8)
FCFF, undiscounted		**50.2**	**170.4**	**144.0**	**147.6**	**237.8**	**240.9**	**1,738.0**
Partial period		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**12.6**	**158.6**	**121.8**	**113.5**	**166.3**	**153.1**	**1,104.7**
Sum of PV of FCFF		**1,830.7**						
Non-operating assets & liabilities		145.9						
Enterprise value, 30-Sep-20		**1,976.6**						
Net cash / (debt)		(92.7)						
Equity value, 30-Sep-20		**1,883.9**						

WACC	TGR
10.0%	3.0%

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Appendix 4: PWSI - Management case

PHP in millions	2019	2020	2021	2022	2023	2024	2025	Terminal value
Revenue	1,449.4	1,204.9	1,553.7	1,988.5	2,373.7	2,848.5	3,418.2	50,295.8
Cost of sales	(1,219.2)	(933.7)	(1,213.8)	(1,578.0)	(1,893.6)	(2,272.3)	(2,726.7)	(40,121.8)
Gross profit	**230.2**	**271.2**	**339.8**	**410.5**	**480.2**	**576.2**	**691.4**	**10,174.0**
Operating expenses, before depreciation	(146.0)	(123.7)	(147.2)	(174.6)	(207.2)	(246.5)	(294.0)	(4,326.3)
EBITDA	**84.2**	**147.5**	**192.6**	**236.0**	**273.0**	**329.7**	**397.4**	**5,847.8**
Depreciation	(3.0)	(6.1)	(5.3)	(4.1)	(3.1)	(3.1)	(3.8)	(55.5)
Interest expense	(21.2)	(6.1)	(6.1)	(4.2)	(1.2)	-	-	-
EBT	**60.0**	**135.3**	**181.2**	**227.6**	**268.7**	**326.6**	**393.6**	**5,792.2**
Income tax expense	(21.4)	(40.6)	(54.4)	(68.3)	(80.6)	(98.0)	(118.1)	(1,737.7)
Net income / (loss)	**38.6**	**94.7**	**126.8**	**159.3**	**188.1**	**228.6**	**275.6**	**4,054.6**
FCFF								
Net income		94.7	126.8	159.3	188.1	228.6	275.6	4,054.6
Interest expense		4.3	4.3	3.0	0.8	-	-	-
Depreciation		6.1	5.3	4.1	3.1	3.1	3.8	55.5
Change in NWC		10.1	427.0	(14.6)	(97.8)	(110.7)	(135.7)	-
Replacement capex		(14.8)	(0.2)	(0.2)	(0.2)	(0.2)	(18.1)	-
FCFF, undiscounted		**100.4**	**563.2**	**151.6**	**94.1**	**120.8**	**125.5**	**4,110.1**
Maintenance capex		-	-	-	-	-	-	(55.5)
Change in NWC (stable)		-	-	-	-	-	-	(367.7)
FCFF, undiscounted		**100.4**	**563.2**	**151.6**	**94.1**	**120.8**	**125.5**	**3,686.8**
Partial period		0.2541	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
PV factor		0.9880	0.9306	0.8460	0.7691	0.6992	0.6356	0.6356
FCFF, discounted		**25.2**	**524.1**	**128.3**	**72.3**	**84.5**	**79.8**	**2,343.5**
Sum of PV of FCFF		**3,257.8**						
Non-operating assets & liabilities		145.9						
Enterprise value, 30-Sep-20		**3,403.6**						
Net cash / (debt)		(92.7)						
Equity value, 30-Sep-20		**3,311.0**						

WACC	TGR
10.0%	3.0%

Notes:
(1) Midyear discounting was applied to FCFF.
(2) Numbers may not add up due to rounding differences.

Thank you

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ANNEX "E"

cosco capital
incorporated

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **COSCO CAPITAL, INC. AND SUBSIDIARIES** (the "Group"),- is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended **December 31, 2019 and 2018**, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern and using the going concern basis of accounting unless management intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat and Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Group in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ____________________
LUCIO L. CO/Chairman of the Board

Signature ____________________
LEONARDO B. DAYAO/ President

Signature ____________________
TEODORO A. POLINGA/ Chief Finance Officer

SUBSCRIBED AND SWORN to before me this ______ day of ___________ 2020 affiants exhibiting to me their respective Tax Identification Number, as follows:

Name	TIN
LUCIO L. CO	108-975-971
LEONARDO B. DAYAO	135-546-815
TEODORO A. POLINGA	104-883-077

Doc. No. 508;
Page No. 103;
Book No. XVII;
Series of 2020

Signed this ___ day of JUN 0 8 2020, 2020

EMMA RHEA B. SADURAL-CAPISTRANO
Notary Public for the City of Manila
Commission No. 2019-100 until December 31, 2020
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 9123815 / 01-03-2020 / Mla
MCLE No. VI-0022489 / 04-16-19
No. 900 Romualdez St., Paco, Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

Opinion

We have audited the consolidated financial statements of Cosco Capital, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2019, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill and Other Intangibles with Indefinite Lives (P20.9 billion)
Refer to Note 13 to the consolidated financial statements.

The risk
The Group acquired through business combinations goodwill and other intangibles with indefinite lives totaling P20.9 billion. The Group tests for impairment annually by comparing the recoverable amounts to the carrying amounts.

We considered this as a key audit matter because assessment process is complex, involves significant management judgements and is based on key assumptions on expected future market and economic conditions, revenue growth, margin developments, the discount rates and (terminal) growth rates from management.

Our response
We performed the following audit procedures, among others, around impairment testing of goodwill and other intangibles with indefinite lives:

- We obtained the Group's discounted cash flow model that tests the carrying value of goodwill.

- We evaluated the reasonableness of key assumptions used by management in deriving the recoverable amount. These procedures included using our own internal valuation specialist to evaluate the key inputs and assumptions for growth and discount rates.

- We reviewed the cash flows used, with comparison to recent performance, trend analysis and market expectations, and by reference to prior year's forecast, where relevant, and assessing whether the Group has achieved them.

- We evaluated the adequacy of the disclosures in respect of impairment of goodwill and other intangibles with indefinite lives in the consolidated financial statements.

Revenue Recognition (P169.2 billion)
Refer to Note 3 and 19 to the consolidated financial statements.

The risk
Revenue is not complex but it is an important measure to evaluate the Group's performance, which increases the risk of material misstatement that revenue may be inappropriately recognized.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers* and PFRS 16, *Leases*.

- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue process.

- We involved our information technology specialists to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.

- For retail, specialty retail and liquor distribution segments, we tested, on a sample basis, sales transactions for a selected period before and after year-end to supporting documentation such as generated sales summary reports from the point-of-sale (POS) system, as reconciled with the cash receipts, to assess whether these transactions are recorded in the correct reporting period. For real estate and property leasing segment, we reviewed the completeness and accuracy of the master list of tenants and, on a sampling basis, we inspected and reviewed new and/or amended lease contracts to ascertain the existence of these lease contracts as well as the completeness and accuracy of the lease terms.

- We vouched, on a sample basis, sales transactions to supporting documentation such as sales invoices, delivery documents and value-added-tax returns, as applicable, to ascertain that the revenue recognition criteria are met.

- We tested, on a sampling basis, journal entries posted to revenue accounts to identify unusual or irregular items.

Adoption of PFRS, 16, Leases
Refer to Note 3, 21 and 35 to the consolidated financial statements.

The risk
The Group recognized right-of-use assets and lease liabilities as part of its first-year adoption of PFRS 16, *Leases*, which became effective for annual reporting periods beginning on or after January 1, 2019. The Group applied the full retrospective approach. The application of this new standard as disclosed in Note 35 resulted in an increase in total consolidated assets of P19.2 billion, an increase in total consolidated liabilities of P20.9 billion and a corresponding adjustment to total consolidated equity of P1.7 billion as at the date of initial application. We considered this to be a key audit matter because of the magnitude of the amounts involved, and the significance of management's judgment required in making estimates such as the determination of discount rates (incremental borrowing rates) and lease terms.

Our response
We performed the following audit procedures, among others, on the adoption of PFRS 16:

- We tested the completeness and accuracy of contractual lease agreements included in the lease contract database and the calculation used in recognizing the impact of PFRS 16.

- We evaluated whether the accounting policies applied are in accordance with the requirements of PFRS 16.

- We agreed key inputs to supporting documentation such as lease agreements on a sample basis. Also, we tested on a sample basis the movements during the year.

- We also recalculated the right-of-use asset and lease liability for each material type lease contract. We evaluated management assumptions, specifically on the determination of discount rates and assessment of renewal options. In evaluating the discount rates used, we reviewed observable data from reliable source with respect to reference rates used and tested whether entity- and lease-specific adjustments were appropriately made. We confirmed the existence of underlying facts and circumstances that create economic incentives as basis on whether there is reasonable certainty to exercise renewal options or not to exercise termination options.

- We evaluated the adequacy of the disclosures in the consolidated financial statements based on the requirements of PFRS 16.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Dindo Marco M. Dioso.

R.G. MANABAT & CO.

Dindo Marco M. Dioso

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid to audit 2019 AFS
per SEC MC 20, s2019
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116763
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (the "Group") as at and for the years ended December 31, 2019 and 2018 and have issued our report thereon dated June 25, 2020.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measure of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at and for the years ended December 31, 2019 and 2018 and no material exceptions were noted (see Annex A).

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid to audit 2019 AFS
per SEC MC 20, s2019
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PTR No. MKT 8116763
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	2019	December 31 2018 (As restated - Note 35)	2017 (As restated - Note 35)
ASSETS				
Current Assets				
Cash and cash equivalents	4	**P24,402,014**	P16,784,861	P15,353,098
Receivables - net	5	**16,637,892**	6,630,927	7,902,970
Inventories	6, 20	**24,722,271**	23,931,657	21,194,691
Financial assets at fair value through profit or loss	7	**34,921**	36,503	46,888
Financial assets at fair value through other comprehensive income	8	**9,209**	7,643	8,618
Due from related parties	25	**192,068**	47,971	74,354
Prepaid expenses and other current assets	9, 35	**2,000,500**	2,608,730	2,159,194
		67,998,875	50,048,292	46,739,813
Assets of disposal group classified as held for sale	33	**-**	7,320,895	-
Total Current Assets		**67,998,875**	57,369,187	46,739,813
Noncurrent Assets				
Investments in associates and joint ventures	10	**741,175**	603,175	933,797
Right of use of assets - net	21	**21,700,103**	20,082,426	18,164,361
Property and equipment - net	11	**27,927,953**	26,343,793	26,622,702
Investment properties - net	12	**11,125,998**	10,836,618	10,753,607
Goodwill and other intangibles - net	13	**21,089,717**	21,095,502	22,776,064
Deferred oil and mineral exploration costs - net	14	**-**	123,365	122,947
Deferred tax assets - net	27	**566,284**	96,263	7,577
Other noncurrent assets	15, 23, 35	**3,299,789**	2,987,212	2,644,555
Total Noncurrent Assets		**86,451,019**	82,168,354	82,025,610
		P154,449,894	P139,537,541	P128,765,423
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	16	**P15,127,981**	P13,016,166	P13,788,692
Income tax payable		**1,164,727**	930,909	1,032,749
Lease liabilities due within one year	21, 25	**567,682**	725,846	643,493
Short-term loans	17	**871,124**	4,866,300	5,562,500
Current maturities of long-term loans due within one year	17	**43,685**	49,999	2,443,402
Due to related parties	25	**1,343,460**	1,365,863	849,772
Other current liabilities	18	**596,992**	434,901	509,498
		19,715,651	21,389,984	24,830,106
Liabilities of disposal group classified as held for sale	33	**-**	1,834,651	-
Total Current Liabilities		**19,715,651**	23,224,635	24,830,106

Forward

		December 31		
	Note	2019	2018 (As restated - Note 35)	2017 (As restated - Note 35)
Noncurrent Liabilities				
Long-term loans	17	**P5,094,577**	P6,572,209	P4,782,209
Lease liabilities	21, 25	**26,101,259**	23,496,627	20,906,227
Deferred tax liabilities - net	27	**128,586**	177,626	181,128
Retirement benefits liability	26	**955,818**	508,533	592,387
Other noncurrent liabilities	21	**393,219**	433,342	421,929
Total Noncurrent Liabilities		**32,673,459**	31,188,337	26,883,880
Total Liabilities		**52,389,110**	54,412,972	51,713,986
Equity				
Capital stock	28	**7,405,264**	7,405,264	7,405,264
Additional paid-in capital	28	**9,634,644**	9,634,644	9,634,644
Treasury stock	28	**(1,403,974)**	(1,197,727)	(628,203)
Retirement benefits reserve	26	**5,412**	113,822	28,365
Other reserve	8	**5,602**	3,420	5,012
Retained earnings		**54,167,212**	42,775,502	37,394,017
Total Equity Attributable to Equity Holders of the Parent Company		**69,814,160**	58,734,925	53,839,099
Noncontrolling Interests		**32,246,624**	26,389,644	23,212,338
Total Equity		**102,060,784**	85,124,569	77,051,437
		P154,449,894	P139,537,541	P128,765,423

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands except Per Share Data)

		Years Ended December 31		
	Note	2019	2018 (As restated - Note 35)	2017 (As restated - Note 35)
REVENUES	19, 29			
Net sales		**P164,568,286**	P166,830,469	P144,347,072
Rent		**1,498,426**	1,379,888	1,291,200
Other		-	-	528
		166,066,712	168,210,357	145,638,800
COST OF REVENUES	20, 35			
Cost of goods sold		**135,516,879**	139,182,012	119,689,636
Cost of rent		**660,788**	627,607	571,355
		136,177,667	139,809,619	120,260,991
GROSS INCOME		**29,889,045**	28,400,738	25,377,809
OTHER REVENUE	22	**3,262,853**	2,994,765	2,760,840
TOTAL GROSS INCOME AND OTHER REVENUE		**33,151,898**	31,395,503	28,138,649
OPERATING EXPENSES	23, 35	**19,147,089**	18,326,809	15,854,229
INCOME FROM OPERATIONS		**14,004,809**	13,068,694	12,284,420
OTHER INCOME (CHARGES)				
Interest expense	17, 21	**(2,076,648)**	(1,922,956)	(1,699,097)
Interest income	4, 25	**837,882**	200,434	133,141
Others - net	24	**6,148,629**	421,494	(72,325)
		4,909,863	(1,301,028)	(1,638,281)
INCOME BEFORE INCOME TAX		**18,914,672**	11,767,666	10,646,139
PROVISION FOR INCOME TAXES	27	**3,521,465**	3,285,862	3,175,439
NET INCOME		**P15,393,207**	P8,481,804	P7,470,700
Net income attributable to:				
Equity holders of the Parent Company		**P11,597,381**	P5,381,485	P4,731,616
Noncontrolling interests		**3,795,826**	3,100,319	2,739,084
		P15,393,207	P8,481,804	P7,470,700
Basic/diluted earnings per share attributable to equity holders of the Parent Company	30	**P1.65**	P0.76	P0.66

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands except Per Share Data)

	Note	2019	2018 (As restated, Note 35)	2017 (As restated, Note 35)
			Years Ended December 31	
NET INCOME		**P15,393,207**	P8,481,804	P7,470,700
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will never be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits		**(316,310)**	231,525	78,022
Unrealized gain (loss) on financial assets	*8*	**2,182**	(1,592)	419
Income tax effect		**96,421**	(69,081)	(23,277)
		(217,707)	160,852	55,164
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P15,175,500**	P8,642,656	P7,525,864
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P11,419,798**	P5,465,351	P4,759,935
Non-controlling interests		**3,755,702**	3,177,305	2,765,929
		P15,175,500	P8,642,656	P7,525,864

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands Except per Share Data)

	Attributable to Equity Holders of the Parent Company								
	Capital Stock	Additional Paid-in Capital	Treasury Shares	Retirement Benefits Reserve	Other Reserve	Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at January 1, 2017, as previously stated	P7,405,264	P9,634,644	(P523,865)	P692	P4,593	P33,808,565	P50,329,893	P21,458,344	P71,788,237
Effect of adoption of PFRS 16	-	-	-	-	-	(560,336)	(560,336)	(470,146)	(1,030,482)
Balance at January 1, 2017, as restated	7,405,264	9,634,644	(523,865)	692	4,593	33,248,229	49,769,557	20,988,198	70,757,755
Restated total comprehensive income for the year									
Net income for the year	-	-	-	-	-	4,731,616	4,731,616	2,739,084	7,470,700
Other comprehensive income	-	-	-	27,673	419	-	28,092	27,072	55,164
	-	-	-	27,673	419	4,731,616	4,759,708	2,766,156	7,525,864
Effect of business combination	-	-	-	-	-	150,313	150,313	-	150,313
Acquisition of treasury shares	-	-	(104,338)	-	-	-	(104,338)	-	(104,338)
Cash dividends at P0.10 per share	-	-	-	-	-	(736,141)	(736,141)	(542,016)	(1,278,157)
Balance at December 31, 2017, as restated	7,405,264	9,634,644	(628,203)	28,365	5,012	37,394,017	53,839,099	23,212,338	77,051,437
Restated total comprehensive income for the year									
Net income for the year	-	-	-	-	-	5,381,485	5,381,485	3,100,319	8,481,804
Other comprehensive income (loss)	-	-	-	85,457	(1,592)	-	83,865	76,987	160,852
	-	-	-	85,457	(1,592)	5,381,485	5,465,350	3,177,306	8,642,656
Acquisition of treasury shares	-	-	(569,524)	-	-	-	(569,524)	-	(569,524)
Balance at December 31, 2018, as restated	7,405,264	9,634,644	(1,197,727)	113,822	3,420	42,775,502	58,734,925	26,389,644	85,124,569
Total comprehensive income for the year									
Net income for the year	-	-	-	-	-	11,597,381	11,597,381	3,795,826	15,393,207
Other comprehensive income (loss)	-	-	-	(108,410)	2,182	-	(106,228)	(111,479)	(217,707)
	-	-	-	(108,410)	2,182	11,597,381	11,491,153	3,684,347	15,175,500
Issuance of shares by a subsidiary									
Gain on dilution of ownership interest	-	-	-	-	-	1,313,808	1,313,808	-	1,313,808
Increase in noncontrolling interests	-	-	-	-	-	-	-	3,321,772	3,321,772
	-	-	-	-	-	1,313,808	1,313,808	3,321,772	4,635,580
Acquisition of treasury shares	-	-	(206,247)	-	-	-	(206,247)	-	(206,247)
Cash dividends at P0.12 per share	-	-	-	-	-	(1,519,479)	(1,519,479)	(1,149,139)	(2,668,618)
Balance at December 31, 2019	P7,405,264	P9,634,644	(P1,403,974)	P5,412	P5,602	P54,167,212	P69,814,160	P32,246,624	P102,060,784

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	2019	2018 (As restated, Note 35)	2017 (As restated, Note 35)
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P18,914,672**	P11,767,666	P10,646,139
Adjustments for:				
Gain on sale of subsidiary/joint venture	*10, 33*	**(6,073,605)**	(362,810)	-
Depreciation and amortization	*11, 12, 13*	**3,423,159**	3,537,746	3,108,350
Interest expense	*17, 21*	**2,076,648**	1,922,956	1,699,098
Interest income	*4, 25*	**(837,882)**	(200,434)	(133,433)
Impairment loss on deferred oil and mineral exploration costs	*14, 23*	**128,090**	-	-
Retirement benefits cost	*26*	**136,099**	171,120	159,361
Share in losses (income) of joint ventures and associates	*10, 24*	**(11,044)**	(17,142)	132,872
Gain from pre-terminated lease contracts	*21, 24*	**(42,460)**	(37,850)	(15,174)
Unrealized foreign exchange loss (gain)		**(28,805)**	(24,200)	23,468
Gain on insurance claims	*24*	**(3,503)**	(3,383)	(14,268)
Unrealized loss (gain) on financial assets at FVPL	*7, 24*	**1,582**	10,385	(11,779)
Dividend income	*25*	**(652)**	(680)	(1,856)
Gain on disposal of property and equipment	*11, 24*	**-**	(15,815)	(206)
Operating income before changes in working capital		**17,682,299**	16,747,559	15,592,572
Decrease (increase) in:				
Receivables		**1,891,943**	281,137	(1,097,265)
Inventories		**(790,614)**	(3,264,295)	(1,402,325)
Prepaid expenses and other current assets		**608,230**	(297,664)	(1,290,612)
Due from related parties		**(144,097)**	(23,398)	110,782
Increase (decrease) in:				
Accounts payable and accrued expenses		**1,362,540**	2,077,246	2,170,922
Due to related parties		**(22,403)**	578,828	159,437
Other current liabilities		**162,091**	(70,506)	(33,045)
Other noncurrent liabilities		**(40,123)**	(705,043)	(647,869)
Cash generated from operations		**20,709,866**	15,323,864	13,562,597
Income taxes paid	*27*	**(3,566,714)**	(3,137,784)	(2,767,602)
Retirement benefits paid	*26*	**(4,085)**	(1,675)	(1,876)
Net cash provided by operating activities		**17,139,067**	12,184,405	10,793,119

Forward

	Note	2019	2018 (As restated - Note 35)	2017 (As restated - Note 35)
			Years Ended December 31	
CASH FLOWS FROM INVESTING ACTIVITIES				
Loans receivable granted during the year	25	**(P11,898,908)**	P-	P-
Additions to:				
Property and equipment	11	**(3,885,582)**	(4,073,824)	(4,614,237)
Investment properties	12	**(617,518)**	(657,388)	(680,526)
Deferred mineral and oil exploration		**(4,725)**	(417)	(1,567)
Intangibles	13	**(40,801)**	(41,705)	(30,349)
Investments	10	**(126,956)**	(32,500)	(140,000)
Proceeds from:				
Sale of interest in a subsidiary/joint venture	33	**11,370,980**	600,000	-
Maturity of short-term investments		**-**	-	909,929
Insurance claims	24	**3,503**	3,383	14,268
Disposal of property and equipment		**129,910**	72,392	9,195
Effect of business combination		**-**	-	(270,000)
Interest received		**837,882**	200,434	133,433
Increase in other noncurrent assets		**(312,577)**	(267,306)	314,001
Dividends received	25	**652**	676	1,856
Cash given up in assets held for sale	33	**-**	(1,063,131)	-
Net cash used in investing activities		**(4,544,140)**	(5,259,386)	(4,353,997)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of lease:				
Principal amount		**(567,555)**	(528,829)	(403,540)
Interest expense		**(1,673,636)**	(1,454,112)	(1,292,684)
Payments of:				
Short-term loans	17	**(4,638,031)**	(10,916,200)	(6,549,500)
Long-term loans	17	**(1,488,429)**	(610,000)	(170,001)
Payments of:				
Cash dividends		**(1,312,587)**	(1,200,393)	(1,431,408)
Interest expense		**(398,529)**	(458,398)	(495,049)
Availment of short-term loans	17	**642,855**	10,220,000	6,749,500
Proceeds from top-up placements	1	**4,635,580**	-	-
Buyback of capital stocks	28	**(206,247)**	(569,524)	(104,338)
Net cash used in by financing activities		**(5,006,579)**	(5,517,456)	(3,697,020)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**28,805**	24,200	(23,468)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,617,153**	1,431,763	2,718,634
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**16,784,861**	15,353,098	12,634,464
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**P24,402,014**	P16,784,861	P15,353,098

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Reporting Entity

Cosco Capital, Inc. (the Parent Company or Cosco), formerly Alcorn Gold Resources Corporation, was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988. Its shares of stock are publicly traded in the Philippine Stock Exchange (PSE) since September 26, 1988. As at December 31, 2019 and 2018, the Parent Company's public float stood at 23.74% and 24.69%.

On October 8, 1999, the Parent Company's shareholders approved the amendment of its primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Parent Company. On January 13, 2000, the SEC approved the amendments of the Parent Company's Articles of Incorporation. As a holding company, Cosco may engage in any business that may add to its shareholders' worth.

On December 10, 2012, in a special meeting, the Board of Directors ("Board" or "BOD") of the Parent Company approved the subscription of the "Lucio L. Co Group" to the unissued authorized capital stock of the Parent Company from the proposed increase in the authorized capital stock of the Parent Company at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74.8 billion worth of shares in Puregold Price Club, Inc. (PPCI), Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco, Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp., and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these companies, under the terms and conditions to be determined by the Parent Company's BOD.

On December 11, 2012, in a special meeting, the Parent Company's shareholders approved the increase in the Parent Company's authorized capital stock and increase in par value from P3 billion divided into 300 billion common shares with a par value of P0.01 per share to P10 billion divided into 10 billion common shares with a par value of P1 per share. Also, the Parent Company's shareholders resolved to change the Parent Company's corporate name from Alcorn Gold Resources Corporation to Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

On April 22, 2013, the SEC approved the restructuring of the Parent Company's authorized capital stock as well as the change of its corporate name. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74.8 billion which will be paid through assignment of shares (share swap). The transaction is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

On May 31, 2013, pursuant to the SEC-approved increase of capital stock and share swap transaction, the Parent Company implemented the following: (a) issuance and listing of 4,987,406,421 new shares of the Parent Company; (b) cross trade at the PSE of PPCI shares to the Parent Company as consideration for the issuance of the new shares; (c) issuance to the subscribers, the Lucio L. Co Group, pursuant to the share swap; and (d) special block sale at the PSE of 1,600,000,000 of the new shares placed to Qualified Institutional Buyers transacted at PSE at P10.50 per share.

As a result of the above transaction, the companies mentioned above became subsidiaries of Cosco. The transaction was accounted for using the pooling of interests method. Accordingly, the Parent Company recognized the net assets of the acquired subsidiaries equivalent to their carrying values.

The Parent Company's principal office, which is also its registered office address, is at 900 Romualdez Street, Paco, Manila.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group") which are all incorporated in the Philippines:

	Effective Percentage of Ownership			
	2019		2018	
	Direct	Indirect	Direct	Indirect
Retail				
Puregold Price Club, Inc. (PPCI) [(a)] and Subsidiaries	49.16[(e)]	-	51.02[(e)]	-
▪ Kareila Management Corporation (KMC) and Subsidiaries	-	49.16[(e)]	-	51.02
¤ S&R Pizza (Harbor Point), Inc.	-	49.16[(e)]	-	51.02
¤ S&R Pizza, Inc.	-	49.16[(e)]	-	51.02
▪ PPCI Subic, Inc. (PSI)	-	49.16[(e)]	-	51.02
▪ Entenso Equities Incorporated (EEI) and Subsidiaries	-	49.16[(e)]	-	51.02
¤ Goldtempo Company Incorporated (GCI) [(a)]	-	-	-	-
¤ Daily Commodities, Inc. [(a)]	-	-	-	-
¤ First Lane Super Traders Co., Inc. [(a)]	-	-	-	-
▪ Purepadala, Inc. [(c)]	-	49.16[(e)]	-	51.02
Liquor Distribution				
Montosco, Inc.	100	-	100	-
Meritus Prime Distributions, Inc.	100	-	100	-
Premier Wine and Spirits, Inc.	100	-	100	-
Real Estate and Property Leasing				
Nation Realty, Inc.	100	-	100	-
Patagonia Holdings Corp.	100	-	100	-
Ellimac Prime Holdings, Inc. (EPHI)	100	-	100	-
Fertuna Holdings Corp.	100	-	100	-
Pure Petroleum Corp.	100	-	100	-
NE Pacific Shopping Centers Corporation (NPSCC)	100	-	100	-
Specialty Retail				
Office Warehouse, Inc. and a Subsidiary	100	-	100	-
¤ Office Warehouse (Harbor Point), Inc. [(d)]	-	100	-	100
Canaria Holdings Corporation (CHC) and Subsidiaries	90	-	90	-
▪ Liquigaz Philippines Corporation (LPC) [(b)]	-	-	-	-
▪ Calor Philippines Holdings, Inc. (CPHI) [(b)]	-	-	-	-
Oil and Mining				
Alcorn Petroleum and Minerals Corporation (APMC)	100	-	100	-

[(a)] *The merger of PPCI, Goldtempo Company Incorporated, Daily Commodities, Inc., and First Lane Super Traders Co., Inc. (PPCI as the absorbing entity), was approved by SEC on November 22, 2017. PPCI adopts January 1, 2018 as the effective date of the merger.*

[(b)] *On October 19, 2018, the Board of Directors authorized the sale of LPC and CPHI, resulting in their classification as a disposal group held-for-sale as at December 31, 2018 and disposal on January 17, 2019 (see Note 33).*

[(c)] *Incorporated and registered with the Philippine SEC on October 15, 2018 as a money remittance company.*

[(d)] *Incorporated and registered with the Philippine SEC on December 6, 2017 and started its commercial operations in 2018.*

[(e)] *On January 16, 2019, PPCI made a Php4,693,500,000 top-up placement of 104.3 million common shares at a price of Php45.00 per share. The additional shares were issued on March 5, 2019 for total proceeds of P4.6 billion, which resulted in a dilution of the Parent Company's ownership interest of in PPCI from 51.02% to 49.16%. The Parent Company retains the control over PPCI (see Note 3).*

2. Basis of Preparation

The consolidated financial statements 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 (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations.

The accompanying consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on June 9, 2020.

Historical cost is used as the measurement basis except for:

Items	Measurement Bases
Financial assets at FVPL	Fair value
Financial assets at FVOCI (except for unquoted equity investments which are measured at cost)	Fair value
Retirement benefits liability	Present value of the defined benefit obligation less fair value of plan assets

These consolidated financial statements are presented in Philippine peso (P), unless otherwise stated.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Significant Judgments, Estimates and Assumptions
The preparation of consolidated financial statements requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities which, by definition, will seldom equal the actual results. All assumptions, expectations and forecasts used as a basis for certain estimates within these financial statements represent good faith assessments of the Group's current and future performance for which management believes there is a reasonable basis. They involve risks, uncertainties and other factors that could cause the Group's actual future results, performance and achievements to differ materially from those forecasted

Judgments
In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining Term and Discount Rate of Lease Arrangements (Note 21)
Where the Group is the lessee, management is required to make judgments about whether an arrangement contains a lease, 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.

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 buildings, stores, distribution centers and warehouses, 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 store is made which has a useful life beyond the current lease term

Operating Leases - Group as a Lessor (Note 21)
The Group has entered into various lease agreements as a lessor to lease its investment properties and sublease portion of its stores to various lessees. The Group has determined that it retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P1.5 billion, P1.4 billion and P1.3 billion in 2019, 2018 and 2017, respectively.

<u>Estimates</u>
The key estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

Estimating Vendor Allowances (Notes 3)
When vendor allowances cannot specifically be identified in the purchase price of products, the Group must estimate the allowances that are earned based on the fulfillment of its related obligations. These estimates may require management to estimate the volume of purchases that will be made during a period of time.

Estimating Allowance for Impairment Losses on Receivables (Note 5)
The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors, their payment behavior and known market factors. The Group reviews the age and status of the receivable and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

As at December 31, 2019 and 2018, the carrying amount of receivables amounted to P16.6 billion and P6.6 billion while the allowance for impairment losses amounted to P48.9 million and P40.3 million, respectively.

Estimating Net Realizable Value (NRV) of Merchandise Inventories (Note 6)
The Group carries merchandise inventory at NRV whenever the selling price less costs to sell becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of prices or costs directly relating to events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The NRV is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amount of merchandise inventories amounted to P24.7 billion and P23.9 billion as at December 31, 2019 and 2018.

Impairment of Goodwill and Other Intangibles with Indefinite Lives (Note 13)
The Group determines whether goodwill, trademarks and customer relationships are impaired at least annually. This requires the estimation of the recoverable amounts of the goodwill, trademarks and customer relationships. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which the goodwill, trademarks and customer relationships relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill and other intangibles with indefinite useful lives totaled P20.9 billion as at December 31, 2019 and 2018.

Impairment of Other Non-Financial Assets
The Group assesses impairment on other non-financial assets when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

Determining the net recoverable amount of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the results of operations.

There are no impairment indicators affecting the Group's non-financial assets as at December 31, 2019 and 2018, except for deferred oil and mineral exploration costs which management assessed to be impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects (see Note 14). The Group recognized a full impairment loss of P128.1 million in 2019 (see Note 23).

As at December 31, 2019 and 2018, the following are the carrying amounts of nonfinancial assets:

	Note	**2019**	2018, (Restated)
Property and equipment - net	*11*	**P27,927,953**	P26,343,793
Investment properties - net	*12*	**11,125,998**	10,836,618
Investments in joint venture and associate	*10*	**741,175**	603,175
Computer software and licenses, and leasehold rights	*13*	**237,077**	242,862
Deferred oil and mineral exploration costs - net	*14*	**-**	123,365
Right-of-use assets - net	*21*	**21,700,103**	20,082,426

Estimating Realizability of Deferred Tax Assets (Note 27)
The Group reviews the carrying amount of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group also reviews the expected timing and tax rates upon reversal of the temporary differences and adjusts the impact of deferred tax accordingly. The Group's assessment on the recognition of deferred 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.

As at December 31, 2019 and 2018, the Group recognized net deferred tax assets (liabilities) amounting to P437.7 million and (P81.4) million.

Estimating Retirement Benefits Liability (Note 26)
The present value of the retirement benefits liability depends on a number of assumptions that are determined on an actuarial basis. The assumptions used in determining the net cost (income) for retirement benefits include the discount rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefits liability. Other key assumptions include future salary, mortality and attrition. Additional information is disclosed in Note 26.

Retirement benefits liability amounted to P955.8 million and P508.5 million as at December 31, 2019 and 2018.

3. Summary of Significant Accounting Policies

The Group has consistently applied the accounting policies to all years presented in these consolidated financial statements, except for the changes below.

Adoption of New or Revised Standards, Amendments to Standards, and Interpretations

The Group adopted the following relevant new standards, amendments to standards and interpretations starting January 1, 2019 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.

- PFRS 16, *Leases*

  The Group applied PFRS 16 with a date of initial application of January 1, 2019. As a result, the Group changed its accounting policies for lease contracts as detailed below.

  The Group applied PFRS 16 using the retrospective approach. The adoption of PFRS 16 has resulted in restatements of the Group's 2018 and 2017 comparative amounts; see Note 35 for more information.

- Previously held interest in a joint operation (Amendments to IFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements*)

  The amendments to PFRS 3 and PFRS 11 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 3 apply prospectively for annual periods beginning on or after January 1, 2019. These amendments have no impact on the consolidated financial statements.

- Borrowing costs eligible for capitalization (Amendments to PAS 23, *Borrowing Costs*).

  The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool. These amendments have no impact on the consolidated financial statements.

- Plan Amendment, Curtailment or Settlement (Amendments to PAS 19, *Employee Benefits*)

  The amendments to PAS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must: (i) calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change; (ii) recognize any reduction in a surplus immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement; and (iii) separately recognize any changes in the asset ceiling through other comprehensive income. These amendments have no impact on the consolidated financial statements.

- Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28, *Investments in Associates and Joint Ventures)*

  The amendments to PAS 28 were made to clarify that PFRS 9, "Financial Instruments," applies to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. These amendments have no impact on the consolidated financial statements.

- Philippine Interpretation IFRIC 23, *Uncertainty over Tax Treatments*

  IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, while also aiming to enhance transparency. IFRIC 23 became effective on January 1, 2019. The interpretation does not have an impact on the consolidated financial statements.

New Accounting Policies Not Yet Effective for 2019
A number of standards, or revisions to standards, that are not yet effective for 2019, but will become effective in coming years.

- Definition of Material (Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*)

  The amendments to PAS 1 and PAS 8 clarify the definition of material and how it should be applied by stating that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments to PAS 1 and PAS 8 apply prospectively for annual periods beginning on or after January 1, 2020. The Group does not anticipate that the application of these amendments will have a significant effect on the future consolidated financial statements.

- Definition of a Business (Amendments to PFRS 3, *Business Combinations*)

  The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term "outputs" is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets. The amendments to PFRS 3 apply prospectively for annual periods beginning on or after January 1, 2020. The Group anticipates that the amendments could result in more acquisitions being accounted for as asset acquisitions.

Consolidation
The consolidated financial statements incorporate the financial amounts of the Parent Company and its subsidiaries. Subsidiaries are entities over which the Parent Company has control. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date that control commences until the date that control ceases. All intra-group transactions, balances, income and expenses are eliminated upon consolidation. Unrealized losses on intragroup transactions are eliminated, unless the transaction provides evidence of an impairment of the assets transferred.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Parent Company and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the equity attributable to the equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

Business Combinations
The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. Transaction costs are expensed as incurred.

Statement of Cash Flows
The Group has chosen to prepare the consolidated statement 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 statement, the Group has classified the principal portion of lease payments, as well as the interest portion, within financing activities. Lease payments are split between interest and principal portions in the cash flow statement. Lease payments for short-term leases, lease payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are classified as cash flows from operating activities. The Group has classified cash flows from operating leases as operating activities.

Common Control Business Combinations
Business combinations involving entities under common control are business combinations in which all of the entities are controlled by the same party both before and after the business combination. The Group accounts for such business combinations in accordance with the guidance provided by the Philippine Interpretations Committee Question and Answer (PIC Q&A) No. 2011-02, *PFRS 3.2 Common Control Business Combinations.*

The purchase method of accounting is used, if the transaction was deemed to have commercial substance from the perspective of the reporting entity. In determining whether the business combination has commercial substance, factors such as the underlying purpose of the business combination and the involvement of parties other than the combining entities such as the non-controlling interest, shall be considered. In cases where the transaction has no commercial substance, the business combination is accounted for using the pooling of interests method.

In applying the pooling of interests method, the Group follows PIC Q&A 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 from the actual date of the acquisition. No adjustments are made to reflect the fair values or recognize any new assets or liabilities at the date of the combination. The only adjustments would be to harmonize accounting policies between the combining entities;

- No 'new' goodwill is recognized as a result of the business combination. The excess of the cost of business combinations over the net carrying amounts of the identifiable assets and liabilities of the acquired company is considered as equity adjustment from business combinations, included under "Retained earnings" account in the equity section of the statements of financial position; and

- As a policy, no restatement of financial information in the Group's consolidated financial statements for periods prior to the transaction is made.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 29 to the consolidated financial statements.

The measurement policies the Group used for segment reporting under PFRS 8 are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Financial Instruments

Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognized when the rights to receive cash flows from the financial assets expire, or if the Group transfers the financial asset to another party and does not retain control or substantially all risks and rewards of the asset. Regular-way purchases and sales of financial assets in the normal course of business are accounted for at settlement date (i.e., the date that the asset is delivered to or by the Group). At initial recognition, the Group measures its financial assets at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset

Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated as fair value through profit or loss (FVTPL), includes transaction costs. A trade receivable without significant financing component is initially measured at the transaction price.

After initial recognition, the Group classifies its financial assets as subsequently measured at either i) amortized cost, ii) fair value through other comprehensive (FVOCI) income or iii) FVTPL on the basis of both:

- The Group's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Subsequent to initial recognition, financial assets are measured as described below. At each balance sheet date, the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognizes a loss allowance for expected credit losses for financial assets measured at either amortized costs or at fair value through other comprehensive income. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months of expected credit losses. If, at the reporting date, the credit risk on a financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for the financial instrument at an amount equal to the lifetime expected credit losses. The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for receivables.

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.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, 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, credit assessment and including forward-looking information.

The information analyzed by the Group includes the following, among others:

- actual and expected significant changes in the political, regulatory and technological environment of the debtor or in its business activities.

- payment record - this includes overdue status as well as a range of variables about payment ratios.

- existing and forecast changes in the business, financial and economic conditions.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligation to the Group in full, without recourse by the Group to actions such as realizing security (if any is held); or

- the debtor is past due more than 90 days on any material credit obligation to the Group.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Trade and other receivables are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, the financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both i) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value plus transaction cost directly attributable to the asset. After initial recognition, the carrying amount of the financial asset measured at amortized cost is determined using the effective interest method, less any impairment losses.

Financial assets at amortized cost are classified as current assets when the Group expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

Cash and cash equivalents, receivables, due from related parties and security deposits are included in this category.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value.

Financial Assets at FVOCI
A debt financial asset is measured at FVOCI if both i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI.

The financial asset is recognized initially at fair value plus transaction cost directly attributable to the asset. After initial recognition, the asset is measured at fair value with changes in fair value included in other comprehensive income. For debt instruments, interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other gains and losses recognized in OCI. Accumulated gains or losses recognized through other comprehensive income are reclassified to profit or loss when the asset is derecognized. For equity investments, dividends are recognized in profit or loss while other gains and losses are recognized in OCI and are never reclassified to profit or loss.

The Group's equity securities are included in this category.

The Group has no financial assets at FVOCI with recycling of cumulative gains or losses (debt instruments) as at December 31, 2019 and 2018.

Financial Assets at FVTPL
When any of the above-mentioned conditions for classification of financial assets are not met, a financial asset is classified as at FVTPL and measured at fair value with changes in fair value recognized in profit or loss.

A financial asset measured at FVTPL is recognized initially at fair value and its transaction cost is recognized in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognized in profit or loss for the reporting period in which it arises.

The Group may, at initial recognition, irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

The Group's investments in equity securities traded in the PSE is included under this category.

Financial Liabilities
Financial liabilities are recognized when the Group becomes a party to the contractual provisions of a financial instrument. Financial liabilities are derecognized when the Group's obligations specified in the contract expire or are discharged or cancelled.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group classifies all financial liabilities as subsequently measured at amortized cost, except for:

(a) financial liabilities designated by the Group at initial recognition as at fair value through profit or loss, when doing so results in more relevant information.

(b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) contingent consideration recognized by the Group in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.

(d) financial guarantee contracts and commitments to provide a loan at a below-market interest rate which are initially measured at fair value and subsequently at the higher of amortized amount and amount of loss allowance.

Any difference between the proceeds and redemption value is recognized in the income statement over the period of the loans and short-term borrowings using the effective interest method.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Trade and other payables, short-term loans, long-term loans, lease liabilities, due to related parties and customers' deposits are generally included in this category.

Customers' Deposits
Refundable noninterest-bearing security deposits from customers under operating lease agreements are initially valued at the fair values based on its present values of the estimated future cash flows. The difference between the cash received and its fair value is recorded as unearned rent income in the consolidated statements of financial position and is amortized to rental income over the lease term. Subsequently, the customers' deposits are carried at amortized cost using the effective interest method.

Offsetting Financial Instruments
Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

'Day 1' Profit. Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

Fair Value Measurements
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 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 most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The 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 is 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 prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value. Inventories include merchandise inventories, liquors, wines and spirits. Costs incurred in bringing each inventory to its present location and condition are accounted as follows:

Merchandise inventories	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using moving average method
Liquors, wines and spirits.	-	Purchase price, including duties, transport and handling costs, and other incidental expenses, determined using first-in, first-out method

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Investments in Joint Arrangements and Associates

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 and, therefore, the Group equity accounts for its interest.

Associates are entities 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. Associates are accounted for using the equity method.

Under the equity method, investments in associates and joint ventures are measured initially at cost and subsequently adjusted for post-acquisition changes in the Group's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments). Where necessary, adjustments are made to the financial amounts of the associates and joint ventures to ensure consistency with the accounting policies of the Group. Unrealized gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of Group's stake in these investments. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

Property and Equipment

Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, amortization and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Depreciation are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Buildings	15 - 30
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. These are depreciated using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit-of-production calculation. Estimates of decommissioning and abandonment costs, which are accrued based on unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable costs to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Leasehold improvements are amortized over 3 to 20 years or the lease term, whichever is shorter.

Depreciation 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 method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Investment Properties

Investment properties consist of land and buildings held to earn rentals. Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the costs of replacing part of an existing investment property at the time the costs are incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing an investment property. Investment properties, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at cost less any accumulated impairment in value.

Depreciation is computed on a straight-line basis over the estimated useful lives of the investment properties as follows:

	Number of Years
Land improvements	25
Buildings	10 - 50

The remaining useful lives and depreciation method are reviewed periodically to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from buildings and land improvements.

Buildings in progress which represents properties under construction are stated at cost and depreciated only from such time as the relevant assets are completed and put into operational use. Upon completion, these properties are classified to the relevant investment property or property and equipment account.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to earn rentals.

For a transfer from investment property to owner-occupied property, the cost of property for subsequent accounting is its carrying value at the date of change in use. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment properties are derecognized when either they have been disposed of, or when investment properties are permanently withdrawn from use and no future economic benefits is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the year of retirement or disposal.

Construction in Progress

Construction in progress, which are stated at cost, are properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are carried at cost less any recognized impairment loss. This includes the costs of construction and other direct costs. These assets are not depreciated until such time that the relevant assets are completed and available for use.

Assets Held for Sale

Noncurrent assets or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be primarily through sale rather through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss.

Once classified as held for sale, any equity-accounted investee is no longer equity accounted.

Goodwill and Other Intangibles

Goodwill and Impairment of Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the Group's interest in the net fair value of the identifiable assets, liabilities and assumed contingent liabilities at the date of acquisition. It is carried at cost less accumulated impairment losses. Goodwill on acquisitions of joint ventures and associates is included in the carrying amount of the investment. For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of a business combination. Goodwill is allocated to a cash-generating unit (or group of cash-generating units) representing the lowest level within the Group at which the goodwill is monitored for internal management purposes and is never larger than an operating segment before aggregation. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the cash-generating unit may be impaired. Goodwill on acquisitions of associates and joint ventures is assessed for impairment as part of the investment whenever there is an indication that the investment may be impaired. An impairment loss is recognized for the amount by which the cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of a cash-generating unit's fair value less costs of disposal or its value in use. An impairment loss is allocated first to reduce the carrying amount of the goodwill and then to the other assets of the cash generating unit pro rata on the basis of the carrying amount of each asset. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Other Intangible Assets
Separately acquired intangible assets are carried at cost less accumulated amortization and impairment losses. Intangible assets acquired in a business combination are recognized at fair value at the date of acquisition. Trademarks and customer relationships acquired in business acquisitions are stated at acquisition date fair value determined using an income approach.

Trademarks and other intangible asset with indefinite lives are assessed for impairment annually, or whenever there is an indication that the asset may be impaired.

Deferred Oil and Mineral Exploration Costs
Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Group abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for impairment when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

Impairment of Other Non-financial Assets
The Group assesses whether there is any indication that non-current assets may be impaired. If indicators of impairment exist, the Group estimates the recoverable amount of the asset. If it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which it belongs. Individual stores are considered separate cash-generating units for impairment testing purposes. The carrying value of the store includes mainly its property, plant and equipment and right-of-use assets (if held under a lease arrangement). The recoverable amount is the higher of an asset's fair value less costs of disposal or the asset's value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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 past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group has a non-contributory multi-employer plan which is accounted for as a defined benefit plan. The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable by the Group to the Retirement Fund.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Equity

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital
The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution
Retained earnings include all current and prior period results as reported in profit or loss, prior period adjustments less declaration of dividends.

Dividend distribution to the Group's shareholders is recognized as a liability and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Treasury Stock
Own equity instruments which are reacquired are carried at cost and are deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. When the shares of stock are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is charged to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares of stock were issued and to retained earnings for the remaining balance.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to shareholders. Appropriated retained earnings represent that portion which has been restricted and, therefore, not available for dividend declaration.

Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Parent Company. Dividends for the year that are approved after the balance sheet date are dealt with as an event after the balance sheet date.

Other Comprehensive Income
Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue Recognition
The Group identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Group recognizes revenue when (or as) it satisfies a performance obligation by transferring the control of goods or services to the customer. The transaction price is the amount of consideration the Group expects to receive under the arrangement. The Group concluded that it is acting as principal for all its revenue arrangements below, except for concession fee income and other rental income.

- *Merchandise Sales* - The Group generally recognizes sale of merchandise at the point of sale when customer takes possession of goods and tenders payment. At point of sale, the performance obligation is satisfied because control of the merchandise transfers to the customer. Revenue is recorded at the point of sale based on the transaction price on the merchandise tag, net of any applicable discounts, sales taxes and refunds. For e-commerce sales, the Group recognizes sales upon delivery of goods through its online channel.

- *Concession Fee Income* - The Group enters into certain agreements with concessionaires that offer goods to the Group's customers. In exchange, the Group receives payment in the form of commissions based on a specified percentage of the merchandise sales. The Group serves as agent in these contracts and recognizes the net amount earned as commissions in the period in which the event or condition that triggers the payment occurs.

- *Membership* - The Group charges a membership fee to its customers. The fee allows the customer to shop in the Group's stores for the duration of the membership, which is generally 12 months. The Group recognizes the fee in the period in which it occurs.

- *Gift Certificates* - The Group recognizes revenue from the sale gift certificates when the gift certificate is redeemed by customer.

- *Other Income* - The Group recognizes various incidental income in the period in which the services/goods were rendered/delivered.

PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges
The interpretation issued by the Philippine Interpretations Committee (PIC) serves as a guidance on some implementation issues brought about by adoption of PFRS 15, *Revenue from Contracts with Customer's* on the real estate industry.

The interpretation is approved on February 14, 2018, with an option to defer the application of the provisions for a period of three (3) years.

In 2019, the Group adopted PIC Q&A 2018-12-H *Accounting for Common Usage Service Area (CUSA) Charges*. The impact of adoption is applied retrospectively which resulted to the restatements in the consolidated statement of financial position at January 1, 2018.

The impact of the Group's adoption of the interpretation is discussed in Note 35.

Contract Balances

Receivables
A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

The sales activities of the Group do not result in a material amount of unperformed obligations of the Group and, therefore, no contract assets are recognized separately from receivables.

Contract Liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The Group does enter into transactions with customers where contract liabilities result from consideration being received from the customer prior to the Group satisfying its performance obligations. These contract liabilities are presented on the statement of financial position and in the notes as unredeemed gift certificate liabilities.

Cost and Expense Recognition
The Group's cost of sales includes the direct costs of sold merchandise, which includes custom, taxes, duties and inbound shipping costs, inventory shrinkage and adjustments and reserves for excess, aged and obsolete inventory. Cost of sales also includes certain distribution center costs.

Vendor Rebates and Allowances
The Group receives various types of cash consideration from vendors, principally in the form of rebates, based on purchasing or selling certain volumes of product, time-based rebates or allowances, which may include product placement allowances or exclusivity arrangements covering a predetermined period of time, price protection rebates and allowances for retail price reductions on certain merchandise and salvage allowances for product that is damaged, defective or becomes out-of-date.

Such vendor rebates and allowances arc recognized based on a systematic and rational allocation of the cash consideration offered to the underlying transaction that results in progress by the Group's toward earning the rebates and allowances, provided the amounts to be earned are probable and reasonably estimable. Otherwise, rebates and allowances are recognized only when predetermined milestones are met. The Group recognizes product placement allowances also as a reduction of cost of sales in the period in which the product placement is completed. Time-based rebates or allowances are recognized as a reduction of cost of sales over the performance period on a straight-line basis. All other vendor rebates and allowances are recognized as a reduction of cost of sales when the merchandise is sold or otherwise disposed.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Leases
The Group has applied PFRS 16 using the retrospective approach.

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 physical 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 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 the 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.

The Group has applied this approach to contracts entered into or changed on or after January 1, 2019. The Group's approach to other contracts is explained in Note 3.

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. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single component.

As a 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 cost incurred and an estimate of costs to dismantle and remove or restore the underlying asset or the site on which it is located, less any incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rates as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that 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, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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.

Variable Lease Payments
Variable lease payments not based on an index or rate are not part of the lease liability. These include payments linked to a lessee's performance derived from the underlying asset. Such payments are recognized in profit or loss in the period in which the event or condition that triggers those payments occurs.

Lease Modifications as a Lessee
The Group accounts for a lease modification as a separate lease if both the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the standalone price and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group allocates the consideration in the modified contract based on stand-alone prices, determines the lease term and remeasures the lease liability by discounting the revised lease payments using a revised discount rate. For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease. The Group makes a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term Leases and Leases of Low-value Assets
The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a Lessor
When the Group act as a lessor, it determines at lease commencement whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risk and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies exemption described above, then it classifies sub-lease as operating lease.

The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes
Current tax and deferred tax are recognized in the statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

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.

Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 reporting date.

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the consolidated statements of financial position.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Provisions and Contingencies
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, 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.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an 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 the consolidated financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

(In thousands)	*Note*	2019	2018
Cash on hand		**P1,386,391**	P1,189,303
Cash in banks	*31*	**9,876,932**	4,849,703
Money market placements	*31*	**13,138,691**	10,745,855
		P24,402,014	P16,784,861

Cash in banks earns interest at the respective bank deposit rates.

Money market placements are made for varying periods up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing money market placement rates ranging from 2.65% to 4.80% in 2019, 2.65% to 6.9% in 2018, and 0.30% to 3.75% in 2017.

Interest income earned from cash in banks and money market placements amounted to P495.8 million, P200.4 million and P133.1 million in 2019, 2018 and 2017, respectively.

5. Receivables

This account consists of:

(In thousands)	***Note***	**2019**	2018
Loans receivable	*25*	**P11,898,908**	P -
Trade receivables		**3,754,127**	5,069,825
Non-trade receivables		**582,867**	1,475,718
Interest receivable	*25*	**342,119**	-
Others		**108,818**	125,682
		16,686,839	6,671,225
Less allowance for impairment losses on trade receivables		**48,947**	40,298
	31, 32	**P16,637,892**	P6,630,927

Trade receivables generally have a one-to-30-day credit terms.

Non-trade receivables consists mainly of e-wallet balance, accrued vendor allowance income and rent due from store tenants.

The movements in the allowance for impairment losses in respect of trade receivables are as follows:

(In thousands)	**2019**	2018
Beginning balance	**P40,298**	P134,420
Provisions during the year	**8,649**	12,798
Reclassification to assets classified as held-for-sale	**-**	(106,920)
Ending balance	**P48,947**	P40,298

6. Inventories

This account consists of:

(In thousands)	***Note***	**2019**	2018
At cost:			
Merchandise inventories		**P19,977,588**	P20,200,962
Liquors, wines and spirits		**4,744,683**	3,730,695
	20	**P24,722,271**	P23,931,657

Inventory charged to cost of goods sold amounted to P135.5 billion, P139.2 billion and P119.7 billion in 2019, 2018 and 2017, respectively (see Note 20).

7. Financial Assets at Fair Value Through Profit or Loss

This account represents the Group's investments in equity securities traded in the PSE. The fair values of these securities are based on their closing market prices as at the reporting dates

The movements in these securities are as follows:

(In thousands)	***Note***	**2019**	2018
Cost		**P15,356**	P16,356
Valuation Adjustments			
Balance at beginning of year		**21,147**	30,532
Unrealized valuation loss for the year		**(1,582)**	(10,385)
Balance at end of year		**19,565**	20,147
	31	**P34,921**	P36,503

8. Financial Assets at Fair Value Through Other Comprehensive Income

This account consists of:

(In thousands)	***Note***	**2019**	2018
Investments in common shares			
Quoted	*31, 32*	**P8,138**	P5,956
Unquoted	*31, 32*	**2,304**	2,304
		10,442	8,260
Investments in preferred shares	*31, 32*	**7,262**	7,262
		17,704	15,522
Less current portion		**9,209**	7,643
Non-current portion	*10*	**P8,495**	P7,879

Quoted shares also represent the Group's investments in equity securities traded in the PSE, which are designated as FVOCI.

Unquoted shares represent investments in a private domestic company and club membership shares.

Investments in preferred shares pertain to Manila Electric Company which were acquired in connection with the installation of electrical systems for the various stores and offices of the retail segment.

The movements in this account are as follows:

(In thousands)	**2019**	2018
Balance at beginning of year	**P15,522**	P17,114
Unrealized fair value gains (losses)	**2,182**	(1,592)
Balance at end of year	**P17,704**	P15,522

The movements in the cumulative unrealized fair value gain are as follows:

(In thousands)	**2019**	2018
Balance at beginning of year	**P3,420**	P5,012
Unrealized fair value gain (loss) during the year	**2,182**	(1,592)
Balance at end of year	**P5,602**	P3,420

9. Prepaid Expenses and Other Current Assets

This account consists of:

(In thousands)	2019	2018, (Restated)
Prepaid expenses	**P862,177**	P1,272,215
Advances to suppliers	**634,763**	469,961
Input VAT	**464,607**	626,808
Creditable withholding tax	**23,486**	39,881
Deferred input VAT - current	**4,153**	190,966
Others	**11,314**	8,899
	P2,000,500	P2,608,730

Advances to suppliers pertain to partial downpayments made by the liquor distribution segment to foreign suppliers.

Prepaid expenses pertain mainly to the unamortized portion of premiums for insurance coverage and registration fees and other taxes paid to the Government, and advance payments for advertisements and promotions.

(In thousands)	2019	2018, (Restated)
Taxes and licenses	**P574,952**	P1,024,755
Insurance	**127,230**	102,716
Advertising and promotion	**79,305**	88,984
Supplies	**36,555**	26,060
Repairs and maintenance	**9,051**	6,128
Rent	**758**	1,010
Others	**34,326**	22,562
	P862,177	P1,272,215

10. Investments in Associates and Joint ventures

This account consists of:

(In thousands)	*Note*	2019	2018, (Restated)
Investments in associates		**P565,779**	P433,543
Investments in joint ventures		**175,396**	169,632
		P741,175	P603,175

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

	Percentage of Ownership		Carrying Amount	
(In thousands)	**2019**	2018	**2019**	2018
Associates:				
San Roque Supermarkets Retail Systems, Inc. ("SRS")	**49**	49	**P447,586**	P433,543
Pernord Ricard Philippines, Inc. ("Pernord")	**30**	-	**118,193**	-
Peninsula Land Bay Realty Corporation ("PLBRC")	-	-	-	-
			565,779	433,543
Joint ventures:				
AyaGold Retailers, Inc. ("AyaGold")	**50**	50	**P175,396**	P169,632
PG Lawson Company, Inc. ("PG Lawson")	-	-	-	-
Mariveles Joint Venture Corporation ("MJVC")	-	-	-	-
			175,396	169,632
			P741,175	P603,175

All associates and joint ventures are incorporated in the Philippines.

Investments in Associates

SRS

In 2013, the Group through Entenso acquired 49.34% equity interest in SRS, a local entity that operates the chain of "San Roque Supermarket" stores and "San Roque Pharmacy" stores in Metro Manila and nearby areas.

PERNOD

The Group entered into a Shareholder's Agreement and Share Purchase Agreement with Pernod Ricard Asia S.A.S and Allied Netherlands B.V. for the purchase of shares of Pernord Ricard Philippines, Inc. ("PERNOD") for Euro2.1 million in February 2019. As at December 31, 2019, the Group owns 30% of PERNOD.

PLBRC

The Group's interest in PLBRC is held indirectly at an effective interest of 45% through LPC (at 20% interest) and through CPHI (at 30% interest). PLBRC is primarily engaged in the business of acquiring, developing and leasing real estate properties to joint venture.

As of December 31, 2018, the investment in PLRBC is presented as part of "assets held-for-sale" and was subsequently sold in 2019 (see Note 33), The changes in the carrying amounts of are as follows:

	SRS		Pernod	
(In thousands)	**2019**	2018	**2019**	2018
Balance at beginning of year	**P433,543**	P433,543	**P -**	P -
Acquisition	**-**	-	**126,956**	-
Share in net income (loss)	**14,043**	6,674*	**(8,763)**	-
Balance at end of year	**P447,586**	P440,217	**P118,193**	P -

**Unrecognized share in net income*

The information presented below summarizes the financial information of SRS and Pernod and shows the reconciliation of the Group's share in net assets of such investees to the carrying amounts of its investments.

	SRS		Pernod	
(In thousands)	**2019**	2018	**2019**	2018
Percentage of ownership	**49.34%**	49.34%	**30%**	-
Current assets	**P4,816,374**	P3,955,182	**P823,323**	P -
Noncurrent assets	**239,124**	221,748	**193,218**	-
Current liabilities	**(4,687,331)**	(3,825,817)	**(627,084)**	-
Noncurrent liabilities	**(20,524)**	(18,405)	**(40,382)**	-
Net assets	**347,643**	332,708	**349,075**	-
Group's share in net assets	**171,528**	164,159	**104,723**	-
Goodwill	**276,058**	276,058	**13,470**	-
Carrying amount of interest in associates	**P447,586**	P440,217	**P118,193**	-
Net sales	**P517,583**	P7,006,180	**P1,339,369**	P -
Net income (loss)	**28,461**	13,526	**(29,210)**	-
Group's share in net income	**P14,043**	P6,674	**(P8,763)**	P -

Investment in Joint Ventures

AyaGold Retailers, Inc.

In 2013, the Group through Entenso partnered with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold). This is the joint venture vehicle for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as may be agreed by both parties. AyaGold was incorporated in the Philippines on July 8, 2013 and started its operation on July 31, 2015 with the opening of its first supermarket called "Merkado" which is located in U.P. Town Center. The second supermarket opened on December 14, 2017.

The Group and its partner each initially invested P60 million or acquired 50% interest in AyaGold by subscribing to 6,000,000 common shares at P1 par value and 54,000,000 redeemable preferred shares at P1 par value. In February 2018, each party invested additional P32.5 million for 32,500,000 common shares at P1.00 par value.

The redeemable preferred shares shall have the following features: voting rights; participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors; entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and redeemable at the option of the joint venture.

The changes in the carrying amount of the investment in AyaGold are as follows:

(In thousands)	**2019**	2018
Balance at beginning of year	**P169,632**	P123,005
Additions	**-**	32,500
Share in net income	**5,764**	14,127
Balance at end of year	**P175,396**	P169,632

The following table summarizes the financial information of AyaGold and shows the reconciliation of the Group's share in net assets of such investee to the carrying amount of its investment:

(In thousands)	**2019**	2018
Percentage of ownership	**50%**	50%
Current assets	**P258,601**	P267,156
Noncurrent assets	**347,630**	199,643
Total liabilities	**(396,935)**	(135,619)
Net assets	**209,296**	331,180
Group's share in net assets	**104,648**	165,590
Adjustments	**70,748**	4,042
Carrying amount of interest in joint venture	**P175,396**	P169,632
Net sales	**P639,968**	P607,392
Net income	**11,528**	28,255
Group's share in net income	**P5,764**	P14,127

PG Lawson Company, Inc.

In 2014, the Parent Company partnered with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company to operate convenience stores in the Philippines.

In April 2018, the Parent Company sold its entire investment in PLCI for P600 million. This resulted in a P363 million gain from the sale of such investment.

MJVC

MJVC is a 50-50 joint venture between LPC and Total Petroleum Philippines Corporation [now Total (Philippines) Corporation]. MJVC is organized primarily to manage, operate and maintain jetties and equipment installed for its benefit and/or for the benefit of owners/operators of storage facilities for oil products and/or LPG and loading facilities and all related equipment; own, manage, operate, upgrade and maintain ancillary facilities dedicated for the common use by the users of the storage facilities, LPG storage tanks, loading facilities and all related equipment; and perform consultancy, supervision and management services concerning the development and/or redevelopment of jetties and the upgrading of equipment and dedicated ancillary facilities installed.

As of December 31, 2018, the investment in MJVC is presented as part of "assets held-for-sale" and was subsequently sold in 2019 (see Note 33).

11. Property and Equipment

The movements and balances of this account as at and for the years ended December 31 consist of:

(In thousands)	Land	Buildings	Storage Tanks	Furniture and Fixtures	Office and Store Equipment	Transportation Equipment	Leasehold Improvements	Wells, Platforms and Other Facilities	Construction in-progress	Total
Cost										
January 1, 2018	P3,710,269	P10,712,523	P1,574,922	P2,887,686	P8,238,044	P368,717	P9,414,405	P204,955	P1,791,890	P38,903,411
Additions	30,448	244,656	71,901	185,003	974,428	17,602	676,026	-	1,873,760	4,073,824
Reclassifications	369,336	975,122	15,015	35,233	333,286	-	1,053,421	-	(2,391,817)	389,596
Disposals	-	-	(2,665)	(4,274)	(34,802)	(1,081)	(11,374)	-	(35,960)	(90,156)
Assets held for sale	(30,448)	(2,522,877)	(1,153,744)	(71,337)	(508,229)	(138,289)	-	-	(94,034)	(4,518,958)
December 31, 2018	4,079,605	9,409,424	505,429	3,032,311	9,002,727	246,949	11,132,478	204,955	1,143,839	38,757,717
Additions	-	154,562	2,449	273,375	872,186	11,653	483,174	-	2,088,183	3,885,582
Reclassifications	(174,328)	295,504	1,475	64,224	366,999	15,565	1,247,221	-	(1,809,428)	7,232
Disposals	-	-	-	(932)	(178,444)	(813)	(6,947)	-	-	(187,136)
December 31, 2019	**3,905,277**	**9,859,490**	**509,353**	**3,368,978**	**10,063,468**	**273,354**	**12,855,926**	**204,955**	**1,422,594**	**42,463,395**
Accumulated Depreciation and Amortization										
January 1, 2018	-	3,014,727	567,447	1,411,872	5,049,167	281,898	1,910,680	44,918	-	12,280,709
Depreciation and amortization	-	302,929	74,328	230,380	1,003,551	34,115	567,755	-	-	2,213,058
Disposals	-	-	-	(2,248)	(26,427)	-	(4,904)	-	-	(33,579)
Reclassifications	-	40,303	204	1,832	1,701	711	114	-	-	44,865
Asset held for sale	-	(1,130,339)	(589,322)	(62,015)	(201,081)	(108,372)	-	-	-	(2,091,129)
December 31, 2018	-	2,227,620	52,657	1,579,821	5,826,911	208,352	2,473,645	44,918	-	12,413,924
Depreciation and amortization	-	272,395	13,024	241,944	1,033,456	16,962	600,963	-	-	2,178,744
Disposals	-	-	-	(876)	(53,322)	(813)	(2,215)	-	-	(57,226)
Reclassifications	-	-	-	(1,366)	1,312	-	54	-	-	-
December 31, 2019	-	**2,500,015**	**65,681**	**1,819,523**	**6,808,357**	**224,501**	**3,072,447**	**44,918**	-	**14,535,442**
Carrying Amounts										
December 31, 2018	P4,079,605	P7,181,804	P452,772	P1,452,490	P3,175,816	P38,597	P8,658,833	P160,037	P1,143,839	P26,343,793
December 31, 2019	P3,905,277	P7,359,475	P443,672	P1,549,455	P3,255,111	P48,853	P9,783,479	P160,037	P1,422,594	P27,927,953

12. Investment Properties

This account consists of:

(In thousands)	Land	Building	Construction in-Progress	Total
Cost				
January 1, 2018	P6,551,644	P4,632,539	P567,374	P11,751,557
Additions	5,267	498,493	153,628	657,388
Reclassifications	(123,174)	195,422	(461,844)	(389,596)
Assets held-for-sale	(60,989)	(55,551)	-	(116,540)
December 31, 2018	6,372,748	5,270,903	259,158	11,902,809
Additions	249,468	94,490	273,560	617,518
Reclassifications	-	210,575	(413,453)	(202,878)
December 31, 2019	**6,622,216**	**5,575,968**	**119,265**	**12,317,449**
Accumulated Depreciation				
January 1, 2018	-	997,950	-	997,950
Depreciation	-	121,290	-	121,290
Reclassification	-	(44,865)	-	(44,865)
Assets held-for-sale	-	(8,184)	-	(8,184)
December 31, 2018	-	1,066,191	-	1,066,191
Depreciation	-	125,260	-	125,260
December 31, 2019	-	**1,191,451**	-	**1,191,451**
Carrying Amounts				
December 31, 2018	P6,372,748	P4,204,712	P259,158	P10,836,618
December 31, 2019	**P6,622,216**	**P4,384,517**	**P119,265**	**P11,125,998**

Depreciation expense are charged to cost of rent (see Note 20).

As at December 31, 2019 and 2018, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 3 under the fair value hierarchy. Management believes that the appraisal in 2012 is still relevant for disclosure purposes as at December 31, 2019 as there are no significant changes in the condition of its land and buildings.

The rental income earned by the real estate and property leasing segment of the Group from these properties amounted to P1.5 billion, P1.4 billion and P1.3 billion in 2019, 2018 and 2017, respectively (see Note 29).

Direct costs incurred pertaining to the lease of these properties amounted to P660.8 million, P627.6 billion and P571.4 million in 2019, 2018 and 2017, respectively (see Note 20).

13. Goodwill and Other Intangibles

This account consists of:

(In thousands)	**2019**	2018
Goodwill	**P16,253,526**	P16,253,526
Trademark	**3,709,661**	3,709,661
Customer relationships	**889,453**	889,453
Computer software and licenses - net	**185,962**	187,980
Leasehold rights	**51,115**	54,882
	P21,089,717	P21,095,502

Goodwill
Goodwill acquired in business combinations represents the excess of the purchase price over the fair value of net identifiable assets of acquired entities which represent the separate CGUs expected to benefit from that business combination. The details are as follows:

(In thousands)	**2019**	2018
Retail		
KMC	**P12,079,474**	P12,079,474
Budgetlane Supermarkets	**837,974**	837,974
Gant	**742,341**	742,341
NE Supermarkets	**685,904**	685,904
Company E	**358,152**	358,152
B&W Supermart	**187,204**	187,204
PJSI	**11,374**	11,374
Specialty Retail		
OWI	**893,790**	893,790
CHC	**9**	9
Real Estate and Property Leasing		
NPSCC	**457,304**	457,304
	P16,253,526	P16,253,526

Other Intangibles with Indefinite Lives
Trademarks and customer relationships acquired through a business combination represent the fair value at the date of acquisition of Kareila, which is the CGU for these intangibles.

CGUs to which goodwill and other intangibles with indefinite lives have been allocated are tested for impairment annually or more frequently if there are indications that a particular CGU might be impaired. Upon adoption of PFRS 16, the carrying values of the CGUs tested for impairment include their right-of-use assets and associated lease liabilities. Cash flow projections used in determining recoverable amounts include the lease payments in both the explicit forecast period and in terminal value. The recoverable amounts for the CGUs have been determined based on value in use.

VIU
Value in use is determined using discounted cash flow projections that generally cover a period of five years and are based on the financial plans approved by the Group's management. The key assumptions for the value-in-use calculations relate to the weighted average cost of capital (discount rate), sales growth, operating margin and growth rate (terminal value). The discount rates reflect the key assumptions used in the cash flow projections. The pre-tax discount rates ranged between 9.1% and 12.2% in 2019 and 13% to 14% in 2018. The sales growth rates and operating margins used to estimate future performance are based on past performance and experience of growth rates and operating margins achievable in the Group's markets. The average annual compound sales growth rates applied in the projected periods ranged between 5% and 22% for the CGUs. The average operating margins applied in the projected periods ranged between 1.3% and 7.9% for the CGUs. The terminal value to extrapolate cash flows beyond the explicit forecast period ranged between 2.9% and 5% for the CGUs.

Key assumptions relating to CGUs to which a significant amount of goodwill or intangible assets with indefinite useful lives is allocated are as follows:

	Pre-tax Discount Rate		**Growth Rate (Terminal Value)**	
	2019	2018	**2019**	2018
Kareila	**11.00%**	13.30%	**2.90%**	3.30%
Budgetlane Supermarkets	**11.00%**	13.10%	**2.90%**	3.30%
Gant	**10.90%**	13.60%	**2.90%**	3.30%
DCI and FLSTCI	**10.60%**	13.60%	**2.90%**	3.30%
OWI	**10.90%**	13.60%	**2.90%**	3.30%
NPSCC	**12.20%**	14.00%	**2.90%**	3.30%

As at December 31, 2019, management assessed that a reasonably possible change in key assumptions of B&W Supermart would result in the headroom being reduced to nil if either of the following change occurs: discount rate increased by 0.3% or growth rate decreased by 1%.

Computer Software and Licenses
The movements in computer software and licenses are as follows:

(In thousands)	**Computer Software and Licenses**	**Leasehold Rights**
Cost		
January 1, 2018	P376,796	P75,355
Additions	41,705	-
Adjustment	(216)	-
Reclassification to assets classified as held-for-sale	(33,952)	-
December 31, 2018	384,333	75,355
Additions	41,305	-
Adjustments	(504)	
December 31, 2019	**425,134**	**75,355**
Accumulated Amortization		
January 1, 2018	188,181	16,706
Amortization	37,392	3,767
Reclassification to assets classified as held-for-sale	(29,220)	-
December 31, 2018	196,353	20,473
Amortization	42,819	3,767
December 31, 2019	**239,172**	**24,240**
Carrying Amounts		
December 31, 2018	P187,980	P54,882
December 31, 2019	**P185,962**	**P51,115**

Leasehold Rights
On January 25, 2013, the Parent Company entered into a memorandum of agreement with various parties that paved the way for the acquisition of five stores previously owned and operated by the parties. Under the agreement, the parties agreed to sell to the Parent Company all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by parties for a period of 20 years. As a result of the transaction, the Parent Company recognized the excess of the purchase price over the fair value of tangible assets acquired as leasehold rights, which is amortized on a straight-line basis over the lease term.

14. Deferred Oil and Mineral Exploration Costs

This account consists of:

(In thousands)	*Note*	Participating Interest	2019	2018
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		6.12%	**P55,753**	P55,347
Block D		5.84%	**8,113**	8,071
Block B1 (North Matinloc)		13.55%	**4,192**	2
			68,058	63,420
SC 6A	*b*	1.67%		
Octon Block			**17,415**	17,355
North Block			**627**	600
SC 6B (Bonita)	*d*	8.18%	**8,027**	8,027
			26,069	25,982
SC 51	*c*		**32,817**	32,817
Other oil projects			**527**	527
			33,344	33,344
			127,471	122,746
Allowance for impairment loss			**(127,471)**	-
Balance at end of year			**-**	122,746
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**P19,208**	P19,208
Anoling gold project	*g*	3.00%	**13,817**	13,817
Gold projects	*h*	100.00%	**13,036**	13,036
Cement project	*i*	100.00%	**9,603**	9,603
Other mineral projects	*j, k*		**382**	382
			56,046	56,046
Accumulated impairment losses			**(56,046)**	(56,046)
Balance at end of year			**-**	-
I. Other deferred charges			**619**	619
Allowance for impairment loss			**(619)**	-
Balance at year end			**-**	619
			P -	P123,365

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to APMC. APMC hereby assumes the responsibility and work commitments on the service contracts.

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

As at December 31, 2019, management assessed that the deferred oil and mineral exploration costs are impaired given the final plug and abandonment of nine production wells for SC 14 and lack of significant progress on the remaining projects. The Group recognized a full impairment loss of P128.1 million.

a) SC 14 Gabon - Etame, Offshore Gabon, West Africa
On February 23, 2001, Cosco executed Heads of Agreement (HOA) and Deed of Assignment with Sojitz Etame, Ltd. (formerly Nissho Iwai Corporation of Japan) for its 2.625% interest in Etame oil field in Gabon, West Africa. The agreements provide that payment of capped amount of US$1,000,000 conditioned on production out of revenue derived from the assigned Participating Interest (2.428%) of 15% of Profit Oil [as defined in the Joint Operating Agreement (JOA)], payable quarterly and in accordance with the following:

(i) should the amount of proved recoverable reserves as submitted in the Development Plan by the Operator be less than 65 million barrels in the Etame Exploration Blocks, Buyer shall pay US$800,000; and

(ii) should the oil reserves be greater than 65 million barrels, Buyer shall pay an additional amount of US$200,000.

As at December 31, 2011, the Parent Company already received US$800,000 (peso equivalent: P35.1 million) as proceeds on production of 65 million barrels.

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012.

In 2019, Philodrill is in the early stages of negotiation with a UK-based firm which intends to acquire interests in the SC14 C2-West Linapacan Block. The area is part of the ongoing seismic reprocessing and Quantitative Interpretation (QI) works over contiguous areas in SC 14 C2 and SC 74 that cover the West Linapacan and Linapacan discoveries. The Joint Quantitative Interpretation (QI) study on the Linapacan (SC 74) and West Linapacan (SC 14 C2) was officially commenced on the 4th week of April 2019, with IKON Science as the selected service provider. The project involves joint QI work on a 400 sq km reprocessed PSDM seismic data volume covering the West Linapacan A and B in SC 14 and the Linapacan A and B SC 74. As of end-June 2019, the Phase 1a of the study has been completed and the 2 Joint Venture consortia are now discussing on proceeding to the next phase of the Joint QI work which will involve trial inversion work on 30 sq km data volume of contiguous areas.

Meanwhile, Philodrill implemented the final plug and abandonment (P&A) of nine production wells in the Nido, Matinloc and North Matinloc fields immediately after these fields finally ceased production in early 2019. Using the workboat MV ENA Habitat, Philodrill successfully completed P&A works on seven wells (Matinloc-1,-2,-3, Nido B-1, -2, -3, and North Matinloc-2) from March 30 to May 21, 2019. The completion of the P&A of the remaining wells (Nido A-1 and A-2) was deferred for a separate campaign in April 2020.

In 2019 and 2018, additional deferred charges amounting to P4.64 million and P0.32 million, respectively, were capitalized.

b) SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines
The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data. As at December 31, 2019, the Group has participating interest of 1.67%.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill,(PLL) of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium's 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. The Group for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine-tuned by the complete seismic acquisition.

In 2019 and 2018 additional deferred charges amounting to P0.1 million each were capitalized.

c) <u>SC 51 - East Visayan Basin</u>
The contract area is defined by two (2) separate blocks, namely (1) an on shore-off shore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Parent Company together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsian Energy Limited (NorAsian) in consideration for the latter to conduct and finance the seismic survey and drill one well.

In a DOE letter dated June 20, 2009, DOE informed the Operator NorAsian that Executive Order No. 10 dated May 29, 2009 has been issued by the Cebu Provincial Governor which effectively lifts the Cease and Desist Order along the municipal waters of Argao, Sibonga and Cebu.

In line with this, DOE instructs NorAsian to resume petroleum exploration activities in the service contract area.

In July 2011, NorAsian has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas (SWAN). The agreement has been approved by the SC51 Joint Venture Partners and the DOE. In the Consortium meeting on October 27, 2011, NorAsian informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the 100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

NorAsian has elected to discontinue its participation in the South block and with the drilling of Argao prospect. NorAsian will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. NorAsian will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

Relative thereto, SWAN has requested the Filipino partners to approve the revised Farm-in agreement. The Farm-in agreement revisions was approved subsequently but remained unexecuted as at December 31, 2011.

In the first half of 2012, after trying to raise funds for its committed drilling program, SWAN was unable to show proof of its financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its Farm-In Agreement commitments. Otto Energy (Otto) also declared SWAN in default of its JOA commitments in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation (Frontier) manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed Farm-In Agreement. Frontier Oil was still within its requested due diligence period when the year ended. A third party, Arex Energy, was commissioned by Frontier to conduct due diligence study of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now much higher.

Otto informed that its Board has already approved the drilling budget of $6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A much larger rig is being sought for the drilling Duhat 2 to avoid the problem in Duhat 1/1A. So far, two serious drilling outfits heeded the call for rig by Otto.

In 2013, Otto Energy, despite its two failed wells, has declared a mean probable reserve of more than 20MBO.

As at December 31, 2019 and 2018, there were no further developments on the said project.

d) SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines

The SC 6B Bonita oil field is located in Offshore Northwest Palawan adjacent to Matinloc. Currently, Venture Oil is evaluating the area for development. On October 28, 2011, Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-In agreement with SC-6B joint venture partners to acquire 70% of the consortium's aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest, the Parent Company as at December 31, 2011 has a residual participating interest of 2.11% from the original 7.03% after the farm-out.

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to terms and conditions.

In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the current Group of Operators that the farmers are cancelling the farm-in agreement.

As at December 31, 2019, there were no further developments on the said project.

e) Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan
An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Parent Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Parent Company to show commitment in completing the application.

The Parent Company submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Parent Company's request of NCIP clearance.

As at December 31, 2012, the appeal for reconsideration remained at the MGB Central Office in Quezon City awaiting for the deliberation and resolution.

In December 2013, the application permit remained languishing at the MGB Central under appeal for reinstatement. However the recent turn of events in Palawan brought about by the assigning of EO-79, which categorized Palawan as a No-Go Zone for mining, has forced the Parent Company to accept the previous cancellation and withdraw its appeal for reinstatement.

As at December 31, 2019 and 2018, there were no further developments on the said project.

f) Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan
The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

On October 12, 2011, the Parent Company received the Notice of Denial for further processing of its exploration permit application. With the current anti-mining sentiments in Palawan, the Parent Company has decided to forgo any appeal for reinstatement.

In December 2013, this has been cancelled several years back due to the inclusion of its most potential areas in the recently declared Mt. Mantalingaan National Park in Southern Palawan. This forced the Parent Company to accept the cancellation notice without any qualms, after filing two motions for reconsideration.

As at December 31, 2019 and 2018, there were no further developments on the said project.

g) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur

The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

PHSAMED, with the assistance of the Parent Company, is pursuing the final approval of the MPSA. Additional documentary requirements were submitted to MGB-Caraga in Surigao City. All mining operations remained suspended as at December 31, 2012 until final approval of MPSA.

In 2012, the Parent Company received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine.

The Parent Company has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by the project operator. The Parent Company is also securing all technical data and reports that the project operator acquired during their seven years of operatorship.

The return of the unapproved tenements was completed in 2013 and Bernster has already acknowledged receipt of the MOA termination in their reply letter. The MPSA application is still held-up at the sala of the Mines Adjudication Board but Bernster has to pursue the approval themselves.

As at December 31, 2019 and 2018, there were no further developments on the said project.

h) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet

As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

In 2013, due to the continued non-consent vote from the indigenous people in the area, it was deemed justified to withdraw the appeal for reinstatement.

As at December 31, 2019 and 2018, there were no further developments on the said project.

i) MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a 2-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the 2-year extension of the MPSA exploration period.

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

In 2016, the Group paid occupation amounting to P0.5 million for the project.

As at December 31, 2019, there were no further developments on the said project.

j) Exploration Permit Application No. 009-2010-V - Copper Gold Project, Oas, Albay

The Exploration Permit Application EXPA-000072-V has been signed and approved on May 5, 2010 at the Central office of the Mines and Geosciences Bureau in Quezon City and registered with the Mines Geosciences Bureau Regional Office No. 5 in Legaspi City on May 12, 2010 as EP-009-2010-V.

On May 17, 2011, the Parent Company signed a MOA with Bentley Fairview Resources Corporation after Bentley decided to exercise its option upon expiration of the Option and Due Diligence Agreement last May 1, 2011.

In August 2011, the Parent Company and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence in the middle of January 2012. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, a 3-year MOA between the Parent Company and Barangay Maramba was signed and executed in compliance and fulfillment of the Parent Company's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Parent Company, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A 3-year financial plan has been crafted for that matter.

In 2012, the implementation of signed NGP-MOA between the Parent Company and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

As at December 31, 2012, the Parent Company submitted its application for the renewal of the exploration permit and waits for the renewal of the exploration permit.

In 2013, the documents for the relinquishment of the tenements have been prepared. The EP was renewed but the claim perfection remained incomplete due to non-payment of the mining occupation fees. The Parent Company has already made several postponements of inspection trips by MGB-5 to the project site.

The Parent Company has not implemented its mandatory community development program. It has stalled the implementation of the tree-planting program and has not undertaken the environmental baseline survey. Commitments are piling up after the pull out of Bentley and the Parent Company has suspended all compliance activities on the area.

In 2013, the EP is now delinquent in status and the continued delinquency is decreasing the value of the project.

As at December 31, 2019 and 201, there were no further developments on the said project.

k) Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo

On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Parent Company is currently preparing the budget for work programs and IEC presentations for approval by the BOD.

The Parent Company has completed its Project IEC campaign before all concerned and affected Local Government Units in Concepcion and Iloilo.

MGB-6 now requires the Parent Company to secure Affidavit of Consents from the private landowners. The Parent Company complied with the MGB guidelines.

As at December 31, 2012, the Parent Company completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Parent Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

In December 2013, the signing of the Option to Purchase agreement with Vale Exploration, Philippines (Vale) has been completed.

On January 13, 2014, Vale took over of the project Operation. The US$20,000 cash consideration was paid to the Parent Company on January 23, 2014. If the surface exploration activities confirmed the expected results, Vale has the option to exercise immediately the purchase of the mineral rights from the Parent Company at the cost of US$1.25 million. Vale would still pay the US$ 30,000 regardless of the early exercise of the purchase option. The Parent Company's residual 1.35% share on the net smelter return will only kick in when production has been realized. The Parent Company will be carried free in all exploration activities even in the event of confirmatory drilling operations in the later stages.

As at December 31, 2019 and 2018, there were no further developments on the said project.

15. Other Noncurrent Assets

This account consists of:

(In thousands)	2019	2018, (Restated)
Security deposits	**P2,231,789**	P2,158,828
Deferred input VAT - net of current portion	**487,003**	400,121
Advances to contractors	**290,709**	313,180
Accrued rent income	**275,949**	105,058
Prepaid rent	**3,274**	5,189
Security deposits	**11,065**	4,836
	P3,299,789	P2,987,212

Security deposits consist of payments for leases that are refundable at the end of the lease term.

Advances to contractors pertain to payments made in advance for the construction of new stores

16. Accounts Payable and Accrued Expenses

This account consists of:

(In thousands)	*Note*	2019	2018, (Restated)
Trade payables		**P9,087,869**	P9,811,921
Non-trade payables		**2,342,807**	1,205,116
Dividends payable	*28*	**1,356,031**	-
Due to government agencies		**744,875**	620,671
Construction bonds		**22,684**	20,541
Advance rentals		**14,089**	11,753
Retention payable		**5,181**	73
Accrued expenses			
Manpower agency services		**977,613**	909,613
Utilities		**293,390**	200,381
Rent		**77,435**	62,244
Others		**206,007**	173,853
		P15,127,981	P13,016,166

Trade payables generally on a 30-to-60-day payment terms.

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods such as fixed asset acquisitions and stores under construction.

17. Loans Payable

As at December 31, 2019 and 2018, the Group has the following outstanding loans:

a. Short-term Loans

Details of short-term loans follow:

(In thousands)	**2019**	2018
Balance at beginning of year	**P4,866,300**	P5,562,500
Availments	**642,855**	10,220,000
Repayments	**(4,638,031)**	(10,916,200)
Balance at end of year	**P871,124**	P4,866,300

The balances of peso-denominated short-term loans of each segment as at December 31 follow *(in thousands)*:

Segment	Purpose(s)	Interests	2019	2018
Liquor distribution	- Inventory financing	3.57% to 5.63%	**P729,000**	P710,000
Real estate	- Capital expenditure requirements	2.88% to 5.25%	**140,554**	300,000
Grocery retail	- Inventory financing - Working capital requirements	4.00% to 6.40%	**1,570**	3,856,300
			P871,124	P4,866,300

b. Long-term Loans

Details of long-term loans follow:

(In thousands)	**2019**	2018
Balance at beginning of year	**P6,622,208**	P7,225,612
Repayments	**(1,488,429)**	(610,000)
Amortization of debt issue cost	**4,483**	6,596
	5,138,262	6,622,208
Less current portion	**43,685**	49,999
	P5,094,577	P6,572,209

The balance of long-term loans of the Parent Company and subsidiaries follow:

(In thousands)	*Note*	**2019**	2018
Cosco:			
Fixed-rate peso-denominated loan of 5.267%	*a*	**P3,792,563**	P3,827,355
Fixed-rate peso-denominated loan of 5.579%	*a*	**945,699**	954,853
PPCI:			
Fixed-rate peso-denominated note of 6.40%	*b*	**-**	1,440,000
KMC			
Fixed-rate peso-denominated loan of 3.50%	*c*	**400,000**	400,000
		5,138,262	6,622,208
Less current portion		**43,685**	49,999
		P5,094,577	P6,572,209

a. *Cosco*
On May 6, 2014, Cosco signed and executed a P5.0 billion corporate financing facility. The proceeds were used to finance the Group's strategic acquisition plans and/or for other general corporate requirements. Subsequently, Cosco issued the following:

- 7-year, unsecured, peso-denominated loan with a consortium of six (6) local banks for P4.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the sixth anniversary; and 94.0% of the principal amount on maturity date.

- 10-year, unsecured, peso-denominated loan with a consortium of two (2) local banks for P1.0 billion. The loan bears an annual interest based on PDST-F plus spread of 100-150 bps. The repayment of the loan shall be made based on the following schedule: 1.0% of the principal amount on the first anniversary after Issue Date and every anniversary until the ninth anniversary; and 91.0% of the principal amount on maturity date.

These loan agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on guarantees, and payments of dividends.

As of December 31, 2019 and 2018, Cosco is compliant with the loan covenants.

b. *PPCI*
On June 13, 2013, the PPCI obtained a P2 billion unsecured loan from a local bank, which is payable on May 21, 2018 and bears interest at 3.50% per annum. The interest is due every month.

On May 2, 2018, the PPCI partially paid the loan amounting to P660 million and the maturity for the outstanding balance of P1.4 billion was renewed for 7 years at 6.4% interest per annum.

In 2019, the PPCI fully paid the remaining balance.

c. *KMC*
On July 23, 2013, KMC obtained a P500 million unsecured loan from a local bank. The loan is payable after 5 years and bears interest at 3.50% per annum. The interest is due every month.

In 2015, KMC partially paid the loan amounting to P100 million.

On May 2, 2018, the maturity for the outstanding balance of P400 million was renewed for 7 years at 6.4% interest rate per annum.

The loan is not subject any covenants.

Total interest expense charged to profit or loss amounted to P403 million, P468.8 million and P406.4 million in 2019, 2018 and 2017, respectively.

Interest expense capitalized amounted to P12 million, P81.7 million and P91.5 million in 2019, 2018 and 2017, respectively (see Notes 13 and 14). Capitalization rate is 4%, 2% and 1% in 2019, 2018 and 2017, respectively.

18. Other Current Liabilities

This account as at December 31 consists of:

(In thousands)	***Note***	**2019**	2018, (Restated)
Customers' deposits	*21, 31, 32*	**P351,510**	P248,327
Unredeemed gift certificates		**157,477**	127,912
Output VAT		**78,225**	40,659
Promotional discount		**1,934**	1,835
Others	*31, 32*	**7,846**	16,168
		P596,992	P434,901

Customers' deposits consist of payments from the lessees that are refundable at the end of the lease term. These are intended to answer for any unpaid obligations of the lessee to the Group including damages to the leased properties.

Unredeemed gift certificates represent members' claims for issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable anytime.

Contract Liabilities
The Group identified its unredeemed gift certificates as contract liabilities as of December 31, 2019 and 2018. These represent the Group's obligation to provide goods or services to the customers for which the Group has received consideration from the customers.

Below is the rollforward of contract liabilities:

(In thousands)	**2019**	2018
January 1	**P127,912**	P125,631
Add receipts	**481,759**	476,041
Less sales recognized	**452,194**	473,760
December 31	**P157,477**	P127,912

19. Revenues

The revenue from contracts with customers is disaggregated by revenue stream.

(In thousands)	**2019**	2018	2017
Revenue from Contracts with Customers (PFRS 15)			
Revenues			
Grocery	**P154,490,309**	P141,139,261	P124,703,433
Wine and liquor	**7,630,100**	6,514,654	4,694,538
Office and technology supplies	**2,447,877**	2,086,043	1,820,605
LPG	**-**	17,090,511	13,128,497
Production lifting	**-**	-	528
Other revenue			
Concession fee income	**2,056,097**	1,878,359	1,647,845
Membership income	**572,714**	513,589	452,974
Commission income	**20,524**	53,674	68,592
Miscellaneous	**149,576**	141,892	202,784
	167,367,197	169,417,983	146,719,796
Lease revenue (PFRS 16)			
Revenues			
Real estate and property leasing	**1,498,426**	1,379,888	1,291,199
Other revenue			
Retail (*Other revenue*)	**463,942**	407,251	388,645
	1,962,368	1,787,139	1,679,844
	P169,159,465	P171,009,556	P148,128,264

20. Cost of Revenues

Cost of goods sold consists of:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Beginning inventory	**P23,931,657**	P21,194,691	P19,792,366
Purchases	**136,307,493**	141,390,253	120,527,031
Other direct costs	**-**	528,725	564,930
Total goods available for sale	**160,239,150**	163,113,669	140,884,327
Ending inventory	**24,722,271**	23,931,657	21,194,691
	P135,516,879	P139,182,012	P119,689,636

Cost of rent consists of:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Depreciation	**P231,171**	P224,109	P202,537
Security services	**101,594**	80,947	83,439
Taxes and licenses	**88,537**	86,559	84,326
Repairs and maintenance	**61,608**	56,505	48,977
Janitorial services	**59,172**	56,205	49,469
Management fees	**35,480**	40,968	29,568
Utilities	**31,112**	32,782	27,310
Salaries and wages	**21,062**	19,927	18,035
Insurance	**17,347**	19,052	18,104
Rentals	**5,950**	5,185	3,958
Amusement tax	**1,547**	2,052	1,970
Retirement benefit cost	**515**	374	664
Others	**5,693**	2,942	2,998
	P660,788	P627,607	P571,355

21. Leases

As Lessee

The Group leases parcels of land, stores, warehouses, distribution centers, and parking spaces. The lease terms range from 5 years to 42 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or per square meter subject to 1%-10% escalation or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs.

The movements in right-of-use assets are as follows:

(In thousands)	**2019**	2018 (Restated)
Cost		
Balance at January 1	**P26,781,994**	P23,701,690
Additions	**3,331,079**	3,457,792
Modifications	**(10,498)**	(29,197)
Terminations	**(163,202)**	(159,904)
End of lease term	**(467,133)**	(188,387)
Balance at December 31	**29,472,240**	26,781,994
Accumulated Depreciation		
Balance, January 1	**6,699,568**	5,537,329
Depreciation	**1,591,374**	1,424,981
Terminations	**(51,672)**	(74,355)
End of lease term	**(467,133)**	(188,387)
Balance, December 31	**7,772,137**	6,699,568
Carrying amount at December 31	**P21,700,103**	P20,082,426

For the restatement of balances following the adoption of PFRS 16, see Note 35. The right-of-use assets mainly pertain to leases of stores and also include leases of parcels of land, warehouses, distribution centers and parking spaces.

Lease liabilities included in the statements of financial position are as follows:

(In thousands)	**2019**	2018, (Restated)
Due within one year	**P567,682**	P725,846
Due beyond one year	**26,101,259**	23,496,627
	P26,668,941	P24,222,473

The movements in lease liabilities are as follows:

(In thousands)	***Note***	**2019**	2018, (Restated)
January 1	*27, 28*	**P24,222,473**	P21,549,720
Additions		**3,178,512**	3,354,180
Accretion of interest		**1,673,636**	1,454,112
Repayments		**(2,241,191)**	(1,982,941)
Terminations		**(153,990)**	(123,400)
Modifications		**(10,499)**	(29,198)
December 31		**P26,668,941**	P24,222,473

Shown below is the maturity analysis of the undiscounted lease payments for the years ended December 31:

(In thousands)	**2019**	2018 (Restated)	2017 (Restated)
Less than one year	**P2,031,482**	P1,798,795	P1,572,528
One to five years	**8,316,198**	7,674,796	6,925,757
More than five years	**31,769,098**	29,427,442	25,230,655
	P42,116,778	P38,901,033	P33,728,940

The following are the amounts recognized in profit or loss:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Variable lease payments not included in the measurement of lease liabilities*	**P708,336**	P776,864	P843,498
Expenses related to leases of low-value assets	**44,724**	30,245	39,514
Expenses related to short-term leases	**10,111**	60,600	59,026
Total rent expense	**763,171**	867,709	942,038
Interest accretion on lease liabilities	**1,673,636**	1,454,112	1,292,684
Depreciation charge for right-of-use assets	**1,072,569**	1,162,239	1,058,245
Gain from lease terminations	**42,460**	37,850	15,174

**This includes the concession fee expense presented as separate line item under "Operating expenses" in the statements of income.*

Low-value assets pertain mainly to credit card terminals, G4s cash solutions technology and office spaces.

The total cash outflow for leases amounted to P3.0 billion, P2.9 billion and P2.6 billion in 2019, 2018, and 2017, respectively.

As Lessor

The Group leases out its investment properties to various lessees. These non-cancellable leases have lease terms of up to twenty-five (25) years. Some of the leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The lease agreements, among others, include customers' deposits. These deposits shall answer for any unpaid obligations of the lessee to the Group including damages to the leased properties. Customers' deposits, which are carried at amortized cost, are non-interest bearing and refundable upon termination of the lease agreement, provided that there are no outstanding charges against the tenant. Customers' deposits amounted to P262 63 million and P318.12 million as at December 31, 2019 and 2018. These are included under "Other noncurrent liabilities" account in the consolidated statements of financial position.

Customers' deposits are recognized initially at fair value and subsequently carried at amortized cost. The fair values of customers' deposits are determined using risk-free interest rates. These are amortized on a straight-line basis.

Rent income recognized as part of "Revenues" account in profit or loss amounted to P1.5 billion, P1.4 billion and P1.3 billion in 2019, 2018 and 2017, respectively.

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

(In thousands)	**2019**	2018	2017
Less than one year	**P1,206,274**	P1,144,812	P1,176,059
One to two years	**958,421**	1,200,895	1,263,989
Two to three years	**911,110**	1,088,371	1,118,481
Three to four years	**778,016**	924,874	985,483
Four to five years	**738,322**	831,857	853,614
More than five years	**7,139,242**	7,388,883	8,856,007
	P11,731,385	P12,579,692	P14,253,633

The Group subleases a portion of its stores to various lessees. The lease terms range from 1 year to 10 years, which are generally renewable based on certain terms and conditions. Rental payments are fixed monthly or percentage of store sales, whichever is higher. Variable lease payments that depend on sales are recognized in profit or loss in the period in which the condition that triggers those payments occurs

Rent income recognized as part of "Other revenue" account in profit or loss amounted to P463.9 million, P407.3 million and P388.6 million, in 2019, 2018 and 2017, respectively (see Note 22).

The future minimum lease collections under non-cancellable operating leases as at December 31 are as follows:

(In thousands)	**2019**	2018	2017
Less than one year	**P275,982**	P260,145	P186,083
One to two years	**139,825**	104,021	69,140
Two to three years	**132,084**	98,262	65,313
Three to four years	**109,161**	81,209	53,978
Four to five years	**99,237**	73,826	49,071
More than five years	**82,852**	95,071	100,984
	P839,141	P712,534	P524,569

22. Other Revenue

This account consists of:

(In thousands)	***Note***	**2019**	2018	2017
Concession fee income		**P2,056,097**	P1,878,359	P1,647,845
Membership income		**572,714**	513,589	452,974
Rent income	*21*	**463,942**	407,251	388,645
Commission income		**20,524**	53,674	68,592
Miscellaneous		**149,576**	141,892	202,784
		P3,262,853	P2,994,765	P2,760,840

Miscellaneous consist of delivery fee income, income from sale of used packaging materials, e-wallet rebates and other individually insignificant items.

23. Operating Expenses

This account consists of:

(In thousands)	***Note***	**2019**	2018 (Restated)	2017 (Restated)
Depreciation and amortization	*11, 12, 13*	**P3,191,988**	P3,126,787	P2,761,469
Manpower agency		**3,617,718**	3,019,535	2,878,788
Communication, light and water		**2,427,507**	2,382,827	1,952,586
Salaries and wages		**2,308,371**	2,219,108	2,152,204
Outside services		**1,226,738**	1,684,369	1,151,091
Taxes and licenses		**907,331**	841,909	703,173
Rent	*21, 25*	**763,171**	867,709	942,038
Advertising and marketing		**647,824**	822,940	466,582
Store and office supplies		**571,376**	559,444	556,194
Repairs and maintenance		**510,638**	486,202	393,479
Credit card charges		**356,309**	298,880	270,111
Distribution Costs		**338,910**	257,833	317,180
Input VAT allocable to exempt sales		**239,069**	131,257	58,424
Insurance		**221,217**	225,757	204,470
SSS/Medicare and HDMF contributions		**195,593**	157,949	139,091
Transportation		**179,733**	188,404	140,532

Forward

(In thousands)	***Note***	**2019**	2018 (Restated)	2017 (Restated)
Impairment loss on deferred oil and mineral exploration costs	*2, 14*	**128,090**	-	-
Representation and entertainment		**137,791**	129,864	85,283
Retirement benefits cost	*26*	**135,584**	170,746	158,377
Fuel and oil		**79,129**	81,565	57,937
Royalty expense	*25*	**58,897**	54,343	46,332
Professional fees		**47,749**	51,222	46,380
Impairment loss on receivables	*11*	**-**	12,798	128
Others		**856,356**	555,361	372,380
		P19,147,089	P18,326,809	P15,854,229

24. Other Income (Charges)

This account consists of:

(In thousands)	***Note***	**2019**	2018 (Restated)	2017 (Restated)
Gain on sale of interest in a subsidiary/joint venture	*10,33*	**P6,073,605**	P362,810	P -
Gain from lease terminations	*21*	**42,460**	37,850	15,174
Foreign exchange gain (loss)		**28,805**	23,103	(23,468)
Bank charges		**(14,552)**	(49,042)	(36,735)
Share in income (losses) of joint ventures and associates	*10*	**11,044**	17,142	(133,394)
Gain (loss) on insurance claim		**3,503**	3,383	(14,268)
Unrealized valuation gain (loss) on financial assets	*7*	**(1,582)**	(10,385)	11,779
Gain on disposal of property and equipment		**-**	15,815	206
Miscellaneous		**5,346**	20,818	108,381
		P6,148,629	P421,494	(P72,325)

25. Related Party Transactions

The Group's transactions and balances with its related parties follow *(in thousands)*:

Related Party	Year	*Note*	Amount of Transactions for the Year	Cash and Cash Equivalents/ Receivables	Due from Related Parties	Lease Liabilities	Due to Related Parties	Terms	Conditions
Under Common Control									
▪ Loans receivable									
Principal	**2019**	a	**P11,898,908**	**P11,898,908**	P -	P -	P -	Due on September 30, 2020; interest bearing	Unsecured
Interest	**2019**		**342,119**	**342,119**	-	-	-		
▪ Money market placements	**2019**	b	**4,326,000**	**4,326,000**	-	-	-	Less than 3 months	Unsecured
	2018		1,454,307	1,454,307	-	-	-		
▪ Advances for working capital requirements	**2019**		-	-	-	-	**363,146**	Due and demandable; non-interest bearing	Unsecured
	2018		38	-	-	-	363,146		
▪ Management fees	**2019**	*e*	**34,585**	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018		34,585	-	-	-	-		
▪ Rent income	**2019**	*f*	**125,909**	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018		125,909	-	-	-	-		
▪ Rent payments	**2019**	*g*	**332,717**	-	-	**2,852,778**	-	Due and demandable; non-interest bearing	Unsecured
	2018		266,182	-	-	2,941,967	-		
▪ Transaction costs LPC sale	**2019**		**340,654**	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
Associates									
▪ Throughput fees	**2019**	*c*	-	-	-	-	-	Due within a month after the end of each quarter; non-interest bearing	Unsecured
	2018		30,000	-	-	-	-		
▪ Concession fee expense	**2019**	*d*	**466,846**	-	-	-	-	Due and demandable; non-interest bearing	Unsecured
	2018		522,931	-	-	-	-		
Stockholder									
▪ Advances for working capital requirements	**2019**		**174,027**	-	**192,068**	-	**933,197**	Due and demandable; non-interest bearing	Unsecured; Unimpaired
	2018		689,098	-	47,971		959,243		
▪ Royalty expense	**2019**	*h*	**47,117**	-	-	-	**47,117**	Due and demandable; non-interest bearing	Unsecured
	2018		54,343	-	-	-	43,474		
Key Management Personnel									
▪ Short-term benefits	**2019**		**23,211**	-	-	-	-		
	2018		43,513	-	-	-	-		
Total	**2019**			**P16,567,027**	**P192,068**	**P2,852,778**	**P1,343,460**		
Total	2018			P1,454,307	P47,971	P2,941,967	P1,365,863		

a. Loans Receivable

In 2019, the Group through CHC granted loans Union Energy Corporation and League One, Inc., entities under common control, which are payable on September 30, 2020. The loans bear interest based on prevailing market rates agreed with the borrowers on a quarterly basis. Interest rates range from 2% to 4.75%.

b. Money Market Placements

The money market placements are with Philippine Bank of Communications, a local bank under common control.

c. Throughput Fees

On December 15, 2000, the Group through LPC, together with its co-joint venture in MJVC, as "Users" entered into a throughput agreement with MJVC and PLBRC. Under the agreement, MJVC will provide the services to enable each of the users to load and off-load products from vessels and receive products from MJVC's storage facilities. LPC, as a User, shall pay the services and annual fees based on a certain formula agreed upon under the agreement. The fee shall be shared among the users based on the actual tonnage off-loaded or loaded from and to ships. The term of the agreement is for 25 years and shall expire on December 15, 2025. LPC is no longer a related party starting 2019 (see Note 33)

Throughput fees are shown as part of "Cost of Sales" account in the profit or loss.

d. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with the Group through KMC, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties. The contract was renewed for a period of five (5) years effective March 1, 2017 until February 28, 2022.

On April 22, 2019, the Consignee assigned to the consignor its lease of land located at Westgate, Filinvest Alabang, Muntinlupa City with a lease term from January 1, 2019 until November 15, 2022. The term has been extended until November 15, 2037.

e. Management Agreement

The Group entered into a management agreement with Puregold Realty Leasing and Management, Inc. (PRLMI), an entity under common control. Under the agreement, PRLMI shall handle the leasing and marketing, billing and collection, documentation, and property management services of the properties owned by the realty segment of the Group. In consideration of such services, the Group shall pay monthly management fee to PRLMI equivalent to 5.0% to 8.5% of rental collected by PRLMI. The agreement is valid for a year, and is renewable upon mutual agreement of both parties.

f. Lease Agreement - As a Lessor

The Group and PriceSmart entered into a lease agreement for the rental of land. The term of the lease is 23 years and renewable under such terms and conditions that shall be agreed upon by the parties.

g. Lease Agreement - As a Lessee

The Group entered into lease agreements mainly for stores and warehouses with various entities under common control. Lease terms range from 3 to 25 years and renewable under such terms and conditions that shall be agreed upon by the parties.

h. License Agreement

On August 15, 2011, the Parent Company entered into a license agreement for the use of trademark and logo. In exchange, the Parent Company pays the owner royalty based on a percentage of sales

Amounts owed by and owed to related parties are to be settled in cash.

Related Party Transactions and Balances Eliminated During Consolidation
The terms, conditions, balances and the volume of related party transactions which were eliminated during consolidation in 2019 and 2018 are as follows:

a. Advances from the Parent Company to its subsidiaries

(In thousands)	**Outstanding Balance**
2019	**P9,444,298**
2018	9,877,372

These advances are unsecured and with various terms. These are payable in cash. Interest income from these advances amounted to P88.8 million in 2019 and P94.8 million in 2018.

b. Receivables from subsidiaries to their fellow subsidiaries

(In thousands)	**Outstanding Balance**
2019	**P5,047,435**
2018	3,946,608

These advances are unsecured and with various terms. These are payable in cash. Interest income from these advances amounted to P770 in 2017.

c. Sale of goods of the subsidiaries within the Group

(In thousands)	**Amount of Transactions**	**Outstanding Balance**
2019	**P3,087,297**	**P517,722**
2018	2,235,888	515,533

Receivables from sale of goods are non-interest bearing are generally on a 30-day credit terms.

d. Sale of services of the subsidiaries within the Group

(In thousands)	Amount of Transactions	Outstanding Balance
2019	**P524,610**	**P132,033**
2018	650,902	10,927

Receivables from sale of services are unsecured, non-interest bearing are generally on a 30-day credit terms.

e. Dividend income received by the Parent Company from dividends declared by its subsidiaries

(In thousands)	Amount of Transactions	Outstanding Balance
2019	**P1,228,737**	**P1,829,061**
2018	600,000	1,674,762

Cash dividends are due on payment date.

f. Dividend income received by a subsidiary from dividends declared by a fellow subsidiary

(In thousands)	Amount of Transactions	Outstanding Balance
2018	P80	P238

Cash dividends are due on payment date.

g. Dividend income received by a subsidiary from dividends declared by the Parent Company

(In thousands)	Amount of Transactions	Outstanding Balance
2019	**P54,494**	**P29,755**
2018	-	40,426

Cash dividends are due on payment date.

h. Management and arrangement fees charged by the Parent Company to its subsidiaries

(In thousands)	Amount of Transactions	Outstanding Balance
2019	**P301,403**	**P443,403**
2018	385,000	142,000

Receivables from management and arrangement fees are non-interest bearing and are due and demandable and payable in cash.

26. Retirement Benefit Costs

The Group has an unfunded, non-contributory, defined benefit plan covering all of its permanent employees. The plan provides retirement benefits under Republic Act No. 7641 (the Act) upon compulsory retirement at the age of sixty five (65) or upon optional retirement at age sixty (60) or more but not more than age sixty five (65) with at least five (5) years in service. The benefits as required by the Act are equivalent to at least one-half month (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one (1) whole year. The term one-half (1/2) month salary shall mean: (a) 50% of the pay salary; (b) one-twelfth (1/12) of the thirteenth (13th) month pay; and (c) one-twelfth (1/12) cash equivalent of not more than five (5) days of service incentive leaves. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. Valuations are obtained on a periodic basis.

The retirement benefits liability recognized in the consolidated statements of financial position as at December 31 are as follows:

(In thousands)	**2019**	2018
Present value of defined benefits obligation	**P984,469**	P534,446
Fair value of plan assets	**(28,651)**	(25,913)
	P955,818	P508,533

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

(In thousands)	**2019**	2018
Balance at beginning of year	**P534,446**	P618,300
Included in profit or loss:		
Current service cost	**96,429**	137,006
Interest cost	**39,670**	34,114
	136,099	171,120
Included in other comprehensive income		
Remeasurements gain:		
Financial assumptions	**348,338**	(352,339)
Experience adjustments	**(24,886)**	121,726
	323,452	(230,613)
Benefits paid	**(4,085)**	(1,675)
Reclass to liabilities directly related to assets held-for-sale	**(5,443)**	(22,686)
Balance at end of year	**P984,469**	P534,446

The following table shows reconciliation from the opening balances to the closing balances for fair value of plan assets:

(In thousands)	**2019**	2018
Balance at beginning of year	**P25,913**	P27,390
Interest income	**1,936**	-
Return on plan asset excluding interest	**802**	(1,477)
Balance at end of year	**P28,651**	P25,913

The Group's plan assets as at December 31 consist of the following:

(In thousands)	2019	2018
Cash in banks	**P2,460**	P2,033
Debt instruments - government bonds	**25,927**	23,648
Trust fees payable	**(14)**	(13)
Other	**278**	245
	P28,651	P25,913

The following were the principal actuarial assumptions at the reporting date:

	2019	2018
Discount rate	**5.21% to 7.5%**	7.50% to 7.53%
Future salary increases	**5% to 8%**	5.00% to 7.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation as at December 31, 2019 and 2018 reporting period is 25.8 years and 19.4 years, respectively.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

2019

(In thousands)	**Increase**	**Decrease**
Discount rate (1% movement)	**(P171,669)**	**P218,568**
Future salary increase rate (1% movement)	**210,603**	**(169,496)**

2018

(In thousands)	Increase	Decrease
Discount rate (1% movement)	(P11,248)	P91,475
Future salary increase rate (1% movement)	110,943	(88,056)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

Maturity analysis of the benefit payments:

	2019 *(In thousands)*				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P955,818**	**P225,661**	**P36,906**	**P39,274**	**P149,481**

	2018 *(In thousands)*				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P508,533	P228,328	P31,463	P35,173	P161,692

Multi-employer Retirement Plan

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the Retirement Fund to support the defined benefits are at the Group's discretion. However, in the event a defined benefit claim arises and the Retirement Fund is insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Fund.

The Group does not expect to contribute to the plan in 2020.

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 retirement obligation.

The Group has no expected future contribution for 2020.

27. Income Taxes

The provision for income tax consists of:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Current	**P3,803,735**	P3,553,864	P3,040,629
Deferred	**(282,270)**	(268,002)	134,810
	P3,521,465	P3,285,862	P3,175,439

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense shown in profit or loss is as follows:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Income before income tax	**P18,914,672**	P11,767,666	P10,646,139
Income tax expense at the statutory income tax rate:			
30%	**P5,884,228**	P3,755,047	P3,193,842
5%	**19,441**	20,412	12,991
Income tax effects of:			
Gain on sale of investment subject to capital gains tax	**(1,822,082)**	(108,843)	-
Dividend income	**(384,739)**	(180,011)	(150,407)
Deduction from gross income due to availment of optional standard deduction	**(349,350)**	(265,138)	(198,467)
Non-deductible expenses	**267,478**	230,752	185,563
Interest income subject to final tax	**(201,719)**	(68,571)	(21,630)
NOLCO utilized	**97,570**	39,047	78,383
Changes in unrecognized DTA	**(88,277)**	(170,486)	10,998
Non-deductible interest expense	**68,406**	10,044	4,422
Non-deductible other expenses	**28,200**	55,009	66,819
Excess of MCIT over RCIT	**10,060**	8,733	3,593
Share in income of associates and joint ventures	**(3,313)**	(6,240)	(3,628)
Non-taxable income	**(2,738)**	(3,004)	(6,483)
Other income subject to final tax	**(1,700)**	(33,000)	(557)
Penalties	**-**	2,111	-
	P3,521,465	P3,285,862	P3,175,439

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

(In thousands)	**2019**	2018
	DTA (DTL)	DTA (DTL)
Excess of lease liabilities over ROU assets	**P1,490,651**	P1,242,014
Retirement benefits liability	**307,921**	152,560
NOLCO	**49,750**	-
Allowance for impairment of deferred oil and mineral exploration costs	**38,427**	-
Allowance for impairment losses on receivables	**5,119**	5,119
Advance rentals	**3,120**	3,073
Accrued rent expense	**2,106**	1,724
Unrealized foreign exchange loss	**984**	438
Recognition of DTA on merger transaction	**117**	117
DTA	**1,898,195**	1,405,045
Fair value of intangible assets from business combination	**(1,379,734)**	(1,379,734)
Accrued rent income	**(64,343)**	(47,864)
Borrowing cost	**(13,359)**	(9,577)
Actuarial loss (gain)	**(2,319)**	(48,781)
Unrealized foreign exchange gain	**(742)**	(452)
DTL	**(1,460,497)**	(1,486,408)
Net	**P437,698**	(P81,363)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefits liability.

The Group has temporary differences for which deferred tax assets were not recognized because management believes that it is not probable that sufficient taxable profits will be available against which the benefits of the deferred taxes can be utilized.

The unrecognized deferred tax assets as at December 31 are as follows:

(In thousands)	**2019**	2018
NOLCO	**P50,918**	P117,430
MCIT	**73**	21,838
	P50,991	P139,268

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2015	P471,225	(P471,225)	P -	2018
2016	261,275	(261,275)	-	2019
2017	130,158	(130,158)	-	2020
2018	325,232	(325,232)	-	2021
2019	165,833	-	165,833	2022
	P1,353,723	(P1,187,890)	P165,833	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below (in thousands):

Year Incurred	Amount Incurred	Expired/Applied During the Year	Remaining Balance	Expiration Date
2015	P4,071	(P4,071)	P -	2018
2016	9,512	(9,512)	-	2019
2017	3,593	-	3,593	2020
2018	8,733	-	8,733	2021
2019	10,060	-	10,060	2022
	P35,969	(P13,583)	22,386	

28. Equity

Capital Stock
The details of the Parent Company's common shares follow:

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Authorized - P1.00 par value	**10,000,000,000**	**P10,000,000**	10,000,000,000	P10,000,000
Issued and outstanding:				
Issued	**7,405,263,564**	**P7,405,264**	7,405,263,564	P7,405,264
Less: Treasury shares	**(410,738,990)**	**(1,403,974)**	(381,629,190)	(1,197,727)
Outstanding	**6,994,524,574**	**P6,001,290**	7,023,634,374	P6,207,537
Treasury shares:				
Balance at beginning of year	**381,629,190**	**P1,197,727**	288,081,290	P628,203
Buy back of shares	**29,109,800**	**206,247**	93,547,900	569,524
Balance at end of year	**410,738,990**	**P1,403,974**	381,629,190	P1,197,727

Treasury Shares
On December 18, 2014, the Parent Company's BOD approved to buy back its common shares up to P1 billion within one year from the approval. This aims to enhance the shareholders' value through the repurchase of shares whenever the stock is trading at a price discount perceived by the Parent Company as not reflective of its fair corporate value. In 2019 and 2018, the Parent Company renewed its program to buy back its shares for another year.

Retained Earnings
Declaration of Cash Dividends
In 2019, 2018 and 2017, the Parent Company's BOD approved cash dividends for common shareholders with the following details:

Type	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Cash	December 15, 2017	January 2, 2018	January 26, 2018	P0.06
Cash	December 15, 2017	January 2, 2018	January 26, 2018	0.04
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.06
Cash	February 1, 2019	February 15, 2019	March 1, 2019	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.04
Cash	December 10, 2019	December 27, 2019	January 24, 2020	0.08

As of December 31, 2019, unpaid unpaid cash dividends on common shares amounting to P1.3 billion are included as part of as "Accounts payable and accrued expenses" account in the consolidated statements of financial position (see Note 16).

Non-controlling Interests
For the years ended December 31, 2019, and 2018, movements in NCI pertain to the share in net earnings of and dividends paid to non-controlling shareholders, and NCI on business combinations.

The following table summarizes the financial information of subsidiaries that have material non-controlling interests:

This information is based on amounts before inter-company eliminations.

	2019		2018 (As Restated)			
(In thousands)	PPCI	CHC	PPCI	CHC	LPC	CPHI
NCI percentages	**51%**	**10%**	49%	10%	10%	10%
Carrying amounts of NCI	**P31,469,630**	**P776,994**	P25,975,793	(P22,311)	P380,498	P541
Current assets	**P40,040,355**	**P12,242,909**	P36,065,930	P2,793	P2,642,136	P24
Noncurrent assets	**68,594,443**	**-**	64,783,925	3,528,451	2,958,653	44,222
Current liabilities	**15,490,809**	**4,472,966**	18,247,249	3,754,356	1,773,127	38,837
Noncurrent liabilities	**31,244,639**	**-**	29,590,783	-	22,686	-
Net assets	**P61,899,350**	**P7,769,943**	P53,011,823	(P223,112)	P3,804,976	P5,409
Net income attributable to NCI	**P3,454,122**	**P301,582***	P3,037,755	(P32,506)	P62,623	(P53)
Other comprehensive attributable to NCI	**(P111,829)**	**P -**	P76,650	P -	P336	P -
Revenue	**P154,490,309**	**P -**	P141,139,261	P -	P17,090,512	P -
Net income (loss)	**P6,772,788**	**P7,993,116**	P6,199,500	(P325,058)	P626,230	(P530)
Other comprehensive income (loss)	**(219,273)**	**-**	156,428	-	3,362	-
Total comprehensive income (loss)	**P6,553,515**	**P7,993,116**	P6,355,928	(P325,058)	P629,592	(P530)
Net cash flows provided by (used in):						
Operating	**P15,072,887**	**P -**	P9,614,724	(P57)	P1,108,560	P848
Investing	**(3,772,907)**	**11,980,106**	(3,395,382)	-	(29,354)	-
Financing	**(4,903,880)**	**-**	(3,597,629)	-	(375,690)	(848)
Net increase (decrease) in cash and cash equivalents	**P6,396,100**	**P11,980,106**	P2,621,713	(P57)	P703,516	P -

**Adjusted for the share in income in LPC and CHPI recognized from date of acquisition to date of sale and other eliminating adjustment.*

29. Segment Information

Segment information reported externally was analyzed on the basis of types of goods supplied and services provided by the Group's operating divisions. However, information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focused on the types of goods or services delivered or provided. The Group's reportable segments are as follows:

Retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of LPG, filling and distributions of LPG cylinders as well as distributions to industrials, wholesale and other customers.
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Real estate and property leasing	Includes real estate activities such as selling and leasing of real properties
Oil and mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenues			Segment Profit		
(In thousands)	**2019**	2018	2017	**2019**	2018	2017
Grocery retail	**P154,490,309**	P141,139,261	P124,703,433	**P6,772,788**	P6,199,500	P5,494,122
Liquor distribution	**10,717,397**	8,747,207	6,662,915	**1,212,453**	738,366	630,669
Specialty retail	**2,451,217**	19,179,888	14,953,360	**97,033**	691,815	524,776
Real estate and property leasing	**2,146,777**	2,030,790	1,873,770	**1,225,477**	1,085,959	922,092
Holding, oil and mining	**-**	-	528	**9,397,287**	403,650	953,787
Total	**169,805,700**	171,097,146	148,194,006	**18,705,038**	9,119,290	8,525,446
Eliminations of intersegment revenue/profit	**3,738,988**	2,886,789	2,555,206	**3,334,194**	637,486	1,054,746
	P166,066,712	P168,210,357	P145,638,800	**P15,370,844**	P8,481,804	P7,470,700

Revenue reported above represents revenue generated from external customers and inter-segment sales and is broken down as follows:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Grocery retail:			
From external customers	**P154,490,309**	P141,139,261	P124,703,433
Specialty retail:			
From external customers	**2,447,877**	19,176,554	14,949,102
From intersegment sales	**3,340**	3,334	4,258
	2,451,217	19,179,888	14,953,360
Liquor distribution:			
From external customers	**7,630,100**	6,514,654	4,694,538
From intersegment sales	**3,087,297**	2,232,553	1,968,377
	10,717,397	8,747,207	6,662,915
Real estate and property leasing:			
From external customers	**1,498,426**	1,379,888	1,291,199
From intersegment sales	**648,351**	650,902	582,571
	2,146,777	2,030,790	1,873,770
Oil and mining:			
From external customers	**-**	-	528
Total revenue from external customers	**P166,066,712**	P168,210,357	P145,638,800
Total intersegment revenue	**P3,738,988**	P2,886,789	P2,555,206

No single customer contributed 10% or more to the Group's revenue in 2019 and 2018.

The Group's reportable segments are all domestic operations.

Segment Assets and Liabilities
Below is the analysis of the Group's segment assets and liabilities:

(In thousands)	**2019**	2018, (Restated)	2017, (Restated)
Segment assets:			
Grocery retail	**P108,634,798**	P100,849,855	P91,829,440
Specialty retail	**1,225,214**	6,619,617	5,636,684
Liquor distribution	**8,776,038**	7,240,181	6,094,491
Real estate and property leasing	**25,651,342**	24,723,835	24,284,037
Oil and mining	**105,902,079**	96,874,958	97,498,623
Total segment assets	**250,189,471**	236,308,446	225,343,275
Intercompany assets	**95,739,577**	96,770,905	96,577,852
Total assets	**P154,449,894**	P139,537,541	P128,765,423
Segment liabilities:			
Grocery retail	**P46,735,448**	P47,838,033	P45,173,546
Specialty retail	**2,475,886**	2,363,770	2,078,973
Liquor distribution	**3,299,462**	3,033,318	2,462,394
Real estate and property leasing	**9,403,470**	9,636,227	9,558,209
Oil and mining	**10,531,184**	8,974,933	9,431,152
Total segment liabilities	**72,445,450**	71,846,281	68,704,274
Intercompany liabilities	**20,056,340**	17,433,309	16,990,288
Total liabilities	**P52,389,110**	P54,412,972	P51,713,986

30. Earnings Per Share

The following table presents information necessary to calculate EPS on net income attributable to equity holders of the Parent Company:

(In thousands except per share data)	**2019**	2018	2017
Net income attributable to equity holders of the Parent Company (a)	**P11,597,381**	P5,381,485	P4,731,616
Weighted average number of common shares (b)	**7,010,161**	7,083,275	7,129,817
Basic/diluted EPS (a/b)	**P1.65**	P0.76	P0.66

There were no potential dilutive common shares in 2019, 2018 and 2017.

The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transaction during the year.

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate 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 principal financial instruments include cash and cash equivalents and investments in trading securities. These financial instruments are used to fund the Group's operations and capital expenditures.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for 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 adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. 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.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

(In thousands)	*Note*	2019	2018
Cash and cash equivalents [1]	*4*	**P23,015,623**	P15,595,558
Receivables - net	*5*	**16,637,892**	6,630,927
Due from related parties	*25*	**192,068**	47,971
Security deposits [2]	*15*	**2,231,789**	2,158,828
Financial assets at FVPL	*7*	**34,921**	36,503
Financial assets at FVOCI	*8*	**17,704**	15,522
		P42,129,997	P24,485,309

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	December 31, 2019			
(In thousands)	Neither Past Due Nor Impaired	Past Due but Not Impaired	Impaired	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P23,015,623	P -	P -	P23,015,623
Receivables	16,686,839	-	48,947	16,637,892
Due from related parties	192,068	-	-	192,068
Security deposits[2]	2,231,789	-	-	2,231,789
Financial Assets at FVPL				
Investments in trading securities	34,921	-	-	34,921
Financial Assets at FVOCI				
Investments in preferred shares	7,262	-	-	7,262
Investment in common shares				
Quoted	8,138	-	-	8,138
Unquoted	2,304	-	-	2,304
	P42,178,944	P -	P48,947	P42,129,997

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

	December 31, 2018			
(In thousands)	Neither Past Due Nor Impaired	Past Due but Not Impaired	Impaired	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[1]	P15,595,558	P -	P -	P15,595,558
Receivables	4,360,646	2,229,983	40,298	6,630,927
Due from related parties	47,971	-	-	47,971
Security deposits[2]	2,158,828	-	-	2,158,828
Financial Assets at FVPL				
Investments in trading securities	36,503	-	-	36,503
Financial Assets at FVOCI				
Investments in equity securities	7,262	-	-	7,262
Quoted	5,956	-	-	5,956
Unquoted	2,304	-	-	2,304
	P22,215,028	P2,229,983	P40,298	P24,485,309

[1] Excluding cash on hand.
[2] Included as part of "Other noncurrent assets".

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

a. Cash in banks and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

The Group applies the simplified approach using provision matrix in providing for ECL which permits the use of the lifetime expected loss provision for trade and other receivables. The expected loss rates are based on the Group's historical observed default rates. The historical rates are adjusted to reflect current and forward looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. However, given the short period exposed to credit risk, the impact of this macroeconomic factor identified has not been considered significant within the reporting period.

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 forecasting projected cash flows and maintaining 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 working capital requirements. 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, including estimated interest payments and excluding the impact of netting agreements:

	December 31, 2019				
(In thousands)	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P14,383,106	P14,383,106	P14,383,106	P -	P -
Short-term loans	871,124	871,124	871,124	-	-
Lease liabilities	26,668,941	26,668,941	567,652	2,838,260	23,263,029
Due to related parties	1,343,460	1,343,460	1,343,460	-	-
Long-term loans[2]	5,138,262	5,138,262	43,685	5,094,577	-
Customers' deposits[3]	351,510	351,510	351,510	-	-
	P48,756,403	P48,756,403	P17,560,537	P7,932,837	P23,263,029

[1] *Excluding due to government agencies.*
[2] *Including current and non-current portion.*
[3] *Included as part of "Other current liabilities".*

(In thousands)	December 31, 2018, As restated Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year to 5 Years	More than 5 Years
Other Financial Liabilities					
Accounts payable and accrued expenses[1]	P12,395,494	P12,395,494	P12,395,494	P -	P -
Short-term loans	4,866,300	4,866,300	4,866,300	-	-
Lease liabilities	24,222,473	24,222,473	727,239	3,636,195	19,859,039
Due to related parties	1,365,863	1,365,863	1,365,863	-	-
Long-term loans [2]	6,622,208	15,045,802	7,522,901	321,292	7,201,609
Customers' deposits[3]	248,327	248,327	248,327	-	-
	P49,720,665	P58,144,259	P27,126,124	P3,957,487	P27,060,648

[1] Excluding due to government agencies.
[2] Including current and non-current portion.
[3] Included as part of "Other current liabilities".

Market Risk

Market risk is the risk that changes in market prices such as interest rates that will adversely 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 mainly subject to interest rate risks.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. The Group is not exposed to interest rate risk since its short and long-term loans with fixed rates are carried at amortized cost. The Group's policy is to obtain the most favorable interest available without increasing its foreign currency exchange exposure.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, additional paid-in capital, remeasurements and retained earnings as shown in the consolidated statements of financial position.

There were no changes in the Group's approach to capital management during the year.

The Parent Company maintains equity at a level that is compliant with its loan covenants.

32. Fair Value of Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at December 31, 2019 and 2018.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties
The carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Security Deposits
The carrying amount approximates it fair value as the effect of discounting is not considered material.

Financial Assets at FVPL and Financial Assets at FVOCI - Quoted (Level 1)
The fair values of financial assets at FVPL and quoted financial assets at FVOCI and similar investments are based on quoted market prices in an active market.

Financial Assets at FVOCI - Unquoted
The fair value of the unquoted equity securities at FVOCI is not determinable because of the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value.

Accounts Payable and Accrued Expenses, Short-term Loans and Due to Related Parties
The carrying amounts of accounts payable and accrued expenses, short-term loans, due to related parties and customers' deposits approximate the fair value due to the relatively short-term maturities of these financial instruments.

Long-term Loans, Lease Liabilities and Customers' Deposits
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.

Fair Value Hierarchy
The Group analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at December 31, 2019 and 2018, the Group has no financial instruments valued based on Level 2 and 3. During the year, there were no transfers into and out of Level 3 fair value measurements.

33. Assets and Liabilities of Disposal Group Classified as Held for Sale

These represent the carrying values of the total assets and liabilities of LPC and CPHI as at December 31, 2018 which are reclassified and presented as part of current assets and current liabilities accordingly by virtue of the subsequent sale of the entire equity interests of Canaria Holdings, Inc., a 90% owned subsidiary of Cosco, in both LPC and CPHI through a Share Purchase Agreement (SPA) executed on October 19, 2018 with Fernwood Holdings, Inc.

As at December 31, 2018, LPC and CPHI were classified as disposal group held for sale.

The PCC subsequently granted its approval to the share purchase transaction on January 17, 2019, which paved the way for the completion and closing of the transaction between the parties on October 19, 2018.

The breakdown of the gain on sale recognized in profit or loss in 2019 is as follows:

(In thousands)	
Selling price	**P13,100,000**
Transaction costs	**(1,729,020)**
Proceeds	**11,370,980**
Cost of investment	**(3,428,451)**
Gain on sale before the effect of share in income recognized	**7,942,529**
Share in income recognized (date of acquisition to date of sale)	**(1,868,924)**
Gain on sale	**P6,073,605**

The major classes of assets and liabilities of both LPC and CPHI as at December 31, 2018 are as follows:

(In thousands)	LPC	CPHI	Total
Cash and cash equivalents	P1,063,107	P24	P1,063,131
Receivables - net	990,137	-	990,137
Due from related parties	49,781	-	49,781
Inventories	527,329	-	527,329
Prepaid expenses and other current assets	11,782	-	11,782
Property and equipment - net	2,424,343	-	2,424,343
Investments	90,906	44,222	135,128
Investment properties - net	108,356	-	108,356
Goodwill and intangibles	1,632,160	51,432	1,683,592
Deferred tax assets - net	87,898	-	87,898
Other non-current assets	239,418	-	239,418
Assets classified as held for sale	7,225,217	95,678	7,320,895
Accounts payable, accrued expenses and other liabilities	1,640,316	402	1,640,718
Income tax payable	91,559	-	91,559
Current maturities of long-term debt, net of debt issue costs	-	16,951	16,951
Due to related parties	41,252	21,485	62,737
Retirement benefits liability	22,686	-	22,686
Liabilities related to assets held for sale	1,795,813	38,838	1,834,651
Net assets classified as held for sale	P5,429,404	P56,840	P5,486,244

No impairment loss was recognized on reclassification of the land as held for sale nor at the end of the reporting period.

The results of operations of LPC and CPHI in 2018 are as follows:

(In thousands)	LPC	CPHI	Total
Revenue	P17,090,512	P -	P17,090,512
Cost of sales	15,811,326	-	15,811,326
Gross profit	1,279,186	-	1,279,186
Operating expenses	391,671	88	391,759
Income from operations	887,515	(88)	887,427
Other income charges:			
Interest expense	(5,690)	(847)	(6,537)
Interest income	3,750	-	3,750
Others- net	10,279	406	10,685
Income before income tax	895,854	(529)	895,325
Income tax expense	269,624	-	269,624
Net income (loss)	P626,230	(P529)	P625,701

34. Events After Reporting Period

On March 8, 2020, under Proclamation 922, the Office of the President has declared a state of public health emergency and subsequently on March 16, 2020, under Proclamation 929, a state of calamity throughout the Philippines due to the spread of the Corona Virus Disease 2019 (COVID-19). To manage the spread of the disease, the entire Luzon has been placed under an Enhanced Community Quarantine, effective from March 17, 2020 until May 15, 2020, which involved several measures including travel restrictions, home quarantine and temporary suspension or regulation of business operations, among others, limiting activities related to the provision of essential goods and services. On May 11, 2020, the President approved the IATF Resolution No. 35 changing the ECQ to either Modified ECQ (MECQ) effective May 16, 2020 to May 31, 2020. On May 29, 2020, the President approved the IATF Resolution No. 41 changing the MECQ status of Metro Manila to General Community Quarantine (GCQ) effective June 1, 2020 to June 15, 2020.

The Group has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as at and for the year ended December 31, 2019 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Group for future periods.

The Group remained vigilant as it identified potential risks to health and business operations posed by this pandemic to the general public and the necessity to join the collaborative effort in mitigating the spread of the virus. Its stores remained open to serve the public as those are considered contributors of essential services nationwide. In the face of this global crisis, the Group remains composed as it operates and maintains mitigation efforts to help safeguard the health and welfare of its employees and customers. The Group does not consider the event as a going concern issue.

35. Restatements

Change in Accounting Policy

PFRS 16, Leases
The Group adopted PFRS 16 on January 1, 2019, and applied the full retrospective transition approach, and, therefore, the comparative figures for the 2018 and 2017 financial years have been restated, as presented below.

PFRS 16 introduced a single, on-balance-sheet lease accounting model for lessees. As a result, the Group, as a lessee, has recognized right-of-use assets, representing its rights to use the underlying assets, and lease liabilities, representing its obligation to make lease payments. In addition, the Group's prepaid expenses and other current assets, other noncurrent assets and other noncurrent liabilities related to previous operating leases arising from straight lining under PAS 17 were derecognized.

On the income statement, there are changes to the nature of expenses related to leases in which the Group leases an asset (lessee), because PFRS 16 replaces the operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

At the time of the transition to PFRS 16, the Group determined whether an arrangement contains a lease. When performing this assessment, the Group could choose whether to apply the PFRS 16 definition of a lease to all its contracts or apply the practical expedient allowed under PFRS 16 and not reassess whether a contract is, or contains, a lease. The Group chose to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it applied PFRS 16 to all contracts entered into before December 31, 2018 and identified as leases in accordance with PAS 17 and Philippine Interpretation IFRIC 4.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from PFRS 16. However, subleases under PFRS 16 are classified with reference to the right-of-use asset, not with reference to the underlying asset, as per PAS 17. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under PAS 17. The Group concluded that the sub-lease is still an operating lease under PFRS 16.

See Note 3 for the accounting policy selected for lease accounting.

In 2019, the Group also changed its accounting policy to classify interest payments under financing activities from its previous classification under operating activities in the consolidated statements of cash flows.

PIC Q&A 2018-12-H Accounting for Common Usage Service Area (CUSA) Charges
The Group adopted PIC Q&A 2018-12-H *Accounting for Common Usage Service Area (CUSA) Charges*, retrospectively which resulted to the restatements in the consolidated statements of income presented in this note.

Previously, recoverable charges for electricity usage, water usage, air-conditioning charges and common use service area on existing commercial buildings being leased out to tenants, were all presented as part of revenue. The corresponding expenses paid for such services formed part of the direct cost.

With reference to PFRS 15.B34, when another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e., the entity is a principal), or to arrange for those goods or services to be provided by the other party (i.e., the entity is an agent). An entity determines whether it is a principal or an agent for each specified good or service promised to the customer. A specified good or service is a distinct good or service (or a distinct bundle of goods or services) to be provided to the customer. If a contract with a customer includes more than one specified good or service, an entity could be a principal for some specified goods or services and an agent for others. To determine the nature of promise, the entity shall:

- identify the specified good or service to be provided to the customer in the contract (i.e., whether it is to provide the specified goods or services, or to arrange for those goods and services to be provided by another party); and,

- assess whether it controls each specified good or service before that good or service is transferred to the customer.

As a result, electricity and water usage charges are now reclassified from revenue category since the Group has assessed that it is an agent for the specified services promised to the tenant. Common use service area (CUSA) expenses and air conditioning charges will form part of the revenue since the specified goods or service that the Group promised to the tenant is for the Group to arrange for the maintenance of the common service area and provision of air conditioning services to be provided by another party. The right to the subcontractor services providing the maintenance services mentioned never transfers to the tenant. Instead, the Group retains the right to direct the service provider as it chooses.

The amount of CUSA expenses netted against revenues as a result of the Group's adoption of the PIC Q&A 2018-12-H amounted to P438.4 million, P398.5 million, P332.2 million in 2019, 2018 and 2017, respectively.

Reclassifications

The Group has changed the presentation of credit card fees in prior years from a reduction in sales to a separate expense to conform to the current year presentation. The Group is acting as a principal on sales to the customer by credit card and the bank serves as its agent to collect the cash from the customer. Therefore, the sales are recognized gross and the fee to the bank is an expense. Credit card fees amounted to P356.3 million, P298.9 million and P270.1 million, in 2019, 2018 and 2017, respectively.

The Group reclassified the concession expense to rent expense to conform with the proper current year presentation, in line with its adoption of PFRS 16.

The Group also reclassified certain individually immaterial accounts in 2018 and 2017 to conform to the 2019 presentation and classification in its consolidated statements of position and profit or loss.

The following tables summarize the impacts of the change in accounting policy and reclassifications on the Groups' consolidated financial statements in the current year prior periods presented.

Consolidated Statements of Financial Position

	Impact of Changes in Accounting Policies		
December 31, 2019 *(In thousands)*	**Under PAS 17**	**Adjustments for PFRS 16**	**As Presented**
Prepaid expenses and other current assets	P2,121,605	(P121,105)	P2,000,500
Right-of-use assets - net	-	21,700,103	21,700,103
Deferred tax assets - net	309,987	256,297	566,284
Other noncurrent assets	4,157,735	(857,946)	3,299,789
Total assets	P133,472,545	P20,977,349	P154,449,894
Lease liabilities:			
Due within one year	P -	(P567,682)	(P567,682)
Due beyond one year	-	(26,101,259)	(26,101,259)
Accounts payable and accrued expenses	(15,126,964)	(1,017)	(15,127,981)
Deferred tax liabilities - net	(422,686)	294,100	(128,586)
Other noncurrent liabilities	(2,955,164)	2,561,945	(393,219)
Total liabilities	(P28,575,197)	(P23,813,913)	(P52,389,110)
Retained earnings	(P56,614,096)	P2,446,884	(P54,167,212)
Non-controlling interest	(32,636,304)	389,680	(32,246,624)
Total equity	(P104,897,348)	P2,836,564	(P102,060,784)

December 31, 2018 *(In thousands)*	As Previously Reported	Adjustments for PFRS 16	Reclassifications	Other Adjustments	As Restated
Prepaid expenses and other current assets	P2,984,517	(P183,664)	(P195,235)	P3,112	P2,608,730
Investments	611,054	-	(7,879)	-	603,175
Right-of-use assets - net	-	20,082,426	-	-	20,082,426
Deferred tax assets - net	27,239	69,024	-	-	96,263
Other noncurrent assets	3,585,285	(801,187)	203,114	-	2,987,212
Total assets	P120,367,830	P19,166,599	P -	P3,112	P139,537,541
Lease liabilities:					
Due within one year	P -	(P725,846)	P -	P -	(P725,846)
Due beyond one year	-	(23,496,627)	-	-	(23,496,627)
Accounts payable and accrued expenses	(13,015,167)	-	-	(999)	(13,016,166)
Income tax payable	(928,796)	-	-	(2,113)	(930,909)
Other current liabilities	(436,297)	1,396	-	-	(434,901)
Deferred tax liabilities - net	(693,099)	515,473	-	-	(177,626)
Other noncurrent liabilities	(3,256,701)	2,817,486	-	5,873	(433,342)
Total liabilities	(P33,527,615)	(P20,888,118)	P -	P2,761	(P54,412,972)
Retained earnings	(P43,694,953)	P925,324	P -	(P5,873)	(P42,775,502)
Non-controlling interest	(27,185,839)	796,195	-	-	(26,389,644)
Total equity	(P86,840,215)	P1,721,519	P -	(P5,873)	(P85,124,569)

January 1, 2018 *(In thousands)*	As Previously Reported	Adjustments for PFRS 16	Reclassifications	Other Adjustments	As Restated
Receivables - net	P7,901,686	P -	P -	P1,284	P7,902,970
Prepaid expenses and other current assets	2,799,075	(575,226)	(64,665)	10	2,159,194
Right-of-use assets - net	-	18,164,361	-	-	18,164,361
Deferred tax assets - net	64,438	(56,861)	-	-	7,577
Other noncurrent assets	2,962,320	(382,434)	64,665	-	2,644,555
Total assets	P111,614,289	P17,149,840	-	P1,294	P128,765,423
Lease liabilities:					
Due within one year	P -	(643,493)	P -	P -	(643,493)
Due beyond one year	-	(20,906,227)	-	-	(20,906,227)
Accounts payable and accrued expenses	(13,793,132)	-	-	4,440	(13,788,692)
Other current liabilities	(505,407)	-	-	(4,091)	(509,498)
Deferred tax liabilities - net	(774,280)	593,152	-	-	(181,128)
Other noncurrent liabilities	(2,834,360)	2,412,431	-	-	(421,929)
Total liabilities	(P33,170,198)	(P18,544,137)	P -	P349	(P51,713,986)
Retained earnings	(P38,147,384)	P755,010	P -	(P1,643)	(P37,394,017)
Non-controlling interest	(23,851,625)	639,287	-	-	(23,212,338)
Total Equity	(P78,444,091)	P1,394,297	P -	(P1,643)	(P77,051,437)

January 1, 2017 *(In thousands)*	As Previously Reported	Adjustments for PFRS 16	As Restated
Prepaid expenses and other current assets	P1,626,699	(P421,158)	P1,205,541
Right-of-use assets - net	-	17,608,323	17,608,323
Deferred tax assets - net	116,588	513,936	630,524
Other noncurrent assets	2,736,901	(114,730)	2,622,171
Total assets	102,586,543	17,586,371	120,172,914
Lease liabilities:			
Due within one year	P -	(P613,366)	(P613,366)
Due beyond one year	-	(19,832,159)	(19,832,159)
Other current liabilities	(542,543)	2,858	(539,685)
Deferred tax liabilities - net	(751,935)	441,058	(310,877)
Other noncurrent liabilities	(2,533,360)	1,384,756	(1,148,604)
Total liabilities	(P30,810,306)	(P18,616,853)	(P49,427,159)
Retained earnings	(P33,808,565)	P560,336	(P33,248,229)
Non-controlling interest	(21,458,344)	470,146	(20,988,198)
Total Equity	(P71,788,237)	P1,030,482	(P70,757,755)

Consolidated Statements of Comprehensive Income

December 31, 2019 *(In thousands)*	Under PAS 17	Impact of Changes in Accounting Policies: Adjustments for PFRS 16	Adoption of PIC Q&A 2018-12-H	As Presented
Revenues	(P165,628,311)	P -	(P438,401)	(P166,066,712)
Operating expenses	19,955,441	(1,246,753)	438,401	19,147,089
Other charges	(6,541,039)	1,631,176	-	(4,909,863)
Provision for income taxes	4,429,488	(908,023)	-	3,521,465
Net income	(P14,869,607)	(P523,600)	P -	(P15,393,207)
Total comprehensive income	(P14,651,900)	(P523,600)	P -	(P15,175,500)

December 31, 2018 *(In thousands)*	As Previously Reported	Adjustments for PFRS 16	Reclassifications/ Adoption of PIC Q&A 2018-12-H	Other Adjustments	As Restated
Revenues	(P168,387,650)	P -	P177,293	P -	(P168,210,357)
Cost of revenues	140,128,078	(52,922)	(265,537)	-	139,809,619
Operating expenses	19,166,531	(923,737)	88,244	(4,229)	18,326,809
Other income (charges) - net	(116,331)	1,417,359	-	-	1,301,028
Income taxes	3,399,340	(113,478)	-	-	3,285,862
Net Income	(P8,804,797)	P327,222	P -	(P4,229)	(P8,481,804)
Total comprehensive income	(P8,965,648)	P327,222	P -	(P4,230)	(P8,642,656)

December 31, 2018 *(In thousands except per share data)*	As Previously Reported	Adjustments	As Restated
Net income attributable to equity holders of the Parent Company	P5,547,569	(P166,084)	P5,381,485
Weighted average number of ordinary shares	7,083,275	-	7,083,275
Basic/diluted EPS	P0.78	P -	P0.76

December 31, 2017 *(In thousands)*	As Previously Reported	Adjustments for PFRS 16	Reclassifications/ Adoption of PIC Q&A 2018-12-H	Other Adjustments	As Restated
Revenues	(P145,749,829)	P -	P111,029	P -	(P145,638,800)
Cost of revenues	120,607,099	(145,635)	(199,273)	(1,200)	120,260,991
Other revenue	(2,759,815)	-	(1,025)	-	(2,760,840)
Operating expenses	16,426,309	(661,349)	89,269	-	15,854,229
Other charges	351,850	1,286,431	-	-	1,638,281
Provision for income taxes	3,291,071	(115,632)	-	-	3,175,439
Net income	(P7,833,315)	P363,815	P -	(P1,200)	(P7,470,700)
Total comprehensive income	(P7,888,035)	P363,815	P -	(P1,644)	(P7,525,864)

December 31, 2017 *(in thousands except per share data)*	As Previously Reported	Adjustments	As Restated
Net income attributable to equity holders of the Parent Company	P4,924,647	(P193,031)	P4,731,616
Weighted average number of ordinary shares	7,129,817	-	7,129,817
Basic/diluted EPS	P0.69	P -	P0.66

The adjustments in "Operating expenses" account and "Other charges" account in the statements of comprehensive income arising from the adoption of PFRS 16 comprise the following:

(In thousands)	**2019**	2018	2017
Operating expenses:			
Rent expense	**(P2,319,322)**	(P2,085,976)	(P1,719,594)
Depreciation and amortization	**1,072,569**	1,162,239	1,058,245
	(P1,246,753)	(P923,737)	(P661,349)
Other charges:			
Interest expense	**P1,673,636**	P1,454,112	P1,292,684
Gain from lease terminations	**(42,460)**	(37,850)	(15,174)
Others	**-**	1,097	8,921
	P1,631,176	P1,417,359	P1,286,431

Consolidated Statements of Cash Flows

2018 *(In thousands)*	As Previously Reported	Effect of Reclassifications, Adjustments for PFRS 16 and PIC Q&A 2018-12-H	As Restated
Operating activities			
Net income before tax	P12,204,137	(P436,471)	P11,767,666
Depreciation and amortization	2,375,513	1,162,233	3,537,746
Interest expense	468,844	1,454,112	1,922,956
Rent expense in excess of billings	422,342	(422,342)	-
Gain from pre-terminated contracts	-	(37,850)	(37,850)
Increase in prepaid expense and other current assets	(673,448)	375,784	(297,664)
Increase (decrease) in:			
Accounts payable and accrued expenses	2,640,595	(563,349)	2,077,246
Other current liabilities	(69,110)	(1,396)	(70,506)
Other noncurrent liabilities	-	(705,043)	(705,043)
Interest paid	(458,398)	458,398	-
Retirement benefits paid	-	(1,675)	(1,675)
Net cashflow provided by operating activities	P10,902,004	P1,282,401	P12,184,405
Investing activities			
Decrease in other noncurrent assets	(P865,381)	P598,075	(P267,306)
Additions to:			
Investment properties	(312,657)	(344,731)	(657,388)
Property and equipment	(4,415,071)	341,247	(4,073,824)
Net cashflow used in investing activities	(P5,853,977)	P594,591	(P5,259,386)
Financing activities			
Dividends paid	(P1,764,740)	P564,347	(1,200,393)
Repayment of lease			
Principal amount	-	(528,829)	(528,829)
Interest expense	-	(1,454,112)	(1,454,112)
Interest expense on loans	-	(458,398)	(458,398)
Net cashflow used in financing activities	(P3,640,464)	(P1,876,992)	(P5,517,456)

2017 *(In thousands)*	As Previously Reported	Effect of Reclassifications, Adjustments for PFRS 16 and PIC Q&A 2018-12-H	As Restated
Operating activities			
Net income before tax	P11,124,386	(P478,247)	P10,646,139
Depreciation and amortization	2,050,105	1,058,245	3,108,350
Interest expense	406,414	1,292,684	1,699,098
Rent expense in excess of billings	259,803	(259,803)	-
Gain from pre-terminated contracts	-	(15,174)	(15,174)
Increase in:			
Receivables	(1,095,981)	(1,284)	(1,097,265)
Prepaid expense and other current assets	(1,930,501)	639,889	(1,290,612)
Increase (decrease) in:			
Accounts payable and accrued expenses	2,175,362	(4,440)	2,170,922
Other current liabilities	(37,136)	4,091	(33,045)
Other noncurrent liabilities	41,196	(689,065)	(647,869)
Interest paid	(495,049)	495,049	-
Net cashflow provided by operating activities	P8,751,174	P2,041,945	P10,793,119
Investing activities			
Additions to:			
Property and equipment	(P4,439,923)	(P174,314)	(P4,614,237)
Investment property	(680,527)	1	(680,526)
Increase in other noncurrent assets	(P9,640)	P323,641	P314,001
Net cashflow used in investing activities	(P4,503,325)	P 149,328	(P4,353,997)
Financing activities			
Repayment of lease			
Principal amount	P -	(P403,540)	(P403,540)
Interest expense	-	(1,292,684)	(1,292,684)
Interest paid	-	(495,049)	(495,049)
Net cashflow used in financing activities	(P1,505,747)	(P2,191,273)	(P3,697,020)

KPMG

ANNEX "C"

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Cosco Capital, Inc. and Subsidiaries
900 Romualdez Street
Paco, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of **Cosco Capital, Inc. and Subsidiaries** (the "Group") as at and for the year ended December 31, 2019, on which we have rendered our report dated June 25, 2020.

- Supplementary Schedules of Annex 68-E
- Map of Conglomerate
- Reconciliation of Retained Earnings Available for Dividend declaration of the Company

Our audit was made for the purpose of forming an opinion on the basic financial statements of the Group taken as a whole. The supplementary information is the responsibility of the Group's management.

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68 and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

DINDO MARCO M. DIOSO
Partner
CPA License No. 0095177
SEC Accreditation No. 1387-AR-1, Group A, valid to audit 2019 AFS
per SEC MC 20, s2019
Tax Identification No. 912-365-765
BIR Accreditation No. 08-001987-030-2019
Issued August 7, 2019; valid until August 6, 2022
PTR No. MKT 8116763
Issued January 2, 2020 at Makati City

June 25, 2020
Makati City, Metro Manila

Cosco Capital Inc. and Subsidiaries
As of December 31, 2019

Ratio	Formula		Years ended December 31	
			2019	2018
Current ratio	Total Current Assets divided by Total Current Liabilities		3.45	2.47
	Total current assets	P67,998,875		
	Divide by: Total current liabilities	19,715,651		
		3.45		
Acid-test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities		2.09	1.33
	Total current assets	P67,998,875		
	Less: Inventories	24,722,271		
	Other current assets	2,000,500		
	Quick assets	41,276,104		
	Divide by: Total current liabilities	19,715,651		
	Acid-test ratio	2.09		
Solvency ratio	Solvency ratio (Profit plus depreciation and amortization over total liabilities)		0.36	0.22
	Net income	P15,393,207		
	Add: Depreciation and amortization	3,423,159		
	Total	18,816,366		
	Divide by: Total liabilities	52,389,110		
	Solvency ratio	0.36		
Debt-to-equity ratio	Debt-to equity ratio (Total liabilities over total equity)		0.51	0.64
	Total liabilities	P52,389,110		
	Divide by: Total equity	102,060,784		
		0.51		
Asset-to-equity ratio	Asset-to-equity ratio (Total assets over total equity)		1.51	1.64
	Total assets	P154,449,894		
	Divide by: Total equity	102,060,784		
		1.51		

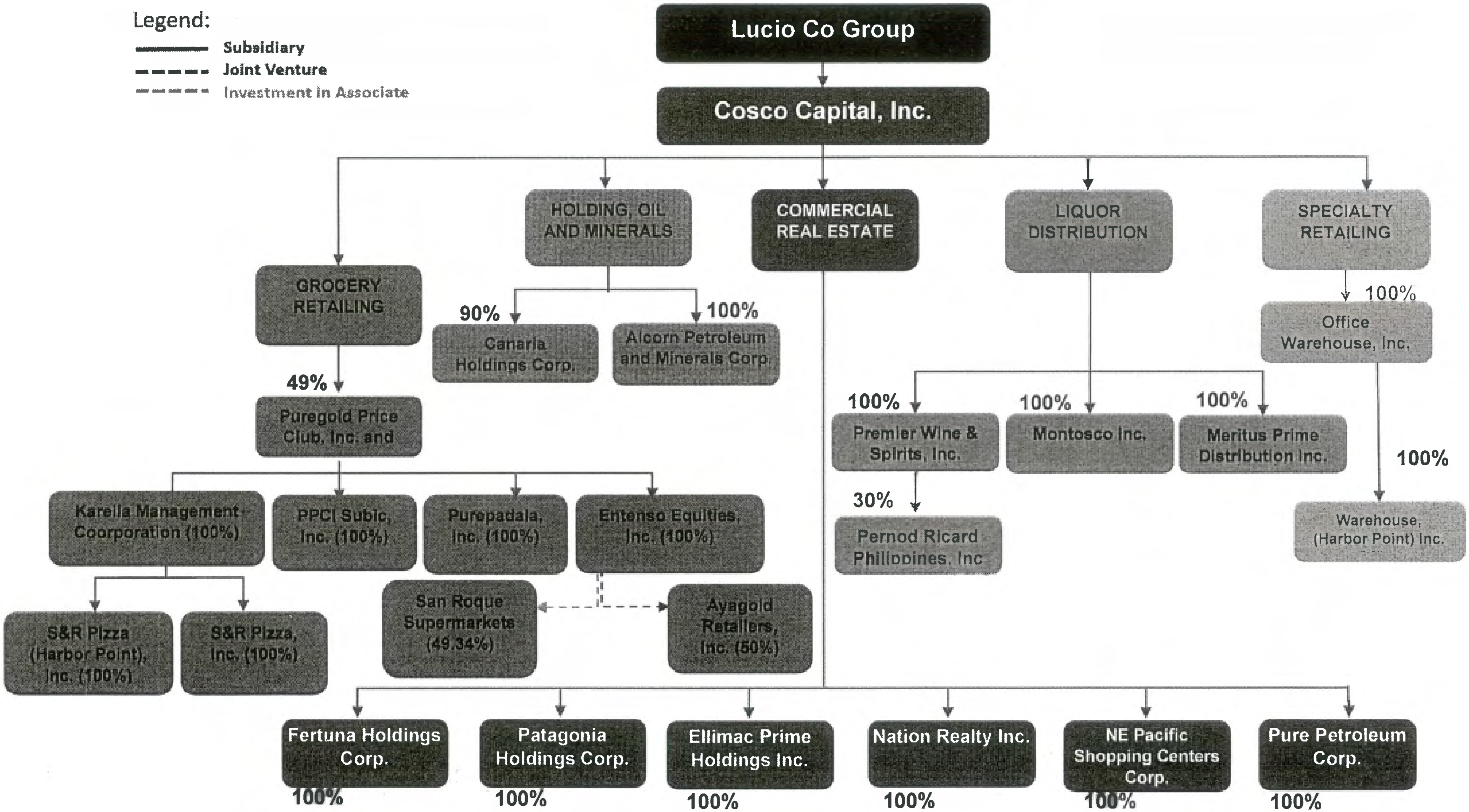
Annex A

Ratio	**Formula**	**Years ended December 31**	
		2019	2018
Interest rate coverage ratio	Interest rate coverage ratio (Profit before interest and taxes over interest expense) Profit before interest and taxes P20,991,320 Divide by interest expense 2,076,648 10.11	10.11	7.12
Return on equity	Return on Equity (Net Income by Total Equity) Net income P15,393,207 Divide by: Total equity 102,060,784 15%	15%	10%
Return on assets	Return on Assets (Net Income by Total Assets) Net income P15,393,207 Divide by: Total assets 154,449,894 10%	10%	6%
Net profit margin	Net profit margin (Profit over net sales) Net income P15,393,207 Divide by: Net sales 166,066,712 9.27%	9.27%	5.04%
Other ratios	Operating profit margin (Operating profit over net sales) Operating profit P14,004,809 Divide by: Net sales 166,066,712 8.43%	8.43%	7.77%

COSCO CAPITAL, INC. AND SUBSIDIARIES

Map of Group of Companies Within which the Company Belongs

As at December 31, 2019



COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE A. FINANCIAL ASSETS
(Amounts in Thousands)

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Valued based on market quotation at balance sheet date (iii)	Income received and accrued
Cash in banks and cash equivalents	N/A	P23,015,623	P23,015,623	P495,763*
Receivables - net	N/A	16,637,892	16,637,892	342,119
Financial asset at FVTPL	1,002	34,921	34,921	(1,582)**
Financial assets at FVOCI	726	17,704	17,704	652***
Due from related parties	N/A	192,068	192,068	-
Security deposits	N/A	2,231,789	2,231,789	-
		P42,129,997	P42,129,997	P836,952

Notes:

*This represents interest income earned, net of final tax
** This represents unrealized valuation (loss) on trading securities
***This represents dividend income

COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE B. AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES)

(Amounts in Thousands)

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Officers	P47,971	P164,834	P20,737	P -	P192,068	P -	P192,068

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE C. AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF SEPARATE FINANCIAL STATEMENTS
(Amount in Thousands)

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts collected (i)	Amounts written off (ii)	Current	Not Current	Balance at end of period
Advances							
Premier Wines and Spirits, Inc.	P105,000	P86,000	P105,000	P -	P86,000	P -	P86,000
Ellimac Prime Holdings, Inc.	3,727,194	207,781	-	-	3,934,975	-	3,934,975
Fertuna Holdings Corporation	104,441	-	-	-	104,441	-	104,441
Patagonia Holdings Corporation	917,808	-	-	-	917,808	-	917,808
Nation Realty, Inc.	300,966	-	-	-	300,966	-	300,966
Office Warehouse, Inc.	1,519	-	1,519	-	-	-	-
Alcorn Petroleum and Minerals Corporation	388,821	1,196	-	-	390,017	-	390,017
Kareila Management Corporation	900,000	1,400,000	1,800,000	-	500,000	-	500,000
NE Pacific Shopping Centers Corp.	-	-	-	-	-	-	-
Canaria Holdings Corporation	-	74,641	-	-	74,641	-	74,641
Dividends							
Puregold Price Club, Inc.	-	564,347	-	-	564,347	-	564,347
NE Pacific Shopping Centers Corp.	125,000	50,000	35,000	-	140,000	-	140,000
Nation Realty, Inc.	279,762	-	100,048	-	179,714	-	179,714
Patagonia Holdings Corporation	260,000	-	-	-	260,000	-	260,000
Ellimac Prime Holdings, Inc.	315,000	446	-	-	315,446	-	315,446
Fertuna Holdings Corporation	150,000	-	50,000	-	100,000	-	100,000
Pure Petroleum Corporation	170,000	-	50,000	-	120,000	-	120,000
Montosco, Inc.	200,000	-	150,000	-	50,000	-	50,000
Meritus Prime Distributions Inc	75,000	-	75,000	-	-	-	-
Premier Wines and Spirits, Inc.	100,000	-	-	-	100,000	-	100,000
Trade and other receivables							
Meritus Prime Distributions Inc	579,355	989,268	1,253,023	-	315,600	-	315,600
Montosco, Inc.	860,570	872,681	1,013,947	-	719,304	-	719,304
Nation Realty, Inc	99,233	-	99,233	-	-	-	-
Premier Wines and Spirits, Inc..	171,106	66,062	109,858	-	127,309	-	127,309
Canaria Holdings Corporation	375,733	1,291,541	50,733	-	1,616,541	-	1,616,541
Fertuna Holdings Corporation	-	561	-	-	561	-	561
Ellimac Prime Holdings, Inc.	188,257	129,201	188,258	-	129,201	-	129,201
Office Warehouse, Inc.	-	6,241	-	-	6,241	-	6,241
NE Pacific Shooping Center Corp.	-	16,851	7,445	-	9,406	-	9,406
Notes receivable							
Canaria Holdings Corporation	3,429,215	-	-	-	3,429,215	-	3,429,215
	P13,823,980	**P5,756,817**	**P5,089,064**	P -	**P14,491,733**	P -	**P14,491,733**

COSCO CAPITAL INC. AND SUBSIDIARIES
SCHEDULE D. LONG TERM DEBT
(Amount in Thousands)

Title of Issue and type of obligation (i)	Lender	Outstanding Balance	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-Term Debt" in related balance sheet (iii)	Interest Rates	Number of Periodic Installments	Final Maturity
Long-term debt	Metropolitan Bank and Trust Company	P400,000	P -	P400,000	3.5%	N/A	March 2025
Long-term debt	Land Bank of the Philippines	948,742.50	9,095.50	939,647	5.267%	7	May 2021
Long-term debt	Rizal Commercial Banking Corporation	948,742.50	9,095.50	939,647	5.267%	7	May 2021
Long-term debt	Maybank Philippines	473,742.50	4,095.50	469,647	5.267%	7	May 2021
Long-term debt	Robinsons Bank Corporation	473,742.50	4,095.50	469,647	5.267%	7	May 2021
Long-term debt	Security Bank Corporation	473,742.50	4,095.50	469,647	5.267%	7	May 2021
Long-term debt	United Coconut Planter's Bank	473,742.50	4,095.50	469,647	5.267%	7	May 2021
Long-term debt	The Insular Life Insurance Company, Ltd.	472,903.50	4,556	468,347.50	5.579%	10	May 2024
Long-term debt	Security Bank Corporation	472,903.50	4,556	468,347.50	5.579%	10	May 2024
Totals		P5,138,262	P43,685	P5,094,577			

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE E. INDEBTEDNESS TO RELATED PARTIES (LONG TERM LOANS FROM RELATED PARTIES)

Name of Related Parties (i)	Balance at beginning of period	Balance at end of period (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE F. GUARANTEES OF SECURITIES OF OTHER ISSUERS

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)

NOT APPLICABLE

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE G. CAPITAL STOCK

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding at shown under related Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Shares	10,000,000,000	7,405,263,564	-	722,738,524	4,169,784,268	2,512,740,772

COSCO CAPITAL, INC.
RECONCILATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
For the Year Ended December 31, 2019
(Amounts in Thousands)

		Figures are based from Parent Company's Financial Statements
Unappropriated Retained Earnings, as adjusted, beginning		**P1,485,070**
Adjustments in previous year's reconciliation		**(1,162,345)**
Unappropriated Retained Earnings, as adjusted, beginning		**322,725**
Net Income based on the face of audited financial statements	P1,460,272	
Add: Non-actual losses	-	
Deferred tax expense	444	
Net income actually earned during the period		**1,460,716**
Add (Less):		
Dividends declared and paid during the year		**(1,595,121)**
Appropriations of Retained Earnings during the year		-
Treasury shares		**(206,247)**
Unappropriated Retained Earnings, as adjusted, ending		**(P17,927)**

ANNEX "F"

List of Trademarks owned by Cosco Capital, Inc. and subsidiaries

ALWAYS PANALO	ALWAYS PANALO	GREAT SUPERMARKET	Great Supermarket
ANYWEAR	ANYWEAR	HER COLLECTION/HIS COLLECTION	Her His
AQUALIFE	AQUALIFE	HIS KIDS/HER KIDS	His Her
AQUALIZED	Aqualized	HOME CLEAN	HOME CLEAN
ATLANTIC	ATLANTIC	JOOZY	JOOZY
BELLOTA	BELLOTA	KA-ASENSO	Ka- asenso
CHEF'S FLAVORS	Chef's Flavors	KA-ASENSO & Device	
CLIQUE Logo	Clique	KAINDUSTRIYA	
COFFEE MATCH	CoffeeMatch	KITANG-KITA CASE	KITANG-KITA CASE
COFFEE MAX	Coffee MAX	KOBE CHICKEN	Kobe Chicken
DFP	DFP	LA FLOR DE LA ISABELA	LA FLOR DE LA ISABELA
DRY PLUS	DRY PLUS	MAGIC GLOW	Magic Glow
EASY HOME DEPOT	EASY HOME DEPOT	MARKET 999	MARKET 999
EQUAL	Equal	MINI MART BY PUREGOLD	Mini Mart by Puregold
EQUIVALENT	EQUIVALENT	MOMMY MARKET	Mommy Market
EZEE	EZee	MR. PAPER	MR. PAPER
FRESH & EASY	Fresh &easy	MY BABY PLANET	My Baby Planet

FRESH & FREE	Fresh Free
GOLD YARN	GOLD Yarn
GOLDEN	GOLDEN
GOPURE	GoPure
GRAND P	Grand P

NE KAYA 'YAN CABAYAN!	ne
NEGOSYO MO CABAYAN CARD	negosyo cabayan
PANALO KARD	PANALO KARD
PEOPLE'S GROCER	People's Grocer
PEOPLE'S RICE	PEOPLE'S RICE

PERFECT MATE	PERFECT MATE
PERKS LOYALTY CARD	PERKS LOYALTY CARD
PISO GARANTISADO	Piso Garantisado
POSITIVE 99	POSITIVE ≤99
PREM	PREM
PREMIUM GOLD	Premium Gold
PUHUNAN PLUS	PUHUNAN PLUS
PURE BASICS	PURE BASICS
PURE HEALTH CARE	Pure Health Care
PURE PHARMACY	PUREGOLD JACKPOT
PURE PLUS	Pure Plus

REACH	Reach
SA PUREGOLD, ALWAYS PANALO	SA PUREGOLD, ALWAYS PANALO!
STACK & STOCK RIGHT	Stack & Stock Right
TABACALERA	TABACALERA
Tindahan ni Aling Puring	TINDAHAN NI ALING PURING ABOT KAYA ANG ASENSO!
TINDAHAN NI ALING PURING (Super SIM and Device)	ALING PURING Super Suki Sim
TIPPTOES	TIPPTOES
TWIN ELEPHANT	TWIN ELEPHANT
VINO FONTANA	VINO FONTANA
VIPuring	VIPuring
WRAP & SEAL	Wrap & Seal

PURECART	PURECART
PURECASH	PureCash
PUREGLIDE	PUREGLIDE
PUREGOLD FREE	Puregold Free
PUREGOLD HOME OFFICE	Puregold Home Office
PUREGOLD NUTRITIONISCOOL	Puregold NutritionIsCool
PUREPADALA	PUR PADALA
PUREPLEASURE	PUREPLEASURE
PUREPLUS	Pureplus

International Tradename Application	
Tradename	Country
PUREGOLD	HONG KONG

ANNEX "G"

MONTOSCO INC.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MONTOSCO, INC.** (the **"Company"**) is responsible for the preparation and fair presentation of the separate financial statements, including the schedule attached therein, as at and for the years ended **December 31, 2020 and 2019,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedule attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

JANNELLE O. UY
President and Chairman of the Board

MARIA CRISANTA A. RELOS
Treasurer

Signed this ___ day of ________ 2021

Gmail **Montosco Inc <montosco.bir@gmail.com>**

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Thu, Apr 22, 2021 at 4:08 PM
To: MONTOSCO.BIR@gmail.com
Cc: JANNELLE_621@yahoo.com

Hi MONTOSCO, INC. ,

Valid files

- EAFS007097056TCRTY122020-03.pdf
- EAFS007097056AFSTY122020.pdf
- EAFS007097056ITRTY122020.pdf
- EAFS007097056OTHTY122020.pdf
- EAFS007097056RPTTY122020.pdf
- EAFS007097056TCRTY122020-01.pdf
- EAFS007097056TCRTY122020-02.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-BJGJH7AG04PW4VT4XMQRV3SMY04234M1MN**
Submission Date/Time: **Apr 22, 2021 04:08 PM**
Company TIN: **007-097-056**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS200812528

COMPANY NAME

MONTOSCO, INC.
(A Wholly-owned Subsidiary of
Cosco Capital, Inc.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

1501 Federal Tower
Dasmariñas Street
Binondo, Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 30	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co		(02) 242-0635	

CONTACT PERSON's ADDRESS

1501 Federal Tower, Dasmariñas Street, Binondo, Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.

GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

KPMG

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Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited the accompanying financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2020, on which we have rendered our report dated April 16, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has only one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
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Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 19*	**P2,177,068,896**	P167,845,035
Trade and other receivables	*6, 19*	**1,016,343,384**	1,444,904,280
Inventories	*7, 15*	**1,931,696,218**	3,427,765,849
Prepaid expenses and other current assets	*8*	**541,689,045**	445,282,867
Total Current Assets		**5,666,797,543**	5,485,798,031
Noncurrent Assets			
Right-of-use assets - net	*16*	**100,134,626**	26,735,588
Property and equipment - net	*9*	**19,064,706**	9,412,433
Refundable deposits	*10, 16, 19*	**9,807,749**	4,127,879
Total Noncurrent Assets		**129,007,081**	40,275,900
		P5,795,804,624	P5,526,073,931
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*11, 19*	**P1,063,297,466**	P1,124,965,435
Dividends payable	*13, 14, 19*	**200,000,000**	50,000,000
Income tax payable		**152,685,581**	139,332,117
Lease liabilities - current	*16, 19*	**23,520,963**	14,431,292
Notes payable	*12, 19*	**-**	120,000,000
Total Current Liabilities		**1,439,504,010**	1,448,728,844
Noncurrent Liabilities			
Lease liabilities - net of current portion	*16, 19*	**80,723,765**	13,128,665
Retirement benefits liability	*17*	**3,071,511**	2,340,592
Advances from a stockholder	*13, 19*	**-**	659,500,000
Total Noncurrent Liabilities		**83,795,276**	674,969,257
Total Liabilities		**1,523,299,286**	2,123,698,101
Equity			
Capital stock	*14*	**750,000,000**	750,000,000
Retained earnings			
Unappropriated	*14*	**2,573,203,883**	1,702,740,656
Appropriated	*14*	**950,000,000**	950,000,000
Accumulated remeasurements on retirement benefits	*17*	**(698,545)**	(364,826)
Total Equity		**4,272,505,338**	3,402,375,830
		P5,795,804,624	P5,526,073,931

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	2020	2019
NET SALES	*13*	**P6,106,846,192**	P8,155,525,111
COST OF GOODS SOLD	*15*	**4,263,929,855**	6,130,312,640
GROSS PROFIT		**1,842,916,337**	2,025,212,471
OPERATING EXPENSES			
Distribution costs		**170,883,722**	150,239,260
Advertisement		**128,657,923**	219,525,677
Depreciation and amortization	*9, 16*	**42,101,134**	16,351,559
Salaries and other employee benefits	*17*	**30,003,239**	25,131,216
Outside services		**20,800,386**	50,539,982
Taxes and licenses		**14,630,784**	44,623,004
Insurance		**7,735,883**	5,647,927
Utilities and communication		**4,088,602**	7,930,241
Transportation and travel		**3,067,099**	6,481,385
Representation and entertainment		**569,505**	2,107,411
Miscellaneous		**8,787,113**	16,925,324
		431,325,390	545,502,986
INCOME FROM OPERATIONS		**1,411,590,947**	1,479,709,485
OTHER INCOME (CHARGES) - Net			
Interest income	*5*	**19,644,118**	3,195,077
Foreign exchange gain (loss) - net		**(16,897,942)**	31,816,959
Interest expense	*12, 13, 16*	**(12,148,955)**	(34,723,895)
		(9,402,779)	288,141
INCOME BEFORE INCOME TAX		**1,402,188,168**	1,479,997,626
PROVISION FOR INCOME TAX	*18*	**331,724,941**	370,310,829
NET INCOME		**1,070,463,227**	1,109,686,797
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss in subsequent periods			
Remeasurement losses on retirement benefits	*17*	**(333,719)**	(924,681)
TOTAL COMPREHENSIVE INCOME		**P1,070,129,508**	P1,108,762,116

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Note	Capital Stock (Note 14)	Retained Earnings Unappropriated (Note 14)	Retained Earnings Appropriated (Note 14)	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
Balances at January 1, 2019		P750,000,000	P643,053,859	P950,000,000	P559,855	P2,343,613,714
Net income for the year		-	1,109,686,797	-	-	1,109,686,797
Other comprehensive loss for the year		-	-	-	(924,681)	(924,681)
Total comprehensive income (loss) for the year		-	1,109,686,797	-	(924,681)	1,108,762,116
Cash dividend declaration	*14*	-	(50,000,000)	-	-	(50,000,000)
Balances at December 31, 2019		750,000,000	1,702,740,656	950,000,000	(364,826)	3,402,375,830
Net income for the year		-	**1,070,463,227**	-	-	**1,070,463,227**
Other comprehensive loss for the year		-	-	-	**(333,719)**	**(333,719)**
Total comprehensive income (loss) for the year		-	**1,070,463,227**	-	**(333,719)**	**1,070,129,508**
Cash dividend declaration	*14*	-	**(200,000,000)**	-	-	**(200,000,000)**
Balances at December 31, 2020		**P750,000,000**	**P2,573,203,883**	**P950,000,000**	**(P698,545)**	**P4,272,505,338**

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P1,402,188,168**	P1,479,997,626
Adjustments for:			
Depreciation and amortization	*9, 16*	**42,101,134**	16,351,559
Interest income	*5*	**(19,644,118)**	(3,195,077)
Unrealized foreign exchange losses - net		**16,695,925**	252,952
Interest expense	*12, 13, 16*	**12,148,955**	34,723,895
Retirement benefits costs	*17*	**397,200**	303,004
Operating income before working capital changes		**1,453,887,264**	1,528,433,959
Decrease (increase) in:			
Trade and other receivables		**428,560,896**	(596,189,873)
Inventories		**1,496,069,631**	(885,808,759)
Prepaid expenses and other current assets		**(96,406,178)**	295,015,740
Increase (decrease) in trade and other payables		**(78,360,545)**	546,585,766
Cash generated from operations		**3,203,751,068**	888,036,833
Income taxes paid		**(318,371,477)**	(315,843,151)
Interest received	*5*	**19,644,118**	3,195,077
Net cash from operating activities		**2,905,023,709**	575,388,759
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	**(15,490,607)**	(3,436,241)
Additions to refundable deposits	*16*	**(5,679,870)**	(1,981,996)
Cash used in investing activities		**(21,170,477)**	(5,418,237)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Advances from a stockholder	*13*	**(659,500,000)**	-
Notes payable	*12*	**(120,000,000)**	(353,000,000)
Dividends	*14*	**(50,000,000)**	(200,000,000)
Lease liabilities	*16*	**(38,707,445)**	(14,159,698)
Interest on advances from a stockholder	*13*	**(6,118,577)**	(30,798,416)
Interest on notes payable	*12*	**(300,000)**	(6,745,000)
Proceeds from availment of notes payable	*12*	**-**	120,000,000
Net cash used in financing activities		**(874,626,022)**	(484,703,114)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(3,349)**	(23,874)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,009,223,861**	85,243,534
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**167,845,035**	82,601,501
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P2,177,068,896**	P167,845,035

See Notes to Financial Statements.

MONTOSCO, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Montosco, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on August 13, 2008. The principal activity of the Company is to engage in the business of trading consumer goods on wholesale basis.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. (the "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at the 1501 Federal Tower, Dasmariñas Street, Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on April 6, 2021.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements. These are as follows:

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by: (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence"; (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of material across PFRS Standards and other publications.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, which is subject to insignificant risk of changes in value and is used by the Company in managing its short-term commitments. Cash equivalents are short-term placements for varying periods of up to three months from its original maturity depending on the immediate cash requirements of the Company. Cash in banks and cash equivalents earn interest at the respective prevailing bank rates.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2020.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, cash equivalents, trade and other receivables and refundable deposits.
Financial Liabilities at Amortized Cost

This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations), notes payable, dividends payable, advances from a stockholder and lease liabilities as at December 31, 2020 and 2019.

Impairment of Financial Assets

The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2020 and 2019, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories
Inventories, which consist of spirits, wines and water, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statement of financial position.

Refundable Deposits

Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Leasehold improvements	3 or lease term, whichever is shorter
Office equipment	2
Furniture and fixtures	2
Computer software license	2

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the 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 systemic basis over its remaining useful life.

Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

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.

Dividends on Common Shares

Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)
Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as Lessee

The Company recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for accrued rent payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the ROU asset reflects that the Company will exercise a purchase option. In that case, the ROU asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The ROU asset is presented as a separate line item in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the amortization charge for the ROU asset. The interest expense on lease liability is presented under "Other income (charges)" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax assets to be recovered.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation

Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company plans to adopt the following amended standards and interpretations on the respective effective dates, as applicable.

Effective June 1, 2020

- PFRS 16, *Leases - COVID-19-Related Rent Concessions (Amendments)* introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if: the revised consideration is substantially the same or less than the original consideration; the reduction in lease payments relates to payments due on or before June 30, 2021; and, no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

Effective January 1, 2021

- PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms. The Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted.

Effective January 1, 2022

- PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments apply retrospectively on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)* clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively on or after January 1, 2022. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards:

  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter (Amendment)* simplify the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to PFRS.

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment)* clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - PFRS 16, *Leases - Lease Incentives (Amendment to Illustrative Examples)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - PAS 41, *Agriculture - Taxation in Fair Value Measurements (Amendment)* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 16).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).

- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The Company uses an allowance matrix to measure the ECLs of its trade receivables from individual customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates computed were based on actual credit loss experience over the last three years. As the profile of the Company's trade receivables is substantially current and past due trade receivables are no more than one year, the computed estimated allowance using the loss rates is not significant to the Company's financial statements.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits amounted to P1,026,151,133 and P1,449,032,159 as at December 31, 2020 and 2019, respectively (see Notes 6, 10 and 19).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2020 and 2019 amounted to P1,931,696,218 and P3,427,765,849, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2020 and 2019.

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful lives of property and equipment in 2020 and 2019.

The carrying amounts of property and equipment as at December 31, 2020 and 2019 amounted to P19,064,706 and P9,412,433, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounted to P3,071,511 and P2,340,592 as at December 31, 2020 and 2019, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

In 2020 and 2019, the Company elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income. The Company intends to continue its availment of the optional standard deduction in the subsequent years.

As at December 31, 2020 and 2019, the Company has not recognized deferred income tax assets arising from temporary differences amounting to a total of P23,877,538 and P3,417,913, respectively (see Note 18).

5. Cash and Cash Equivalents

This account consists of:

	Note	2020	2019
Cash on hand		**P414,000**	P439,000
Cash in banks	*19*	**381,535,042**	167,406,035
Cash equivalents	*19*	**1,795,119,854**	-
		P2,177,068,896	P167,845,035

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 P18,572,419 and P3,195,077 for the years ended December 31, 2020 and 2019, respectively.

Cash equivalents pertain to short-term placements which have effective annual interest rate of 0.96% to 1.12% and maturities of 30 to 63 days. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P1,071,699 and nil for the years ended December 31, 2020 and 2019, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade			
Third parties		**P720,499,807**	P871,332,204
Related parties	*13*	**293,683,616**	567,717,139
Nontrade		**2,044,990**	5,393,020
Others		**114,971**	461,917
	19	**P1,016,343,384**	P1,444,904,280

Trade receivables are non-interest-bearing and are generally on a 30 to 60-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses incurred by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

There was no allowance for impairment losses on receivables as at December 31, 2020 and 2019.

7. Inventories

This account consists of:

	Note	2020	2019
At cost:			
Spirits		**P1,920,357,038**	P3,392,677,145
Wines		**11,334,080**	34,883,522
Others		**5,100**	205,182
	15	**P1,931,696,218**	P3,427,765,849

Cost of goods sold recognized in profit or loss amounted to P4,263,929,855 and P6,130,312,640 in 2020 and 2019, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Prepaid duties and taxes	**P527,925,659**	P328,088,254
Advances to suppliers	**10,255,355**	84,110,586
Prepaid import charges	**319,542**	1,715,615
Input VAT	**-**	28,672,444
Other prepaid expenses	**3,188,489**	2,695,968
	P541,689,045	P445,282,867

Prepaid duties and taxes include advance payment for excise taxes, customs duties and seals for purchased goods not yet received.

Advances to suppliers pertain to partial down payment made by the Company to suppliers which will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Leasehold Improvements	Office Equipment	Furniture and Fixtures	Computer Software License	Total
Cost						
December 31, 2018	P14,024,807	P2,295,229	P1,676,694	P1,775,428	P -	P19,772,158
Additions	1,848,214	-	566,875	-	1,021,152	3,436,241
December 31, 2019	15,873,021	2,295,229	2,243,569	1,775,428	1,021,152	23,208,399
Additions	1,580,357	11,686,688	983,719	86,563	1,153,280	15,490,607
December 31, 2020	**17,453,378**	**13,981,917**	**3,227,288**	**1,861,991**	**2,174,432**	**38,699,006**
Accumulated Depreciation and Amortization						
December 31, 2018	5,219,549	2,097,200	1,519,571	1,765,427	-	10,601,747
Depreciation and amortization	2,503,146	198,029	249,144	8,000	235,900	3,194,219
December 31, 2019	7,722,695	2,295,229	1,768,715	1,773,427	235,900	13,795,966
Depreciation and amortization	2,749,271	2,032,377	463,336	10,694	582,656	5,838,334
December 31, 2020	**10,471,966**	**4,327,606**	**2,232,051**	**1,784,121**	**818,556**	**19,634,300**
Net Book Value						
December 31, 2019	P8,150,326	P -	P474,854	P2,001	P785,252	P9,412,433
December 31, 2020	**P6,981,412**	**P9,654,311**	**P995,237**	**P77,870**	**P1,355,876**	**P19,064,706**

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 were charged as part of "Operating Expenses" in profit or loss.

The cost of fully depreciated property and equipment still in use amounted to P8,533,300 and P8,383,152 as at December 31, 2020 and 2019, respectively.

10. Refundable Deposits

This account consists of:

	Note	2020	2019
Security deposits	16	**P9,660,931**	P3,981,061
Others		**146,818**	146,818
	19	**P9,807,749**	P4,127,879

11. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade payables	19	**P825,449,286**	P992,362,760
Non-trade payables	19	**123,716,889**	112,569,905
Output VAT - net		**83,466,312**	-
Accrued expenses	19	**26,681,999**	17,486,364
Statutory obligations		**3,982,980**	2,546,406
		P1,063,297,466	P1,124,965,435

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies and other non-trade payment transactions. These are non-interest-bearing and are generally on a 30-day payment term.

Accrued expenses consist of accruals for utilities, advertisement and other operating expenses.

12. Notes Payable

In 2018, the Company entered into various unsecured, short-term loans with maturities of less than one year from Metropolitan Bank and Trust Company and Asia United Bank totaling to P203,000,000 with a fixed annual interest of 5.25% to 6.00% and P150,000,000 with fixed annual interest of 6.00%, respectively. These notes were paid in 2019.

On November 20, 2019, the Company obtained an unsecured, three-month loan from Metropolitan Bank and Trust Company amounting to P120,000,000 with a fixed interest of 4.50%. This loan was subsequently paid in 2020.

The proceed from these loan availments were intended to finance the Company's working capital requirements.

Interest expense recognized in profit or loss relating to notes payable amounted to P300,000 and P6,745,000 for the years ended December 31, 2020 and 2019, respectively.

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category/ Transaction	Year	Ref	Transactions During the Year	Outstanding Balance Receivable	Outstanding Balance Payable	Terms	Conditions
Parent Company							
▪ Dividends	2020	*14*	P200,000,000	P -	P200,000,000	Due and demandable	Unsecured
	2019	*14*	50,000,000	-	50,000,000		
Entities under Common Control							
▪ Sales of goods	2020	*6, a*	1,005,768,024	293,683,616	-	30 days credit term;	Unsecured;
	2019	*6, a*	2,375,870,288	567,717,139	-	non-interest bearing	no impairment
▪ Lease expense	2020	*16, b*	41,993,178	-	104,244,728	Payable on a monthly basis	Unsecured
	2019	*16, b*	14,472,541	-	27,559,957		
Stockholder							
▪ Advances	2020	*c*	-	-	-	2 years; annual interest of 4%	Unsecured
	2019	*c*	-	-	659,500,000		
▪ Interest expense	2020	*c*	6,118,577	-	-	Annual interest of 4.00%,	Unsecured
	2019	*c*	26,663,694	-	-	payable on a monthly basis	
	2020			P293,683,616	P304,244,728		
	2019			P567,717,139	P737,059,957		

a. In the normal course of business, the Company distributes wines, liquors and water to entities under common control.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse. Lease expenses include amortization expense on ROU assets and interest expense on lease liabilities (see Note 16).

c. In 2018, the Company received cash advances from a stockholder in a form of promissory notes. These advances earn fixed annual interest rate of 4.00% with maturities of one (1) year. The advances were intended for the Company's working capital requirements to finance inventory purchases.

   On November 5, 2019, both parties renewed the promissory note for the same amount and interest rate with a new maturity date of November 21, 2021. In June 2020, both parties terminated the promissory note and the Company paid in full the outstanding loan principal and interest.

   Interest expense recognized in profit or loss relating to advances from a stockholder amounted to P6,118,577 and P26,663,694 for the years ended December 31, 2020 and 2019, respectively.

Amounts owed by and owed to related parties are to be settled in cash.

There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

14. Equity

<u>Capital Stock</u>
The balances as at December 31, 2020 and 2019 are as follows:

	Number of Shares	Amount
Authorized P100 par value	**7,500,000**	**P750,000,000**
Issued and Outstanding		
Balance at beginning and end of year	**7,500,000**	**P750,000,000**

Ordinary shares carry one vote per share and a right to dividends.

Declaration of Dividends
On December 18, 2018, the Company's BOD approved the declaration of cash dividends of P13.33 per share or an aggregate amount of P100,000,000, payable to stockholders of record as of the same date. These were paid in 2019.

On December 5, 2019, the Company's BOD approved the declaration of cash dividends of P6.66 per share or an aggregate amount of P50,000,000 payable to stockholders of record as of the same date. These were paid in 2020.

On December 18, 2020, the Company's BOD approved the declaration of cash dividends of P26.66 per share or an aggregate amount of P200,000,000, payable to stockholders of record as of the same date. These dividends are outstanding as of December 31, 2020.

Retained Earnings
Under the Philippine Corporation Code (the Code), stock corporations are prohibited from retaining surplus profits in excess of 100% of their paid-up capital stock except when justified by any of the reasons mentioned in the code.

On December 13, 2018, the BOD approved the appropriation of P950,000,000 from the Company's unappropriated retained earnings to finance the acquisition of land, and construction and establishment of new warehouse and related facilities. The construction is expected to be completed in December 2021.

As at December 31, 2020, the Company has unappropriated retained earnings in excess of its paid-up capital amounting to P1,823,203,883. These unappropriated retained earnings, which resulted substantially from the net income for the current year, will be subjected to yearly cycle of capital structure review wherein management will determine the amount of cash dividends to be declared, subject to statutory approvals and clearances. It is the Company's practice to declare cash dividends on a yearly basis subject to the availability of cash.

15. Cost of Goods Sold

This account consists of:

	Note	**2020**	2019
Inventory at beginning of year	7	**P3,427,765,849**	P2,541,957,090
Net purchases		**2,767,860,224**	7,016,121,399
Total goods available for sale		**6,195,626,073**	9,558,078,489
Inventory at end of year	7	**1,931,696,218**	3,427,765,849
		P4,263,929,855	P6,130,312,640

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for its office space with an area of 150.84 square meters. The lease is for a period of two (2) years until June 30, 2016. The lease was renewed for another 3 years until June 30, 2019. The parties have agreed to further renew the lease for a period of three (3) years from July 1, 2019 to June 30, 2022. The lease has an annual escalation rate of 5%.

b. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 5,770.84 square meters. The lease is for a period of two (2) years commencing on January 1, 2016 until December 31, 2017. The lease was renewed for another three (3) years until December 31, 2020. Subsequently, both parties agreed to further renew the lease contract for another three (3) years from January 1, 2021 to December 31, 2023.

c. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 2,025.38 square meters. The lease is for a period of five (5) years from May 1, 2019 to April 30, 2024. The lease has annual escalation rate of 3%.

d. The Company entered into a lease agreement with an entity under common control for a warehouse with an area of 8,822.50 square meters. The lease is for a period of five (5) years from January 1, 2020 to December 31, 2024. The lease has escalation rate of 5% starting January 1, 2022.

The lease payments provide for, among others, security deposits amounting to P9,660,931 and P3,981,061 as at December 31, 2020 and 2019, respectively, which are shown under "Refundable Deposits" account in the statements of financial position (see Note 10).

The Company recognized ROU assets and lease liabilities in relation to the above lease agreements. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate as of date of lease commencement date. The weighted average rate applied is 4.74%.

The movements of the ROU assets and lease liabilities for the years ended December 31, 2020 and 2019 are as follows:

i. Right-of-Use Assets

	Note	**2020**	2019
Balance at beginning of year		**P26,735,588**	P20,667,907
Additions		**109,661,838**	19,225,021
Amortization charge for the year	*13*	**(36,262,800)**	(13,157,340)
Balance at end of year		**P100,134,626**	P26,735,588

ii. Lease Liabilities

	Note	2020	2019
Balance at beginning of year		**P27,559,957**	P21,179,433
Additions		**109,661,838**	19,225,021
Interest charge for the year	*13*	**5,730,378**	1,315,201
Payments made		**(38,707,445)**	(14,159,698)
Balance at end of year		**P104,244,728**	P27,559,957

Maturity analyses of the undiscounted lease liabilities as at December 31, 2020 and 2019 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P27,907,532**	**P4,386,569**	**P23,520,963**
Later than one year but not later than five years	**86,645,908**	**5,922,143**	**80,723,765**
Balance at December 31, 2020	**P114,553,440**	**P10,308,712**	**P104,244,728**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P15,416,045	P984,753	P14,431,292
Later than one year but not later than five years	14,164,593	1,035,928	13,128,665
Balance at December 31, 2019	P29,580,638	P2,020,681	P27,559,957

As at December 31, 2020 and 2019, the Company's lease liabilities are classified in the statements of financial positions as follows:

	2020	2019
Current	**P23,520,963**	P14,431,292
Noncurrent	**80,723,765**	13,128,665
	P104,244,728	P27,559,957

iii. Amounts recognized in profit or loss

	Note	2020	2019
Amortization expense		**P36,262,800**	P13,157,340
Interest on lease liabilities		**5,730,378**	1,315,201
	13	**P41,993,178**	P14,472,541

iv. Amounts recognized in the statements of cash flows

	2020	2019
Total cash outflow for leases	**P38,707,445**	P14,159,698

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its regular, full-time employees. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2020.

The following table shows the reconciliation from the opening balances to the closing balances for retirement benefits liability and its components:

	2020	2019
Balance at beginning of year	**P2,340,592**	P1,112,907
Recognized in Profit or Loss		
Interest cost	**121,945**	83,691
Current service cost	**275,255**	219,313
	397,200	303,004
Recognized in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Change in demographic assumptions	**691,013**	(383,834)
Change in financial assumptions	**(683,983)**	1,258,666
Experience adjustments	**326,689**	49,849
	333,719	924,681
Balance at end of year	**P3,071,511**	P2,340,592

The retirement benefits costs is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

As at December 31, 2020 and 2019, accumulated remeasurements losses on retirement benefits amounted to P698,545 and P364,826, respectively, as presented in the statements of financial position.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions (in percentages) used to determine retirement benefits are as follows:

	2020	2019
Discount rate	**3.95%**	5.21%
Future salary increases	**5.00%**	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 11.7 and 11.8 years as at December 31, 2020 and 2019, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits liability by the amounts below:

	2020		2019	
	Defined Benefits Liability		Defined Benefits Liability	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P152,040)**	**P90,610**	(P145,351)	P98,539
Salary increase rate	**184,291**	**(122,860)**	210,653	(163,841)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and noncontributory. Benefit claims under the retirement benefits plan obligation are paid directly by the Company when they become due.

Asset-Liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement plan.

Maturity analyses based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2020				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
Retirement benefits liability	**P3,071,511**	**P3,877,944**	**P -**	**P897,588**	**P2,980,356**

	December 31, 2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Retirement benefits liability	P2,340,592	P3,268,187	P -	P89,252	P3,178,935

18. Income Taxes

The Company's provision for income tax are all current which represents regular corporate income tax (RCIT) in both years.

The Company elected to avail of the optional standard deduction (OSD) which is equivalent to 40% of total gross income in 2020 and 2019.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2020	2019
Income before income tax	**P1,402,188,168**	P1,479,997,626
Provision for income tax at the statutory income tax rate of 30%	**P420,656,450**	P443,999,288
Additions to (reductions from) income taxes resulting to the tax effects of:		
Availment of optional standard deduction	**(92,654,574)**	(246,873,886)
Non-deductible expenses	**3,578,529**	175,857,003
Change in unrecognized deferred income tax asset	**6,037,771**	(1,713,053)
Interest income subjected to final tax	**(5,893,235)**	(958,523)
Provision for income tax	**P331,724,941**	P370,310,829

The following table shows the amounts of temporary differences for which no deferred income tax asset was recognized because management believes that it is not probable that the tax benefits of these temporary differences will be availed of as the Company intends to continue its availment of the optional standard deduction in the subsequent years:

	2020	2019
Unrealized foreign exchange losses - net	**P16,695,925**	P252,952
PFRS16, *Leases* adjustment	**4,110,102**	824,369
Retirement benefits liability	**3,071,511**	2,340,592
	P23,877,538	P3,417,913

19. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk

Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2020**	2019
Cash in banks	*5*	**P381,535,042**	167,406,035
Cash equivalents	*5*	**1,795,119,854**	-
Trade and other receivables	*6*	**1,016,343,384**	1,444,904,280
Refundable deposits	*10, 16*	**9,807,749**	4,127,879
		P3,202,806,029	P1,616,438,194

As at December 31, 2020 and 2019, the aging per class of financial assets is as follows:

	December 31, 2020					
	Neither Past Due nor Impaired	**Past Due 1 to 30 Days**	**31 to 120 Days**	**More than 120 Days**	**Impaired**	**Total**
Cash in banks	**P381,535,042**	**P -**	**P -**	**P -**	**P -**	**P381,535,042**
Cash equivalents	**1,795,119,854**	**-**	**-**	**-**	**-**	**1,795,119,854**
Trade and other receivables	**912,803,186**	**98,427,738**	**5,112,460**	**-**	**-**	**1,016,343,384**
Refundable deposits	**9,807,749**	**-**	**-**	**-**	**-**	**9,807,749**
	P3,099,265,831	**P98,427,738**	**P5,112,460**	**P -**	**P -**	**P3,202,806,029**

	December 31, 2019					
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	31 to 120 Days	More than 120 Days	Impaired	Total
Cash in banks	P167,406,035	P -	P -	P -	P -	P167,406,035
Trade and other receivables	1,147,239,146	254,138,824	43,526,310	-	-	1,444,904,280
Refundable deposits	4,127,879	-	-	-	-	4,127,879
	P1,318,773,060	P254,138,824	P43,526,310	P -	P -	P1,616,438,194

As at December 31, 2020 and 2019, no allowance for impairment losses on trade and other receivables was recognized.

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade and other receivables that are past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other financial assets since they are neither past due nor impaired.

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2020 and 2019, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

As at December 31, 2020 and 2019, the cash in banks, cash equivalents, trade receivables and refundable deposits which are neither past due nor impaired are categorized under high grade quality.

The Company assessed the credit quality of the following financial assets that are neither past due nor impaired as follows:

a. Cash in banks 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 high grade since these have a high probability of collection and there is no history of default.
c. Refundable deposits were assessed as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, the trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2020 and 2019:

	2020		
	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P912,803,186**	**P -**	**No**
1 - 30 days past due	**98,427,738**	**-**	**No**
31 - 120 days past due	**5,112,460**	**-**	**No**
Balance at December 31, 2020	**P1,016,343,384**	**P -**	

	2019		
	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P1,147,239,146	P -	No
1 - 30 days past due	254,138,824	-	No
31 - 120 days past due	43,526,310	-	No
Balance at December 31, 2019	P1,444,904,280	P -	

The Company uses an allowance matrix to measure the ECLs of trade and other receivables from individual customers.

Loss rates are based on actual credit loss experience over two years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

The additional allowance for impairment in respect of trade and other receivables of the Company as a result of the expected credit loss assessment amounted to nil as at December 31, 2020 and 2019. The application of the expected loss rates to the trade and other receivables of the Company does not have a material impact on the financial statements, hence, no additional provision was recognized during 2020.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and loan payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities as at December 31:

	December 31, 2020			
	Carrying Amount	**Contractual Cash Flows**	**1 Year or Less**	**More than 1 Year**
Financial Liabilities				
Trade and other payables*	P975,848,174	P975,848,174	P975,848,174	P -
Dividends payable	200,000,000	200,000,000	200,000,000	-
Lease liabilities	104,244,728	114,553,440	27,907,532	86,645,908
Total	**P1,280,092,902**	**P1,290,401,614**	**P1,203,755,706**	**P86,645,908**

**Excluding statutory obligations amounting to P87,449,292.*

	December 31, 2019			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P1,122,419,029	P1,122,419,029	P1,122,419,029	P -
Notes payable**	120,000,000	120,300,000	120,300,000	-
Advances from a stockholder***	659,500,000	708,522,833	26,380,000	682,142,833
Dividends payable	50,000,000	50,000,000	50,000,000	-
Lease liabilities	27,559,957	29,580,638	15,416,045	14,164,593
Total	P1,979,478,986	P2,030,822,500	P1,334,515,074	P696,307,426

**Excluding statutory obligations amounting to P2,546,406.*
***Including future interest payable with interest rates of 4.50%.*
****Including of future interest payable with interest rates of 4.00%*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risks is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates.

The Company's exposure to the risk for changes in market interest rates relates mainly to the Company's notes payable and advances from a stockholder. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2020			
	USD	**SGD**	**EUR**	**PHP Equivalent**
Foreign currency - denominated monetary asset: Cash	**89,459**	**-**	**-**	**4,297,610**
Foreign currency - denominated monetary liabilities Trade payables	**-**	**15,892**	**13,975,474**	**820,788,549**
Net foreign currency - denominated monetary asset (liabilities)	**89,459**	**(15,892)**	**(13,975,474)**	**(816,490,939)**

	December 31, 2019			
	USD	SGD	EUR	PHP Equivalent
Foreign currency - denominated monetary asset: Cash	325,460	-	-	16,515,167
Foreign currency - denominated monetary liabilities Trade payables	20,538	57,036	16,835,426	953,390,742
Net foreign currency - denominated monetary asset (liabilities)	304,922	(57,036)	(16,835,426)	(936,875,575)

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2020	2019
USD	**48.04**	50.74
SGD	**35.74**	37.49
EUR	**58.69**	56.35

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2020	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**(5.32%)**	**(P228,633)**
SGD	**(4.67%)**	**26,525**
EUR	**4.15%**	**(34,039,154)**

	December 31, 2019	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	(3.76%)	(P581,071)
SGD	(2.55%)	54,571
EUR	(6.57%)	62,317,633

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its businesses and maximize shareholder value.

The Company manages its capital structure and makes adjustments, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may pay-off existing debts, return capital to stockholders or issue new shares.

The Company defines capital as paid-in capital stock and retained earnings.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash in Banks, Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Dividends Payable

The carrying amounts of the Company'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 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.

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

Reconciliation of movements of liabilities to cash flows arising from financing activities are as follows:

	December 31, 2020					
	Notes Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Total
Balances at beginning of year	P120,000,000	P -	P659,500,000	P50,000,000	P27,559,957	P857,059,957
Payments of:						
Notes payable	(120,000,000)	-	-	-	-	(120,000,000)
Interest	-	(6,418,577)	-	-	-	(6,418,578)
Advances from a stockholder	-	-	(659,500,000)	-	-	(659,500,000)
Dividends payable	-	-	-	(50,000,000)	-	(50,000,000)
Lease liabilities	-	-	-	-	(38,707,445)	(38,707,445)
Non-cash additions from new lease agreements entered into during the year	-	-	-	-	109,661,838	109,661,838
Interest expense	-	6,418,577	-	-	5,730,378	12,148,955
Dividends declared	-	-	-	200,000,000	-	200,000,000
Balances at end of year	P -	P -	P -	P200,000,000	P104,244,728	P304,244,728

	December 31, 2019					
	Notes Payable	Accrued Interests	Advances from a Stockholder	Dividends Payable	Lease Liabilities	Total
Balances at beginning of year	P353,000,000	P4,134,722	P659,500,000	P200,000,000	P21,179,433	P1,237,814,155
Payments of:						
Notes payable	(353,000,000)	-	-	-	-	(353,000,000)
Interest	-	(37,543,416)	-	-	-	(37,543,416)
Dividends payable	-	-	-	(200,000,000)	-	(200,000,000)
Lease liabilities	-	-	-	-	(14,159,698)	(14,159,698)
Proceeds from availment of:						
Notes payable	120,000,000	-	-	-	-	120,000,000
Non-cash additions from new lease agreements entered into during the year	-	-	-	-	19,225,021	19,225,021
Interest expense	-	33,408,694	-	-	1,315,201	34,723,895
Dividends declared	-	-	-	50,000,000	-	50,000,000
Balances at end of year	P120,000,000	P -	P659,500,000	P50,000,000	P27,559,957	P857,059,957

22. Subsequent Event

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue (BIR) issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and*

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.*

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

Further, the BIR has issued its Revenue Regulations No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations on which the Company would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act:

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statements of Comprehensive Income			
Provision for income tax - current	P331,724,941	(P27,643,745)	P304,081,196
Statements of Financial Position			
Income tax payable	P152,685,581	(P27,643,745)	P125,041,836

23. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following is the supplementary information required for the taxable year ended December 31, 2020:

a. VAT

Output VAT	**P716,363,632**
Account title used:	
Basis of the Output VAT:	
Vatable sales	**P5,943,060,525**
Sale to government	**26,636,411**
Zero rated sales	**135,078,041**
Exempt sales	**2,071,215**
Total sales	**P6,106,846,192**
Input VAT	
Beginning of the year	**P28,742,828**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**4,916,520**
b. Importations other than capital goods	**262,220,867**
c. Others	**48,327,836**
Deductions from input tax	**(103,132)**
Other adjustments	**1,658,070**
Total allowable input VAT	**P345,762,989**
Total Vat payable (refundable) during the year	**P370,600,643**
Less: VAT payments during the year	**(287,134,331)**
Net VAT payable (refundable) at the end of the year	**P83,466,312**

b. Customs Duties and Tariff Fees:

Landed cost of imports	**P2,185,173,885**
Customs duties paid or accrued	**121,770,851**
	P2,306,944,736

c. Excise Taxes

Imported excisable items:	
a. Spirits	**P801,186,346**
b. Wines	**10,616,625**
	P811,802,971

d. Documentary Stamp Tax

Documentary stamp tax paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
On loan instruments	**P -**
On others	**877,086**
	P877,086

e. Withholding Taxes

Expanded withholding taxes	**P9,817,455**
Tax on compensation and benefits	**2,293,540**
	P12,110,995

f. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P8,084,462**
Others	**159,383**
	P8,243,845

g. Tax Cases and Assessment

On February 14, 2020 and July 16, 2020, the Company received Letters of Authority from the BIR to examine the Company's books of accounts and other accounting records for the period January 1, 2019 to December 31, 2019.

In September to December 2020, the Company paid the total deficiency taxes, including penalties and interest, in relation to these assessments amounting to P5,509,853.

As at December 31, 2020, the Company has no pending nor outstanding tax cases.

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY SUPPLEMENTARY INFORMATION FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Montosco, Inc.
1501 Federal Tower, Dasmariñas Street
Binondo, Manila

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Montosco, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the years ended December 31, 2020 and 2019, on which we have rendered our report dated April 16, 2021.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Company taken as a whole. The supplementary information included in the following accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

KPMG

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code Rule 68 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

MONTOSCO, INC.

SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2020

	(Figures based on functional currency audited financial statements)
Unappropriated Retained Earnings, January 1, 2020	P1,702,740,656
Net income based on the face of the audited financial statements	1,070,463,227
Less: Dividend declaration during the year	(200,000,000)
Unappropriated Retained Earnings, December 31, 2020	P2,573,203,883

ANNEX "H"

Meritus Prime
Distributions Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of **MERITUS PRIME DISTRIBUTIONS, INC.** (the **"Company"**) is responsible for the preparation and fair presentation of the separate financial statements, including the schedule attached therein, as at and for the years ended **December 31, 2020 and 2019,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the separate financial statements including the schedule attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditor appointed by the stockholders, has audited the separate financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

CAMILLE CLARISSE P. CO
President and Chairman of the Board

CATHERINE W. CAI
Treasurer

Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila
Tel Nos. (02) 242-0035/242-3645 | Fax No. 353-9680

Gmail **Meritus Prime <meritus.bir@gmail.com>**

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph> Thu, Apr 22, 2021 at 2:05 PM
To: MERITUS.BIR@gmail.com
Cc: CMILLECO@gmail.com

Hi MERITUS PRIME DISTRIBUTIONS, INC.,

Valid files

- EAFS007613210OTHTY122020.pdf
- EAFS007613210TCRTY122020-01.pdf
- EAFS007613210RPTTY122020.pdf
- EAFS007613210ITRTY122020.pdf
- EAFS007613210AFSTY122020.pdf

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- <None>

Transaction Code: **AFS-0-PSYYQN420CAD895C6QW4W32130KDBDDE5**
Submission Date/Time: **Apr 22, 2021 02:05 PM**
Company TIN: **007-613-210**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	0	0	2	2	8	6

COMPANY NAME

MERITUS PRIME DISTRIBUTIONS, INC. (A Wholly-owned Subsidiary of Cosco Capital, Inc.)

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

Unit 704 Federal Tower Dasmariñas St. Binondo Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
www.coscocapital.com	(02) 242-0635	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
7	June 20	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Camille Clarisse P. Co.		(02) 242-0635	

CONTACT PERSON's ADDRESS

704 Federal Tower, Dasmarinas Street, Binondo Manila

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MERITUS PRIME DISTRIBUTIONS, INC.

(A Wholly-owned Subsidiary of Cosco Capital, Inc.)

FINANCIAL STATEMENTS
December 31, 2020 and 2019

With Independent Auditors' Report

KPMG

R.G. Manabat & Co.
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Philippines 1226
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Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024 financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

KPMG

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease its operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and management regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 23 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
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PTR No. MKT 8533918
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April 16, 2021
Makati City, Metro Manila

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REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
Meritus Prime Distributions, Inc.
704 Federal Tower, Dasmariñas St.
Binondo, Manila

We have audited the accompanying financial statements of Meritus Prime Distributions, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., as at and for the year ended December 31, 2020, on which we have rendered our report dated April 16, 2021.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the said Company has one (1) stockholder owning one hundred (100) or more shares.

R.G. MANABAT & CO.

Gregorio I. Sambrano, Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
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Issued January 4, 2021 at Makati City

April 16, 2021
Makati City, Metro Manila

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2020**	2019
ASSETS			
Current Assets			
Cash	*5, 19*	**P48,672,143**	P44,277,185
Trade and other receivables - net	*6, 19*	**247,080,567**	379,028,186
Inventories	*7*	**1,053,904,313**	717,189,440
Prepaid expenses and other current assets	*8*	**67,473,036**	348,493,202
Total Current Assets		**1,417,130,059**	1,488,988,013
Noncurrent Assets			
Property and equipment - net	*9*	**495,165**	924,248
Right-of-use assets - net	*16*	**-**	2,458,959
Refundable deposits	*10, 19*	**903,181**	883,080
Deferred income tax assets - net	*18*	**208,531**	855,851
Total Noncurrent Assets		**1,606,877**	5,122,138
		P1,418,736,936	P1,494,110,151
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*11*	**P147,471,642**	P33,791,646
Loans payable	*12, 19*	**42,000,000**	296,000,000
Income tax payable		**17,354,611**	16,214,652
Lease liabilities	*16, 19*	**-**	2,913,534
Total Current Liabilities		**206,826,253**	348,919,832
Noncurrent Liability			
Retirement benefits liability	*17*	**694,701**	760,153
Total Liabilities		**207,520,954**	349,679,985
Equity			
Capital stock	*14*	**750,000,000**	750,000,000
Retained earnings		**460,252,069**	393,606,397
Accumulated remeasurements on retirement benefits	*17*	**963,913**	823,769
Total Equity		**1,211,215,982**	1,144,430,166
		P1,418,736,936	P1,494,110,151

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2020**	2019
NET SALES	*13*	**P839,540,715**	P958,828,756
COST OF GOODS SOLD	*15*	**682,655,651**	780,137,292
GROSS PROFIT		**156,885,064**	178,691,464
OPERATING EXPENSES			
Outside services		**13,599,386**	14,765,449
Salaries and other employee benefits	*17*	**11,174,496**	12,377,632
Taxes and licenses		**5,260,640**	6,398,861
Advertising		**3,829,998**	12,850,187
Distribution cost		**3,645,915**	4,572,407
Deficiency taxes		**3,504,799**	6,278,733
Depreciation and amortization	*9, 16*	**2,934,532**	3,883,119
Insurance		**2,501,039**	1,844,564
Transportation and travel		**1,371,993**	2,526,242
Representation and entertainment		**243,595**	671,203
Miscellaneous		**1,955,890**	2,644,878
		50,022,283	68,813,275
INCOME FROM OPERATIONS		**106,862,781**	109,878,189
OTHER INCOME (CHARGES) - Net			
Interest expense	*12, 16*	**(5,911,506)**	(14,785,316)
Foreign exchange losses - net		**(4,489,583)**	(4,459,441)
Interest income	*5*	**140,529**	187,919
Bank charges		**(61,235)**	(107,404)
		(10,321,795)	(19,164,242)
INCOME BEFORE INCOME TAX		**96,540,986**	90,713,947
PROVISION FOR INCOME TAX	*18*	**29,895,314**	28,662,954
NET INCOME		**66,645,672**	62,050,993
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement gains on retirement benefits	*17*	**200,206**	83,345
Income tax effect	*18*	**(60,062)**	(25,004)
		140,144	58,341
TOTAL COMPREHENSIVE INCOME		**P66,785,816**	P62,109,334

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock (Note 14)	Retained Earnings	Accumulated Remeasurements on Retirement Benefits (Note 17)	Total
Balances at December 31, 2018	P750,000,000	P331,555,404	P765,428	P1,082,320,832
Net income for the year	-	62,050,993	-	62,050,993
Other comprehensive income for the year	-	-	58,341	58,341
Total comprehensive income for the year	-	62,050,993	58,341	62,109,334
Balances at December 31, 2019	750,000,000	393,606,397	823,769	1,144,430,166
Net income for the year	-	66,645,672	-	66,645,672
Other comprehensive income for the year	-	-	140,144	140,144
Total comprehensive income for the year	-	66,645,672	140,144	66,785,816
Balances at December 31, 2020	**P750,000,000**	**P460,252,069**	**P963,913**	**P1,211,215,982**

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P96,540,986**	P90,713,947
Adjustments for:			
Interest expense	*12, 13, 16*	**5,911,506**	14,785,316
Depreciation and amortization	*9, 16*	**2,934,532**	3,883,119
Interest income	*5*	**(140,529)**	(187,919)
Retirement benefits costs	*17*	**134,754**	211,090
Unrealized foreign exchange losses - net		**403**	1,690
Operating income before working capital changes		**105,381,652**	109,407,243
Decrease (increase) in:			
Trade and other receivables		**131,947,619**	(124,761,457)
Inventories		**(336,714,873)**	(155,593,796)
Prepaid expenses and other current assets		**281,020,166**	2,159,286
Increase (decrease) in trade and other payables		**114,376,892**	(18,515,943)
Cash generated from (used in) operations		**296,011,456**	(187,304,667)
Income taxes paid		**(28,168,097)**	(24,471,101)
Interest received	*5*	**140,529**	187,919
Retirement benefits paid	*17*	**-**	(132,500)
Net cash from (used in) operating activities		**267,983,888**	(211,720,349)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	**(46,490)**	(33,348)
Increase in refundable deposits	*10*	**(20,101)**	(9,144)
Cash used in investing activities		**(66,591)**	(42,492)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of loans payable	*21*	**97,000,000**	394,000,000
Payments of:			
Loans payable	*21*	**(351,000,000)**	(98,000,000)
Interest paid	*12, 21*	**(6,539,883)**	(13,815,902)
Lease liabilities	*16*	**(2,982,781)**	(3,312,172)
Dividends	*21*	**-**	(75,000,000)
Net cash from (used in) financing activities		**(263,522,664)**	203,871,926
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**325**	(12,321)
NET INCREASE (DECREASE) IN CASH		**4,394,958**	(7,903,236)
CASH AT BEGINNING OF YEAR		**44,277,185**	52,180,421
CASH AT END OF YEAR	*5*	**P48,672,143**	P44,277,185

See Notes to Financial Statements.

MERITUS PRIME DISTRIBUTIONS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Meritus Prime Distributions, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers, and other alcoholic and non-alcoholic beverages and drinks.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco is the ultimate Parent Company and its shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Unit 704 Federal Tower, Dasmariñas St., Binondo, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for the retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine peso, which is also the Company's functional currency. All amounts are rounded to the nearest peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 6, 2021.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Company has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements. These are as follows:

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes: a new chapter on measurement; guidance on reporting financial performance; improved definitions of an asset and a liability, and guidance supporting these definitions; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by: (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence"; (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of material across PFRS Standards and other publications.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at FVOCI. The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for:

(a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information.
(b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.
(c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss.
(d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Management determines the classification of its financial assets and financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Business Model Assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2020 and 2019.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding statutory obligations), loans payable and lease liabilities as at December 31, 2020 and 2019.

Impairment of Financial Assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 90 days past due on any material credit obligation to the Company.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories, which consist of spirits and wines, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances

Prepaid expenses and advances represent expenses not yet incurred but already paid in cash. Prepaid expenses and advances are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses and advances are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Value-added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" account or "Trade and other payables" account in the statement of financial position.

Refundable Deposits
Refundable deposits are cash paid for the lease agreements covering the office spaces and warehouse which are expected to be refunded upon the termination of the lease. These are carried at net realizable value and classified as current for leases which will expire within 12 months from the reporting period otherwise, these will be classified as noncurrent.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value. The initial cost of items of property and equipment consists of its purchase price, including import duties and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and delivery equipment	5
Furniture and fixtures	2
Office equipment	2
Leasehold improvements	3 or lease term, whichever is shorter

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in the profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets

The Company assesses at end of each reporting period whether there is indication that its noncurrent nonfinancial assets which include property and equipment may be impaired. If any such indication exists and where the carrying amount exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the 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 systemic basis over its remaining useful life.

Capital Stock

Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

Dividends on Common Shares
Cash dividends on common shares are recognized as liability and deducted from equity when approved by the BOD of the Company. Stock dividend declared but not yet issued is presented as "Capital stock dividend distributable" in the statement of financial position. When the stock dividends are declared, the amount of stock dividends are treated as transfers from retained earnings to common shares.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of Goods
Revenue is recognized at the point in time when control of the asset is transferred to the customer, generally upon delivery. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized. Revenue is recognized net of variable consideration such as discounts, rebates, listing and slotting fees/display allowances and certain payments to customers post the initial sale of goods.

Interest Income
Interest income is recognized in profit or loss as it accrues, taking into account the effective yield on the asset.

Cost and Expense Recognition
Cost of Goods Sold
Cost of goods sold is recognized when goods are shipped to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses
Operating expenses are costs incurred to sell or distribute the goods and administering the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income
Other comprehensive income comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, noncontributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior period and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the retirement benefits liability at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

<u>Leases</u>
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,
- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or
    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as Lessee
The Company recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for accrued rent payable at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The ROU asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the ROU asset reflects that the Company will exercise a purchase option. In that case, the ROU asset will be amortized over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the ROU asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability. The ROU asset is presented as a separate line item in the statement of financial position.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate; if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee; or, if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the depreciation charge for the ROU asset. The interest expense on lease liability is presented under "Other income (charges)" in profit or loss.

Income Taxes

Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships

Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form. Related parties may be individual or corporate entities.

Foreign Currency Denominated Transactions and Translation

Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not applied the following new or amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company plans to adopt the following amended standards and interpretations on the respective effective dates, as applicable.

Effective June 1, 2020

- PFRS 16, *Leases - COVID-19-Related Rent Concessions (Amendments)* introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient apply if: the revised consideration is substantially the same or less than the original consideration; the reduction in lease payments relates to payments due on or before June 30, 2021; and, no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

Effective January 1, 2021

- PFRS 9, *Financial Instruments*, PAS 39, *Financial Instruments: Recognition and Measurement*, PFRS 7, *Financial Instruments: Disclosures*, PFRS 4, *Insurance Contracts* and PFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms. The Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

  - *Practical Expedient for Particular Changes to Contractual Cash Flows.* As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

  - *Relief from Specific Hedge Accounting Requirements.* The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

  - *Disclosure Requirements.* To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted.

Effective January 1, 2022

- PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments apply retrospectively on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)* clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively on or after January 1, 2022. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component-of-equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards:

  - PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter (Amendment)* simplify the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to PFRS.

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment)* clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - PFRS 16, *Leases - Lease Incentives (Amendment to Illustrative Examples)* deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  - PAS 41, *Agriculture - Taxation in Fair Value Measurements (Amendment)* removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13 Fair Value Measurement.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

    - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

    - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

    - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

    The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates, and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Accounting judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

<u>Judgments</u>
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and the currency in which receipts from operating activities are usually retained. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 16).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the store is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

<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 Impairment Losses on Trade and Other Receivables and Refundable Deposits
The Company uses the expected credit loss model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's receivables is less than one year so the lifetime expected credit loss and the 12-month expected credit losses are similar. In addition, management assessed that the credit risk for its trade and other receivables and refundable deposits as at the reporting date are low as discussed in Note 19, therefore the Company did not have to assess whether a significant increase in credit risk has occurred. An increase in the allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The Company uses an allowance matrix to measure the ECLs of its trade receivables from individual customers. Loss rates are calculated using a "roll rate" method based on the probability of a receivable progressing through successive stages of delinquency to write-off. The loss rates computed were based on actual credit loss experience over the last three years. As the profile of the Company's trade receivables is substantially current and past due trade receivables are no more than one year, the computed estimated allowance using the loss rates is not significant to the Company's financial statements.

The combined carrying amounts of the Company's trade and other receivables and refundable deposits are P247,983,748 and P379,911,266 as at December 31, 2020 and 2019, respectively (see Notes 6, 10 and 19).

Determination of Net Realizable Value (NRV) of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

The carrying amounts of inventories as at December 31, 2020 and 2019 are P1,053,904,313 and P717,189,440, respectively (see Note 7). No allowance to reduce inventory to NRV was recognized in 2020 and 2019.

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful life of property and equipment is discussed in Note 3 to financial statements. There is no change in the estimated useful life of property and equipment in 2020 and 2019.

The carrying amounts of property and equipment as at December 31, 2020 and 2019 amounted to P495,165 and P924,248, respectively (see Note 9).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the retirement benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, and future salary increases, among others. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period.

The Company has retirement benefits liability amounting to P694,701 and P760,153 as at December 31, 2020 and 2019, respectively (see Note 17).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P208,531 and P855,851 as at December 31, 2020 and 2019, respectively (see Note 18).

5. Cash

This account consists of:

	Note	2020	2019
Cash on hand		**P146,923**	P164,000
Cash in banks	*19*	**48,525,220**	44,113,185
		P48,672,143	P44,277,185

Cash in banks earns interest at the respective bank deposit rates.

Interest income recognized in profit or loss amounted to P140,529 and P187,919 in 2020 and 2019, respectively.

6. Trade and Other Receivables

This account consists of:

	Note	2020	2019
Trade:			
Related parties	*13*	**P221,054,985**	P247,536,614
Third parties		**25,123,606**	65,462,999
Non-trade		**729,937**	67,344,199
Receivable from employees		**172,039**	188,296
	19	**247,080,567**	380,532,108
Less allowance for impairment losses on trade receivables		**-**	1,503,922
	19	**P247,080,567**	P379,028,186

The Company's trade receivables are non-interest-bearing and are generally on a 30 to 60-day credit term.

Non-trade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and are generally on a 30-day credit term.

Allowance for impairment losses on trade receivables amounting to P1,503,922 were written off during the year since it was proven uncollectible by the Company's management.

7. Inventories

This account consists of:

	Note	2020	2019
At cost:			
Spirits		**P1,018,728,287**	P668,311,496
Wines		**35,176,026**	48,877,944
	15	**P1,053,904,313**	P717,189,440

Cost of goods sold recognized in profit or loss amounted to P682,655,651 and P780,137,292 in 2020 and 2019, respectively (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers	**P33,371,158**	P325,526,836
Prepaid expenses:		
Input VAT	**31,603,233**	7,143,422
Duties and taxes	**1,946,229**	14,055,381
Other import charges	**12,056**	885,411
Others	**540,360**	882,152
	P67,473,036	P348,493,202

Advances to suppliers pertain to partial down payment made by the Company to suppliers and will be applied against future progress billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Delivery Equipment	Furniture and Fixtures	Office Equipment	Leasehold Improvements	Computer Software License	Total
Cost						
December 31, 2018	P8,953,451	P1,072,385	P564,751	P1,794,809	P -	P12,385,396
Additions	-	-	33,348	-	-	33,348
December 31, 2019	8,953,451	1,072,385	598,099	1,794,809	-	12,418,744
Additions	-	-	-	-	46,490	46,490
December 31, 2020	**8,953,451**	**1,072,385**	**598,099**	**1,794,809**	**46,490**	**12,465,234**
Accumulated Depreciation and Amortization						
December 31, 2018	7,177,173	979,628	537,754	1,794,809	-	10,489,364
Depreciation and amortization	886,452	90,834	27,846	-	-	1,005,132
December 31, 2019	8,063,625	1,070,462	565,600	1,794,809	-	11,494,496
Depreciation and amortization	453,250	1,923	17,494	-	2,906	475,573
December 31, 2020	**8,516,875**	**1,072,385**	**583,094**	**1,794,809**	**2,906**	**11,970,069**
Carrying Amounts						
December 31, 2019	P889,826	P1,923	P32,499	P -	P -	P924,248
December 31, 2020	**P436,576**	**P -**	**P15,005**	**P -**	**P43,584**	**P495,165**

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 were charged as part of operating expenses.

Fully depreciated property and equipment that are still being used by the Company have a total cost of P10,500,933 and P9,712,032 as at December 31, 2020 and 2019, respectively.

10. Refundable Deposits

This account consists of:

	Note	2020	2019
Security deposits	16	**P735,330**	P715,229
Others		**167,851**	167,851
	19	**P903,181**	P883,080

11. Trade and Other Payables

This account consists of:

	Note	2020	2019
Trade payables - third parties	19	**P138,271,624**	P8,761,124
Nontrade payables:			
Third parties	19	**5,765,267**	19,534,166
Related parties	13, 19	**2,675,970**	3,976,404
Statutory obligations		**564,542**	511,203
Accrued expenses	19	**116,740**	686,733
Others	19	**77,499**	322,016
		P147,471,642	P33,791,646

Trade payables are non-interest-bearing and are generally on a 30 to 60-day payment term.

Non-trade payables are amounts owed to non-trade suppliers such as manpower agencies, freight companies, interest payable on loans and other non-trade transactions. These are non-interest-bearing and are generally on a 30-day payment term, except for related party balance which is due on demand.

Accrued expenses consist mainly of accruals for utilities and other operating charges.

12. Loans Payable

The Company entered into various unsecured short-term loans agreements to finance the Company's working capital requirements as follows:

a. In 2019, the Company entered into various unsecured, short-term loans with a maturity of less than one year from Asia United Bank totaling to P215,000,000 with fixed annual interest of 4.75% to 6.00%. This loan was subsequently paid in 2020.

b. In 2019, the Company entered into various unsecured, short-term loans with a maturity of less than one year from Metropolitan Bank and Trust Company (MBTC) totaling to P81,000,000 with a fixed annual interest of 4.50% to 5.50%. This loan was subsequently paid in 2020. In 2020, the Company availed same type of loans amounting to P97,000,000 with a fixed annual interest of 3.5% to 5.00%.

Outstanding balance of Company's loan payable to MBTC amounted to P42,000,000 and P81,000,000 as at December 31, 2020 and 2019, respectively.

Interest expense recognized in profit or loss relating to these loans amounted to P5,842,259 and P14,569,549 in 2020 and 2019, respectively. As at December 31, 2020 and 2019, outstanding interest payable related to these loans recorded as part of "Non-trade payables" under "Trade and other payables" account in the statements of financial position amounted to P56,023 and P753,647, respectively (see Note 11).

13. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

Category	Year	Note	Transactions During the Year	Outstanding Balance Due from Related Parties	Outstanding Balance Due to Related Parties	Terms	Conditions
Entities under Common Control							
▪ Sale of goods	**2020**	*6, a*	**P681,661,336**	**P221,054,985**	**P -**	30 days credit term; non-interest-bearing	Unsecured; no impairment
	2019	*6, a*	734,974,442	247,536,614	-		
▪ Lease expense	**2020**	*16, b*	**2,528,206**	**-**	**-**	Monthly; non-interest-bearing	Unsecured
	2019	*16, b*	3,093,754	-	2,913,534		
▪ Reimbursement of expenses	**2020**	*11, c*	**2,675,970**	**-**	**2,675,970**	Due on demand; non-interest bearing	Unsecured
	2019	*11, c*	3,976,404	-	3,976,404		
	2020			**P221,054,985**	**P2,675,970**		
	2019			P247,536,614	P6,889,938		

a. In the normal course of business, the Company distributes wines and liquors to entities under common control. The outstanding balance for the sale of goods transactions is presented as part of "Trade and Other Receivables - net" in the statements of financial position.

b. The Company entered into lease agreements with an entity under common control for its office space and warehouse (see Note 16). The lease liabilities as at December 31, 2019 is presented as a separate line item in the statements of financial position.

c. The Company has an outstanding balance with related parties for the merchandising payroll expenses initially paid by the latter. The outstanding balance for this transaction is reported as nontrade payables, which is part of "Trade and Other Payables" account in the statements of financial position.

d. There is no key management compensation since the key management roles are functionally domiciled under the Parent Company.

Amounts owed by and owed to related parties are to be settled in cash.

14. Equity

Capital Stock
The balances as at December 31, 2020 and 2019 are as follows:

	Number of Shares	Amount
Authorized		
P100 par value	**7,500,000**	**P750,000,000**
Issued and Outstanding		
Balance at beginning and end of year	**7,500,000**	**P750,000,000**

Ordinary shares carry one vote per share and a right to dividends.

15. Cost of Goods Sold

This account consists of:

	Note	2020	2019
Inventories at beginning of year	7	**P717,189,440**	P561,595,644
Add: Net purchases		**1,019,370,524**	935,731,088
Total goods available for sale		**1,736,559,964**	1,497,326,732
Less: Inventories at end of year	7	**1,053,904,313**	717,189,440
		P682,655,651	P780,137,292

16. Lease Agreements

Company as Lessee

a. The Company entered into a lease agreement with an entity under common control for a warehouse. The term of the lease is for a period of five (5) years from January 1, 2016 to December 31, 2020. The lease has an annual escalation rate of 5%. The lease agreement was subsequently renewed in 2021 for a period of five (5) years from January 1, 2021 to December 31, 2025

b. The Company entered into a lease agreement with an entity under common control for a warehouse with a lease term of three (3) years commencing on July 1, 2015 to June 30, 2017. The lease agreement was renewed for another three (3) years from July 1, 2017 to June 30, 2020. No renewal was made on this lease agreement after it's expiration on June 30, 2020.

When measuring lease liabilities of the above lease agreements, the Company discounted lease payments using its incremental borrowing rate of 4.74%.

The movement of the ROU assets and lease liabilities for the years ended December 31, 2020 and 2019 are as follows:

i. Right-of-Use Assets

	Note	**2020**	2019
Balance at beginning of year		**P2,458,959**	P5,336,946
Amortization charge for the year	*13*	**(2,458,959)**	(2,877,987)
Balance at end of year		**P -**	P2,458,959

ii. Lease Liabilities

	Note	**2020**	2019
Balance at beginning of year		**P2,913,534**	P6,009,939
Interest charge for the year	*13*	**69,247**	215,767
Payments made		**(2,982,781)**	(3,312,172)
Balance at end of year		**P -**	P2,913,534

Maturity analyses of the undiscounted lease liabilities as at December 31, 2019 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P2,982,781**	**P69,247**	**P2,913,534**

As at December 31, 2019, the Company's lease liabilities are classified under current liability in the statements of financial position.

iii. Amounts Recognized in Profit or Loss

	2020	2019
Amortization expense	**P2,458,959**	P2,877,987
Interest on lease liabilities	**69,247**	215,767
	P2,528,206	P3,093,754

iv. Amounts Recognized in the Statements of Cash Flows

	2020	2019
Total cash outflow for leases	**P2,982,781**	P3,312,172

The lease agreements provide for, among others, security deposits amounting to P735,330 and P715,229 as at December 31, 2020 and 2019, respectively, which are shown under "Refundable deposits" account in the statements of financial position (see Note 10).

17. Retirement Benefits Liability

The Company has an unfunded, noncontributory, defined benefits retirement plan covering all of its permanent, regular, and full-time employees. Costs are determined in accordance with the actuarial studies made for the plan. Under the plan, the employees are entitled to retirement benefits equivalent to an amount computed based on Republic Act No. 7641, *Retirement Pay Law*, equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year.

Costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2020.

The succeeding tables summarize the components of retirement benefits cost under a defined benefits retirement plan recognized in profit or loss and the amount of retirement benefits liability recognized in the statements of financial position.

	2020	2019
Balance at beginning of year	**P760,153**	P764,908
Recognized in Profit or Loss		
Interest cost	**39,604**	57,598
Current service cost	**95,150**	153,492
	134,754	211,090
Recognized in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Financial assumptions	**(146,525)**	438,219
Demographic assumptions	**(116,664)**	(862,118)
Experience adjustments	**62,983**	340,554
	(200,206)	(83,345)
Benefits paid	-	(132,500)
Balance at end of year	**P694,701**	P760,153

The retirement benefits cost is recognized as part of "Salaries and other employee benefits" account under operating expenses in profit or loss.

As at December 31, 2020 and 2019, accumulated remeasurements losses on retirement benefits, net of deferred income tax, amounted to P963,913 and P823,769, respectively, as presented in the statements of financial position.

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk as follows:

Interest Risk
The present value of the defined benefits obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation.

Longevity and Salary Risks
The present value of the defined benefits obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

The principal actuarial assumptions used to determine retirement benefits in 2020 and 2019 are as follows:

	2020	2019
Discount rate	**3.95%**	5.21%
Future salary increases	**5.00%**	8.00%

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefits obligation is 11.1 and 13.4 years as at December 31, 2020 and 2019, respectively.

As at December 31, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefits obligation by the amounts below:

	2020		2019	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P34,388)**	**P20,494**	(P47,206)	P32,002
Salary increase rate	**41,682**	**(27,788)**	68,414	(53,211)

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

Funding Arrangements
The plan is unfunded and non-contributory. Benefit claims under the defined benefits retirement obligation are paid directly by the Company when they become due.

Asset-liability Matching (ALM)
The Company does not perform any ALM study. The Company has no plan assets to match against liabilities under the retirement benefits obligation.

Maturity analysis based on a ten (10) year projection of the expected future benefit payments is as follows:

	December 31, 2020				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
Retirement benefits liability	**P694,701**	**P703,973**	**P -**	**P340,005**	**P363,968**

	December 31, 2019				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
Retirement benefits liability	P760,153	P1,147,119	P -	P363,968	P783,151

18. Income Taxes

The components of provision for income tax are shown below:

	2020	2019
Current	**P29,308,056**	P28,667,685
Deferred	**587,258**	(4,731)
	P29,895,314	P28,662,954

The current provision for income tax represents regular corporate income tax (RCIT) in both years.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2020	2019
Income before income tax	**P96,540,986**	P90,713,947
Provision for income tax at the statutory income tax rate of 30%	**P28,962,296**	P27,214,184
Additions to (reductions from) income taxes resulting to the tax effects of:		
Non-deductible expenses	**975,177**	1,505,146
Interest income subjected to final tax	**(42,159)**	(56,376)
Provision for income tax	**P29,895,314**	P28,662,954

The components of the Company's net deferred income tax assets are as follows:

	Net Balance at December 31, 2019	Recognized During the Year	Net Balance at December 31, 2020
Deferred income tax assets (liability) recognized in profit or loss:			
Retirement benefits liability	P620,840	P676	P621,516
Unrealized foreign exchange loss (gain) - net	507	(386)	121
Allowance for impairment on trade receivables	451,177	(451,177)	-
PFRS 16, *Leases* adjustment	136,371	(136,371)	-
	1,208,895	(587,258)	621,637
Deferred income tax liability recognized directly in other comprehensive income:			
Retirement benefits liability	(353,044)	(60,062)	(413,106)
Deferred income tax assets - net	P855,851	(P647,320)	P208,531

	Net Balance at December 31, 2018	Recognized During the Year	Net Balance at December 31, 2019
Deferred income tax assets (liability) recognized in profit or loss:			
Retirement benefits liability	P557,513	P63,327	P620,840
Allowance for impairment on trade receivables	451,177	-	451,177
PFRS 16, *Leases* adjustment	201,897	(65,526)	136,371
Unrealized foreign exchange loss (gain) - net	(6,423)	6,930	507
	1,204,164	4,731	1,208,895
Deferred income tax liability recognized directly in other comprehensive income:			
Retirement benefits liability	(328,040)	(25,004)	(353,044)
Deferred income tax assets - net	P876,124	(P20,273)	P855,851

19. Financial Risk and Capital Management

Objectives and Policies

The BOD has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the management the responsibility of developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The BOD oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

Risk Management Framework
The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure is as follows:

	Note	2020	2019
Cash in banks	5	**P48,525,220**	P44,113,185
Trade and other receivables - net	6	**247,080,567**	379,028,186
Refundable deposits	10	**903,181**	883,080
		296,508,968	P424,024,451

As at December 31, 2020 and 2019, the aging per class of financial assets is as follows:

	December 31, 2020				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks	P48,525,220	P -	P -	P -	P48,525,220
Trade and other receivables	198,137,210	31,910,326	17,033,031	-	247,080,567
Refundable deposits	903,181	-	-	-	903,181
	P247,565,611	P31,910,326	P17,033,031	P -	P296,508,968

	December 31, 2019				
	Neither Past Due nor Impaired	Past Due 1 to 30 Days	Past Due 31 to 120 Days	Past Due and Impaired	Total
Cash in banks	P44,113,185	P -	P -	P -	P44,113,185
Trade and other receivables	193,059,201	85,815,657	100,153,328	1,503,922	380,532,108
Refundable deposits	883,080	-	-	-	883,080
	P238,055,466	P85,815,657	P100,153,328	P1,503,922	P425,528,373

Based on the historical default rates, the Company believes that no impairment allowance is necessary in respect of trade receivables past due but not impaired because such accounts relate to customers that have good payment records with the Company. On the other hand, the Company believes that no impairment loss is necessary in respect of other receivables since they are neither past due nor impaired.

As at December 31, 2020 and 2019, the Company does not expect any counterparty, other than trade customers, to fail to meet its obligations, thus, related risk is deemed to be insignificant.

Credit Risk Concentration
The Company's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of receivables is its carrying amount without considering collaterals or credit enhancements, if any. The Company has no significant concentration of credit risk since the Company deals with a large number of customers. The Company does not execute any credit guarantee in favor of any counterparty.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and nonfinancial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

As at December 31, 2020 and 2019, the cash in banks, trade receivables and refundable deposits which are neither past due nor impaired are categorized under high grade quality.

The credit quality of financial assets was determined as follows:

a. Cash in Banks - the credit risk of this financial instrument is considered negligible since the counterparties are reputable entities with high quality external credit ratings based on the nature of the counterparty and the Company's internal rating system.

b. Trade and Other Receivables - the credit quality is assessed as high grade since these have a high probability of collection and there is no history of default.

c. Refundable Deposits - the credit quality is assessed to be as high grade since these security deposits are refundable at the end of the lease term which is expected from a reputable service provider.

Expected Credit Loss Assessment
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumptions. The Company assessed that the impact of forward-looking assumption is immaterial.

<u>Liquidity Risk</u>
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility in operation. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements, as well as capital expenditures and debt service payments. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are contractual maturities of financial liabilities:

	As at December 31, 2020			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	**P146,851,076**	**P146,851,076**	**P146,851,076**	**P -**
Loans payable**	**42,056,023**	**42,108,045**	**42,108,045**	**-**
	P188,907,099	**P188,959,121**	**P188,959,121**	**P -**

**Excluding statutory obligations and accrued interest payable amounting to P564,542 and P56,023, respectively (see Notes 11 and 12).*
***Including accrued interest payable amounting to P56,023 and future interest payable with interest rates of 3.50% (see Note 12).*

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	1 Year or Less	More than 1 Year
Financial Liabilities				
Trade and other payables*	P32,526,796	P32,526,796	P32,526,796	P -
Loans payable**	296,753,647	297,897,675	297,897,675	-
Lease liabilities	2,913,534	2,982,781	2,982,781	-
	P332,193,977	P333,407,252	P333,407,252	P -

**Excluding statutory obligations and accrued interest payable amounting to P511,203 and P753,647, respectively (see Notes 11 and 12).*
***Including accrued interest payable amounting to P753,647 and future interest payable with interest rates of 4.50% to 6.00% (see Note 12).*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to various risks, including foreign currency risk and interest rate risk.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in the market interest rates.

The Company's exposure to the risks for changes in market interest rates relates mainly to the Company's loans payable. The Company manages this risk by transacting its loans either with short-term maturities or with fixed interest rates. Accordingly, management believes that the Company does not have significant interest rate risk.

Foreign Currency Exchange Risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to foreign currency risk relates primarily to the Company's foreign currency-denominated monetary assets and monetary liabilities. The currencies in which these transactions are primarily denominated are in United States dollar (USD), Singaporean dollar (SGD), British pound (GBP) and Euro (EUR).

The following table shows the Company's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso (PHP) equivalents as at December 31:

	December 31, 2020			
	USD	**SGD**	**EUR**	**PHP Equivalent**
Foreign Currency - denominated Monetary Asset				
Cash in banks	**9,019**	**-**	**-**	**433,215**
Foreign Currency - denominated Monetary Liability				
Trade payables	**19,130**	**-**	**1,713**	**100,545**
Net Foreign Currency - denominated Monetary Asset (Liability)	**(10,111)**	**-**	**(1,713)**	**332,670**

	December 31, 2019			
	USD	SGD	EUR	PHP Equivalent
Foreign Currency - denominated Monetary Asset				
Cash in banks	151,494	-	-	7,687,414
Foreign Currency - denominated Monetary Liability				
Trade payables	606	34	2,935	135,891
Net Foreign Currency - denominated Monetary Asset (Liability)	150,888	(34)	(2,935)	7,551,523

In translating the foreign currency-denominated monetary assets and monetary liabilities into Philippine peso amounts, the significant exchange rates applied are as follows:

	2020	2019
USD	**48.00**	50.76
SGD	**36.10**	37.50
EUR	**58.69**	56.36

The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2020	
	Percentage Decrease in Foreign Exchange Rates	**Increase (Decrease) in Income before Income Tax**
USD	**(5%)**	**P16,986**
SGD	**(4%)**	**-**
EUR	**4%**	**2,815**

	December 31, 2019	
	Percentage Decrease in Foreign Exchange Rates	Increase (Decrease) in Income before Income Tax
USD	(3%)	(P267,519)
SGD	(3%)	-
EUR	(7%)	10,834

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Risk Management

The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, retained earnings and accumulated remeasurements on retirement benefits.

There were no changes in the Company's approach to capital management during the year.

The Chief Financial Officer has the overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

20. Fair Values of Financial Instruments

Cash, Trade and Other Receivables and Trade and Other Payables

The carrying amounts of the Company's cash, trade and other receivables and trade and other payables (excluding statutory obligations and Output VAT) approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits

In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Loans Payable

The estimated fair value of loans is based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loans payable 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 December 31, 2020 and 2019, no financial asset or financial liability was recognized at fair value. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary

21. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2020 and 2019 are as follows:

	December 31, 2020		
	Loans Payable	**Accrued Interest**	**Total**
Balances at beginning of year	P296,000,000	P753,647	P296,753,647
Proceeds from loans payable	97,000,000	-	97,000,000
Payment of principal	(351,000,000)	-	(351,000,000)
Interest expense	-	5,842,259	5,842,259
Interest paid	-	(6,539,883)	(6,539,883)
Balances at end of year	P42,000,000	P56,023	42,056,023

	December 31, 2019			
	Loans Payable	Accrued Interest	Dividends Payable	Total
Balances at beginning of year	P -	P -	P75,000,000	P75,000,000
Proceeds from loans payable	394,000,000	-	-	394,000,000
Payment of principal	(98,000,000)	-	-	(98,000,000)
Interest expense	-	14,569,549	-	14,569,549
Interest paid	-	(13,815,902)	-	(13,815,902)
Payment of dividends	-	-	(75,000,000)	(75,000,000)
Balances at end of year	P296,000,000	P753,647	P -	P296,753,647

22. Events after the Reporting Date

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

a. Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

b. Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

c. The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue (BIR) issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, *Amending Certain Provisions of Revenue Regulations No. 2-98, As Amended, to Implement the Amendments Introduced by Republic Act No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), to the National Revenue Code of 1997, as Amended, Relative to the Final Tax on Certain Passive Income;*

- BIR RR No. 3-2021, *Rules and Regulations Implementing Section 3 of Republic Act (RA). No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE", Amending Section 20 of the National Internal Revenue Code of 1997, As Amended;*

- BIR RR No. 4-2021, *Implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax Under Republic Act (RA) No. 11534, Otherwise Known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE) Which Further Amended the National Revenue Code of 1997, as Amended, as Implemented by Revenue Regulations (RR) No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended; and*

- BIR RR No. 5-2021, *Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), Which Further Amended the National Revenue Code (NIRC) of 1997.*

The enactment of the CREATE Law is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

Further, the BIR has issued its Revenue Regulations No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in CREATE Law. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations on which the Company would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act:

	As at December 31, 2020	Effect of changes in tax rates	Amounts based on the reduced tax rates
Statements of Comprehensive Income			
Provision for income tax - current	P29,308,056	(P2,445,478)	P26,862,578
Provision for income tax - deferred	587,258	103,606	690,864
Statements of Financial Position			
Deferred tax asset	P208,531	(P34,755)	P173,776
Income tax payable	(17,354,611)	2,445,478	(14,909,133)
Accumulated remeasurements on retirement benefits	(963,913)	(68,851)	(1,032,764)

23. Supplementary Information Required by the Bureau of Internal Revenue (BIR) Based on Revenue Regulations No.15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax supplementary information required for the taxable year ended December 31, 2020:

a. VAT

Output VAT	**P96,881,618**
Basis of the Output VAT:	
Vatable sales	**P807,346,813**
Zero-rated sales	**32,182,582**
Exempt sales	**11,320**
Total sales	**P839,540,715**
Input VAT	
Beginning of the year	**P7,143,422**
Current year transactions:	
a. Domestic purchases of goods other than capital goods	**49,219,703**
b. Importations other than capital goods	**67,902,599**
c. Others	**4,075,839**
Deductions from input tax and other adjustments	**(29,328)**
Total allowable input VAT	**P128,312,235**
Total Vat payable (refundable) during the year	**(P31,430,617)**
Less: VAT payments during the year	**(172,615)**
Net VAT payable (refundable) at the end of the year	**(P31,603,232)**

b. Customs Duties

Landed cost of imports	**P565,854,992**
Customs duties paid or accrued	**39,239,950**
	P605,094,942

c. Excise Taxes

Imported excisable items	
a. Spirits	**P150,644,252**
b. Wines	**6,118,118**
	P156,762,370

d. Documentary Stamp Tax

On loan instruments	**P700,582**
On others	**268,144**
	P968,726

e. Withholding Taxes

Tax on compensation and benefits	**P695,984**
Expanded withholding taxes	**1,891,297**
	P2,587,281

f. All Other Taxes (Local and National)

Other taxes paid during the year included under "Taxes and licenses" account under Operating Expenses	
License and permit fees	**P4,219,656**
Others	**72,258**
	P4,291,914

g. Tax Cases

On January 22, 2020 and September 18, 2020, the Company received Letters of Authority from the BIR to examine the Company's books of accounts and other accounting records for the periods January 1, 2019 to June 30, 2019 and January 1, 2019 to December 31, 2019, respectively.

In November 2020, the Company paid the total deficiency taxes, including penalties and interest, in relation to these assessments amounting to P3,504,799.

As at December 31, 2020, the Company has no pending nor outstanding tax cases.

Information on tariff fee paid or accrued are not applicable since the Company did not enter into transaction which will result to payment or accrual of such taxes.

ANNEX "I"

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN

The Management of **Premier Wine and Spirits, Inc. ("the Company")** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Premier Wine and Spirits, Inc.**, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;

(c) **Premier Wine and Spirits, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

JOSE PAULINO SANTAMARINA
Chairman of the Board/President

ROBIN DERRICK CO CHUA
Managing Director

EVELYN B. BINANITAN
Treasurer

Signed this _____ day of ___________ 2021

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REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE BUREAU OF INTERNAL REVENUE

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

We have audited the accompanying financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., for the year ended December 31, 2020, on which we have rendered our report dated April 23, 2021.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 23, 2021
Makati City, Metro Manila

KPMG

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound
900 D. Romualdez Street
Paco, Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Premier Wine and Spirits, Inc. (the "Company"), a wholly-owned subsidiary of Cosco Capital, Inc., which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audits of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

KPMG

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

Gregorio I. Sambrano Jr.
GREGORIO I. SAMBRANO, JR.
Partner
CPA License No. 088825
SEC Accreditation No. 1548-AR-1, Group A, valid until December 17, 2021
Tax Identification No. 152-885-329
BIR Accreditation No. 08-001987-36-2018
Issued September 20, 2018; valid until September 19, 2021
PTR No. MKT 8533918
Issued January 4, 2021 at Makati City

April 23, 2021
Makati City, Metro Manila

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*5, 22, 23*	**P308,361,682**	P229,950,511
Trade and other receivables - net	*6, 12, 22, 23*	**311,200,988**	498,147,551
Inventories	*7, 15*	**673,735,428**	599,727,310
Prepaid expenses and other current assets	*8*	**29,847,545**	247,347,287
Total Current Assets		**1,323,145,643**	1,575,172,659
Noncurrent Assets			
Property and equipment - net	*9*	**12,653,123**	6,540,902
Right-of-use assets - net	*19*	**85,718,170**	4,851,092
Deferred income tax assets - net	*20*	**4,554,006**	3,705,373
Investment in an associate	*10*	**93,360,805**	118,193,553
Refundable deposits	*19, 22, 23*	**5,793,414**	3,203,153
Total Noncurrent Assets		**202,079,518**	136,494,073
		P1,525,225,161	P1,711,666,732
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*11, 12, 22, 23*	**P112,899,654**	P135,073,087
Due to related parties	*12, 22, 24, 24*	**192,700,000**	192,851,618
Loan payable	*13, 22, 24, 24*	**-**	313,000,000
Dividends payable	*14, 22, 23*	**100,000,000**	100,000,000
Lease liabilities - current portion	*19, 22, 24*	**29,032,296**	5,424,764
Income tax payable		**15,399,144**	212,594
Provisions	*21*	**11,974,716**	13,901,018
Total Current Liabilities		**462,005,810**	760,463,081
Noncurrent Liabilities			
Lease liabilities - net of current portion	*19, 22, 23, 24*	**68,683,282**	1,268,352
Retirement benefits liability	*18*	**11,564,165**	9,203,625
Total Noncurrent Liabilities		**80,247,447**	10,471,977
Total Liabilities		**542,253,257**	770,935,058
Equity			
Capital stock	*14*	**150,000,000**	150,000,000
Additional paid-in capital	*14*	**1,500,000**	1,500,000
Retained earnings	*14*	**827,046,053**	784,310,918
Accumulated remeasurements on retirement benefits		**4,425,851**	4,920,756
Total Equity		**982,971,904**	940,731,674
		P1,525,225,161	P1,711,666,732

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2020**	2019
NET SALES	*12*	**P1,221,016,898**	P1,603,043,627
COST OF GOODS SOLD	*15*	**985,374,247**	1,348,453,996
GROSS PROFIT		**235,642,651**	254,589,631
OPERATING EXPENSES	*16*	**127,052,110**	158,406,307
INCOME FROM OPERATIONS		**108,590,541**	96,183,324
SHARE IN NET LOSSES ON INVESTMENT IN AN ASSOCIATE	*10*	**(24,832,747)**	(8,762,851)
OTHER CHARGES - Net	*17*	**(10,992,830)**	(20,573,757)
INCOME BEFORE INCOME TAX		**72,764,964**	66,846,716
PROVISION FOR INCOME TAX	*20*	**30,029,829**	19,807,577
NET INCOME		**42,735,135**	47,039,139
OTHER COMPREHENSIVE LOSS			
Item that will never be reclassified to profit or loss in subsequent periods			
Remeasurement losses on retirement benefits	*18*	**(707,007)**	(1,510,929)
Deferred income tax benefit	*20*	**212,102**	453,278
		(494,905)	(1,057,651)
TOTAL COMPREHENSIVE INCOME		**P42,240,230**	P45,981,488

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Accumulated Remeasurements on Retirement Benefits	Retained Earnings (Note 14)	Total Equity
Balances at January 1, 2019	P150,000,000	P1,500,000	P5,978,407	P737,271,779	P894,750,186
Net income for the year	-	-	-	47,039,139	47,039,139
Other comprehensive loss for the year	-	-	(1,057,651)	-	(1,057,651)
Total comprehensive income (loss) for the year	-	-	(1,057,651)	47,039,139	45,981,488
Balances at December 31, 2019	150,000,000	1,500,000	4,920,756	784,310,918	940,731,674
Net income for the year	-	-	-	42,735,135	42,735,135
Other comprehensive loss for the year	-	-	(494,905)	-	(494,905)
Total comprehensive income (loss) for the year	-	-	(494,905)	42,735,135	42,240,230
Balances at December 31, 2020	**P150,000,000**	**P1,500,000**	**P4,425,851**	**P827,046,053**	**P982,971,904**

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2020**	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P72,764,964**	P66,846,716
Adjustments for:			
Share in net losses on investment in an associate	*10*	**24,832,747**	8,762,851
Depreciation and amortization	*9, 16, 19*	**18,816,081**	12,820,052
Interest expense	*12, 13, 17, 19, 24*	**13,331,760**	24,951,433
Interest income	*5, 17*	**(2,141,269)**	(1,398,227)
Retirement benefits costs	*18*	**1,653,533**	1,130,140
Unrealized foreign exchange gains		**(82,883)**	(1,315,329)
Operating income before working capital changes		**129,174,933**	111,797,636
Decrease (increase) in:			
Trade and other receivables - net		**187,059,166**	298,607,738
Inventories		**(74,008,118)**	(34,807,202)
Prepaid expenses and other current assets		**217,499,742**	127,393,886
Refundable deposits		**(2,590,261)**	(395,299)
Increase in trade and other payables		**(23,923,152)**	(63,693,165)
Cash generated from operations		**433,212,310**	438,903,594
Income taxes paid		**(17,406,112)**	(24,553,765)
Interest received	*5, 17*	**2,141,269**	1,398,227
Net cash from operating activities		**417,947,467**	415,748,056
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	*9*	**(10,168,024)**	(1,813,655)
Acquisition of shares of stock of an associate	*10*	**-**	(126,956,404)
Cash used in investing activities		**(10,168,024)**	(128,770,059)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of loan payable:			
Principal amount	*13, 24*	**(313,000,000)**	(170,000,000)
Interest expense	*13, 24*	**(10,054,377)**	(23,302,000)
Payments of lease liabilities:			
Principal amount	*19, 24*	**(5,928,322)**	(10,833,018)
Interest expense	*19, 24*	**(233,955)**	(587,141)
Payments of:			
Advances from related parties	*12, 24*	**(151,618)**	(104,848,382)
Interest expense	*24*	**-**	(4,377,891)
Proceeds from availment of loan	*13, 24*	**-**	126,000,000
Net cash used in financing activities		**(329,368,272)**	(187,948,432)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**78,411,171**	99,029,565
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**229,950,511**	130,920,946
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P308,361,682**	P229,950,511

See Notes to Financial Statements.

PREMIER WINE AND SPIRITS, INC.
(A Wholly-owned Subsidiary of Cosco Capital, Inc.)
NOTES TO FINANCIAL STATEMENTS

1. Reporting Entity

Premier Wine and Spirits, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on June 19, 1996. The Company's primary purpose is to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

The Company is a wholly-owned subsidiary of Cosco Capital, Inc. ("Cosco" or "Parent Company"), a company incorporated in the Philippines. Cosco's shares of stock are listed for trading at the Philippine Stock Exchange (PSE).

The Company's registered office address is at Gate 1, Tabacalera Compound, 900 D. Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance
The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB). PFRS which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRS, Philippine Accounting Standards (PAS), and Philippine Interpretations based on the International Financial Reporting Interpretations Committee (IFRIC) interpretations.

Basis of Measurement
The financial statements have been prepared on the historical cost basis of accounting except for retirement benefits liability which is measured at the present value of the defined benefits obligation.

Functional and Presentation Currency
The financial statements are measured using the currency of the primary economic environment in which the Company operates. The financial statements are presented in Philippine Peso, which is also the Company's functional currency. All amounts are rounded to the nearest Peso, except when otherwise indicated.

Authorization for Issuance of the Financial Statements
The accompanying financial statements of the Company as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Company's Board of Directors (BOD) on April 21, 2021.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amendments to Standards
The Company has adopted the following amendments to standards starting January 1, 2020 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Company's financial statements. These are as follows:

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes a new chapter on measurement, guidance on reporting financial performance, improved definitions of an asset and a liability, and guidance supporting these definitions, and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee (IASC)'s Framework for the Preparation and Presentation of Financial Statements adopted by the International Accounting Standards Board (IASB) in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

- PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material (Amendments)* refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by: (a) raising the threshold at which information becomes material by replacing the term "could influence" with "could reasonably be expected to influence"; (b) including the concept of "obscuring information" alongside the concept of "omitting" and "misstating" information in the definition; (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework; (d) clarifying the explanatory paragraphs accompanying the definition; and (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, which is subject to insignificant risk of changes in value and is used by the Company in managing its short-term commitments. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of change in value. Cash in banks and cash equivalents earn interest at the respective prevailing bank rates.

Financial Instruments

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those financial assets and financial liabilities classified or designated at fair value through profit or loss (FVTPL), includes transaction costs.

Classification and Measurement of Financial Instruments

On initial recognition, the Company classifies its financial assets in the following categories: measured at amortized cost, financial assets at FVTPL and financial assets at fair value through other comprehensive income (FVOCI). The classification depends on the business model for managing the financial assets and the contractual terms of its cash flows.

The Company classifies its financial liabilities as either financial liabilities at amortized cost or financial liabilities at FVTPL. The Company classifies all financial liabilities at amortized cost, except for: (a) financial liabilities designated by the Company at initial recognition as at FVTPL, when doing so results in more relevant information; (b) financial liabilities that arise when the transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies; (c) contingent consideration recognized by the Company in a business combination which shall subsequently be measured at fair value with changes recognized in profit or loss; and (d) financial guarantee contracts and commitments to provide a loan at a below market interest rate which are initially measured at fair value and subsequently at higher of amortized amount and amount of loss allowance.

Business Model Assessment
The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes: (a) the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets; (b) how the performance of the portfolio is evaluated and reported to the Company's management; (c) the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; (d) how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and (e) the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment
Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable-rate features, prepayment and extension features, and terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Company has no financial assets classified as financial assets at FVTPL and FVOCI as at December 31, 2020 and 2019.

Financial Assets at Amortized Cost
A financial asset is measured at amortized cost if it is held within a business model whose objective is to hold assets to collect contractual cash flows, its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and it is not designated as at FVTPL.

Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash in banks, cash equivalents, trade and other receivables and refundable deposits.

Financial Liabilities at Amortized Cost
This category pertains to financial liabilities that are not held for trading or designated as at FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings. The financial liabilities are recognized initially at fair value and subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization for any related premium, discount and any directly attributable transaction costs. These financial liabilities are included in current liabilities if maturity is within twelve months from reporting date. Otherwise, these are classified as noncurrent liabilities.

This category includes the Company's trade and other payables (excluding payables to government agencies), due to related parties, dividends payable, loan payable and lease liabilities.

Impairment of Financial Assets.
The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for debt securities that are determined to have low credit risk at the reporting date and other debt securities and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECLs.

Loss allowances for trade and other receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 360 days past due. The Company considers a financial asset to be in default when the customer is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held) or the financial asset is more than 360 days past due on any material credit obligation to the Company.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade;

- existing or forecasted adverse changes in business, financial or economic conditions; and

- actual or expected significant adverse changes in the operating results of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no additional provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The 12-month ECLs are a portion of lifetime ECLs that represents the ECLs resulting from default events on the financial instrument that are possible within 12 months after the reporting date or a shorter period if the expected life of the instrument is less than 12 months.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are probability weighted-estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes significant financial difficulty of the borrower or issuer, a breach of contract such as default, the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise, when it is probable that the borrower will enter bankruptcy or other financial reorganization, or the disappearance of an active market for a security because of financial difficulties.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes financial assets recorded at amortized cost for write off when a debtor fails to make payments or when it is probable that the receivable will not be collected. Where amortized cost financial assets have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to pay.

Financial Liabilities
A financial liability is derecognized when the obligation under the liability is discharged, cancelled, or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the statement of financial position.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statement are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statement on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

As at December 31, 2020 and 2019, no financial asset or financial liability was recognized at fair value. Thus, disclosure on inputs using a three-level fair value hierarchy is not necessary. The Company has no other assets or liabilities with recurring and non-recurring fair value measurements.

Inventories

Inventories, which consist of spirits, wines and specialty beverages, are valued at the lower of cost and net realizable value (NRV). Cost is comprised of purchase price, expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their present location and condition. Cost is determined using the first-in, first-out method.

NRV represents the estimated selling price in the ordinary course of business less costs to be incurred in marketing, selling and distribution. In determining the NRV, the Company considers any adjustment necessary to write-down inventories to NRV for slow-moving and near expiry products based on physical inspection and management evaluation.

Prepaid Expenses and Other Current Assets

Prepaid Expenses and Advances to Suppliers

Prepaid expenses represent expenses not yet incurred but already paid in cash. Prepaid expenses are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as these are consumed in operations or expire with the passage of time.

Prepaid expenses are classified in the statement of financial position as current asset when the cost of goods or services related to the prepayment are expected to be incurred within one (1) year from the reporting date. Otherwise, prepayments are classified as noncurrent assets.

Advances to suppliers are measured at the amount of initial down payment for purchases of inventories and are applied against future progress billings. These are classified as current assets in the statement of financial position.

Value-added Tax (VAT)

Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of VAT included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of “Prepaid expenses and other current assets” or “Trade and other payables” in the statement of financial position, respectively.

Investment in an Associate
An associate is an entity over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is defined as the power to participate in the financial and operating policy decisions of the entity but not control or joint control over those policies. An associate is accounted for using the equity method. Investment in an associate is initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the financial statements include the Company's share of the profit or loss and OCI of associate, until the date on which significant influence ceases. Unrealized gains arising from transactions with associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Property and Equipment
Property and equipment is stated at cost less accumulated depreciation and amortization, and any impairment in value. The initial cost of property and equipment consists of its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance and overhaul costs, are normally charged to profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the item of property and equipment.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Number of Years
Transportation and equipment	3
Furniture and fixtures	3
Leasehold improvements	5 or lease term, whichever is shorter
Machinery and equipment	3
Office equipment	3

Depreciation or amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation or amortization ceases at the earlier of the date that the item is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is recognized in profit or loss. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. The capitalization of borrowing costs: (i) commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred; (ii) is suspended during the extended periods in which active development, improvement and construction of the assets are interrupted; and (iii) ceases when substantially all the activities necessary to prepare the assets are completed. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds.

Other borrowing costs are recognized as expense in the period in which they are incurred.

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at end of each reporting period whether there is an indication that its noncurrent nonfinancial assets which consists of investment in an associate, right-of-use assets and property and equipment may be impaired. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or the cash generating unit (CGU) are written down to their recoverable amounts. The recoverable amount of the noncurrent nonfinancial assets is the greater of fair value less cost to sell and value-in-use. The fair value less cost to sell is the price that would be received to sell an asset in an orderly transaction between market participants less cost to sell. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount on a systemic basis over its remaining useful life.

Capital Stock
Ordinary or common shares are classified as equity. The proceeds from the issuance of ordinary or common shares are presented in equity as capital stock to the extent of the par value of the issued and outstanding shares and any excess of the proceeds over the par value of the shares issued, less any incremental costs directly attributable to the issuance, net of tax, is presented in equity as additional paid-in capital.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or loss, dividend contributions, correction of prior year errors, effect of changes in accounting policy and other capital adjustments.

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.

Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of goods to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of 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 and slotting fees/display allowances and certain payments to customers after the initial sale of goods as reduction to revenue, unless it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Invoices are generated at the time of delivery and are usually due within 30 to 60 days.

Receivable is recognized by the Company 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.

Cost and Expense Recognition

Cost of Goods Sold

Cost of goods sold is recognized when goods are delivered to the buyer. Expenses are recognized upon utilization of services or at the date they are incurred.

Operating Expenses

Operating expenses are costs incurred to sell or distribute the goods and to administer the business. It includes documentation processing and delivery, among others. Operating expenses are expensed as incurred.

Other Comprehensive Income (Loss)

Other comprehensive income (loss) comprises items of income and expense (including items previously presented under the statement of changes in equity) that are not recognized in profit or loss for the year in accordance with PFRS.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of the past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Liability and Costs
The Company has an unfunded, non-contributory defined benefits retirement plan covering substantially all permanent, regular and full-time employees. The Company's obligation in respect of the defined benefits is calculated by estimating the amount of the future benefits that employees have earned in the current and prior periods and discounting that amount.

The calculation of defined benefits obligations is performed on a periodic basis by a qualified actuary using the projected unit credit method.

Remeasurements of the retirement benefits liability, which comprise of actuarial gains and losses, are recognized immediately in other comprehensive income. Such remeasurement are also immediately recognized in equity under "Accumulated remeasurements on retirement benefits". The Company determines the interest expense on the retirement benefits liability for the period by applying the discount rate used to measure the defined benefits obligation at the beginning of the annual period to the then retirement benefits liability, taking into account any changes in the retirement benefits liability during the period as a result of benefit payments, if any. Interest expense and other expenses related to defined benefits plans are recognized in profit or loss.

When the benefits of the plan are changed or when the plan is curtailed, the resulting change in benefit that relates to past service or gain or loss on curtailment is recognized immediately in profit or loss. The Company recognizes gains or losses on the settlement of defined benefits plans when the settlement occurs.

Leases
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and,

- the Company has the right to direct the use of the asset. The Company has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Company has the right to direct the use of the asset if either:

    - the Company has the right to operate the asset; or

    - the Company designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Company as a Lessee
The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently amortized using the straight-line method from the commencement date to the end of the lease term unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case, the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment loss, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following: (a) fixed payments, including in-substance payments; (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; (c) amounts expected to be payable under a residual value guarantee; and, (d) the exercise price under a purchase option the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise and extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension, or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has presented interest expense on the lease liability separately from the amortization charge for the right-of-use asset. The interest expense on lease liability is presented under "Other charges - net" in profit or loss.

Income Taxes
Provision for income tax is composed of current income tax and deferred income tax. Provision for income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case, it is recognized directly in equity or in other comprehensive income.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used as basis to compute the amount are those that have been enacted or substantively enacted at the reporting date.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Related Party Transactions and Relationships
Related party relationships exist when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely to the legal form.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the functional currency exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing exchange rate at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of reimbursement. If the effect of the time value of money is material, provisions are discounted using the current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingencies
Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2020. However, the Company has not applied the following amended standards in preparing these financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's financial statements.

The Company plans to adopt the following amended standards on the respective effective dates, as applicable.

Effective June 1, 2020

- PFRS 16, *Leases - COVID-19 Related Rent Concessions (Amendments)* introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient is applicable if: the revised consideration is substantially the same or less than the original consideration; the reduction in lease payments relates to payments due on or before June 30, 2021; and, no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

Earlier application is permitted. The amendments apply retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

The Company has not entered to a rent concessions agreement for the year ended December 31, 2020.

Effective January 1, 2021

- PFRS 9, *Financial Instruments,* PAS 39, *Financial Instruments: Recognition and Measurement,* PFRS 7, *Financial Instruments: Disclosures,* PFRS 4, *Insurance Contracts,* and PFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2 (Amendments)* ensure that financial statements best reflect the economic effects of interest rate benchmark reforms, the Phase 2 amendments were issued and focus on the accounting once a new benchmark rate is in place. The reliefs allow companies not to recognize significant modification gains or losses on financial instruments and mitigate the risk of discontinuations of existing hedging relationships because of changes required by reforms. The amendments address issues that might affect financial reporting during the reform in the following key areas:

    - Practical expedient for particular changes to contractual cash flows. As a practical expedient, a company will account for a change in the basis for determining the contractual cash flows that is required by the reform by updating the effective interest rate of the financial instrument. If there are other changes to the basis for determining the contractual cash flows, then a company first applies the practical expedient to the changes required by the reform and then applies other applicable requirements of PFRS 9 to other changes. A similar practical expedient applies to insurers applying PAS 39 and lessees for lease modifications required by a reform.

    - Relief from specific hedge accounting requirements. The amendments enable and require companies to continue hedge accounting in circumstances when changes to hedged items and hedging instruments arise as a result of changes required by the reform. A company is required to amend the formal designation of hedging relationships to reflect the changes required by the reform. Reliefs are also provided for amounts accumulated in the cash flow hedge reserve, the separately identifiable requirement, groups of items designated as hedged items and retrospective effectiveness assessment under PAS 39.

    - Disclosure requirements. To enable users of financial statements to understand the effect of reforms on a company's financial instruments and risk management strategy, additional disclosures are required on how transition to alternative benchmark rates are being managed, quantitative information about financial instruments indexed to rates yet to transition due to benchmark reform at the end of the reporting period, and the extent to which changes to the risk management strategy have occurred due to the risks identified in the transition.

  The amendments apply retrospectively, but restatement of comparative information is not required. Earlier application is permitted. The amendments are still subject to the approval by the FRSC.

Effective January 1, 2022

- PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use (Amendments)* prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments apply retrospectively on or after January 1, 2022, but only to items of property, plant, and equipment made available for use on or after the beginning of the earliest period presented, recognizing the cumulative effect in the opening retained earnings (or other component of equity, as appropriate) of that earliest period presented. Earlier application is permitted.

- PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract (Amendments)* clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments apply prospectively on or after January 1, 2022. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards. The following are the amendments that are relevant to the Company:

  - PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendments)* clarify that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - PFRS 16, *Leases - Lease Incentives (Amendments)* delete from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current (Amendments)* promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

4. Management's Use of Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect reported amounts of assets, liabilities, income and expenses and related disclosures. Future events may occur which will cause the assumptions used in arriving at the accounting estimates to change. The effects of any change in accounting estimates are reflected in the financial statements as they become reasonably determinable.

Judgments, accounting estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's Functional Currency
The Company considers factors, including but not limited to, the currency that mainly influences sales prices of its goods and costs of its products. Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine Peso. It is the currency that mainly influences the Company's operations.

Identifying a Lease
The Company uses its judgment in assessing that a contract is, or contains, a lease when the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company has the right to control the asset if it has the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Company reassesses whether a contract is, or contains, a lease only if the terms and conditions of the contract are changed.

As a Lessee. The Company has entered into various contracts for the lease of warehouse and office space. The Company has determined that it has the right to control the use of the identified assets over their respective lease terms (see Note 19).

Determining Term and Discount Rate of Lease Arrangements
Where the Company is the lessee, management is required to make judgments about the lease term and the appropriate discount rate to calculate the present value of the lease payments.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases entered into by the Company as lessee, management uses the incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company uses an approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company and makes adjustments specific to the lease. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate. The weighted average rate applied is 4.11%.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if it is reasonably certain that the lease will be extended (or not terminated) and, as such, included within lease liabilities.

For leases of office space and warehouse, the following factors are usually the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors, including historical lease durations, the costs and business disruption required to replace the leased asset, enforceability of the option, and business and other developments.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and is within the lessee's control, for example, when significant investment in the warehouse and office space is made which has a useful life beyond the current lease term.

Recognition of Revenue
The Company uses its judgment in determining the timing of the transfer of control on the goods that it delivered. The Company determined that the control is transferred for sale of goods when the Company has transferred physical possession of the goods and obtained the right to payment for the goods which is upon the customer's acceptance of the goods at the customer's warehouse.

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below:

Allowance for ECLs on Trade and Other Receivables and Refundable Deposits
The Company uses the ECL model in estimating the level of allowance which includes forecasts of future events and conditions. A credit loss is measured as the present value of all cash shortfalls (the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). The model represents a probability-weighted estimate of the difference over the remaining life of the receivables. The maturity of the Company's trade and other receivables refundable deposits 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 Company 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 Company considers the counterparties' financial condition and their capacity to return the amounts due. The Company assessed that the credit risk for the outstanding refundable deposits is low as majority of these are transacted with a counterparty that has a good credit-standing.

An increase in the allowance for ECLs would increase the recorded operating expenses and decrease current assets.

The combined carrying values of trade and other receivables and refundable deposits amounted to P316,994,402 and P501,350,704 as at December 31, 2020 and 2019, respectively (see Notes 6 and 19). As at December 31, 2020 and 2019, the Company's allowance for ECLs on trade and other receivables amounted to P2,620,922 (see Note 6). No allowance for ECL was provided for refundable deposits as at December 31, 2020 and 2019.

Determination of NRV of Inventories
The Company's estimates of the NRV of inventories are based on the most reliable evidence available at the time the estimates are made, of the amount that the inventories are expected to be realized. These estimates consider the inventory obsolescence, physical deterioration, fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. A new assessment is made at NRV in each subsequent period. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is a clear evidence of an increase in NRV because of changes in economic circumstances, the amount of the write-down is reversed so that the new carrying amount is the lower of the cost and the revised NRV.

Management assessed that no allowance to write-down inventories to NRV was necessary as at December 31, 2020 and 2019. The cost of inventories amounted to P673,735,428 and P599,727,310 as at December 31, 2020 and 2019, respectively (see Note 7).

Estimation of Useful Lives of Property and Equipment
The Company estimates the useful lives of property and equipment based on the period over which the asset is expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future financial performance could be materially affected by changes in these estimates brought about by changes in the factors mentioned. Any reduction in the estimated useful lives of the property and equipment would increase depreciation and amortization expense and decrease noncurrent assets.

The estimated useful lives of property and equipment are discussed in Note 3 to financial statements. There is no change in the Company's estimate of useful lives of property and equipment in 2020 and 2019.

The carrying values of property and equipment amounted to P12,653,123 and P6,540,902 as at December 31, 2020 and 2019, respectively. Depreciation and amortization recognized in profit or loss amounted to P4,055,803 and P3,045,051 for the years ended December 31, 2020 and 2019, respectively (see Note 9).

Impairment of Noncurrent Nonfinancial Assets
The Company assesses at the end of each reporting period whether there is any indication that its noncurrent nonfinancial assets which pertain to investment in an associate, right-of-use assets and property and equipment are impaired. If any such indication exists, the Company estimates the recoverable amount of these assets. Determining the fair value of these noncurrent nonfinancial assets which requires the determination of the future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows involves significant judgment and estimations. While management believes that the assumptions made are appropriate and reasonable, significant changes in management assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

In 2020 and 2019, no impairment loss was recognized on the Company's property and equipment, right-of-use assets and investment in an associate.

The combined carrying values of property and equipment, right-of-use assets and investment in an associate amounted to P191,732,098 and P129,585,547 as at December 31, 2020 and 2019, respectively (see Notes 9, 10, and 19).

Estimation of Retirement Benefits Liability and Costs
The cost of defined benefits retirement plans, as well as the present value of the defined benefits obligation, is determined using actuarial valuations. The actuarial valuations involve making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefits obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting period. The Company has retirement benefits liability amounting to P11,564,165 and P9,203,625 as at December 31, 2020 and 2019, respectively (see Note 18).

Recognition of Deferred Income Tax Assets
The Company reviews its deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company also reviews the expected timing and tax rates upon reversal of temporary differences and adjusts the impact on deferred income tax accordingly. The Company's assessment on the recognition of deferred income tax assets is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of the realizability of deferred income tax assets and may lead to future addition to the provision for deferred income tax.

The Company has recognized deferred income tax assets amounting to P4,578,871 and P4,099,972 as at December 31, 2020 and 2019, respectively (see Note 20).

Provisions and Contingencies
The Company, in the ordinary course of business, sets up appropriate provisions for certain contractual and regulatory obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risk and uncertainties into account.

The Company has provision for probable losses amounting to P11,974,716 and P13,901,018 as at December 31, 2020 and 2019, respectively. Provision used during the year amounted to P1,926,302. No provision for probable losses was recognized by the Company in 2020 and 2019, respectively (see Note 21).

5. Cash and Cash Equivalents

This account consists of:

	Note	2020	2019
Cash on hand		**P955,673**	P800,096
Cash in banks	*22, 23*	**206,054,247**	179,017,498
Cash equivalents	*22, 23*	**101,351,762**	50,132,917
		P308,361,682	P229,950,511

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 P658,990 and P1,265,310 for the years ended December 31, 2020 and 2019, respectively (see Note 17).

Cash equivalents pertain to short-term placements which have effective annual interest rate of 0.70% to 3.40% and maturities of 30 to 35 days. Interest income earned from cash equivalents which are recognized in profit or loss amounted to P1,482,279 and P132,917 for the years ended December 31, 2020 and 2019, respectively (see Note 17).

6. Trade and Other Receivables - net

This account consists of:

	Note	**2020**	2019
Trade:			
Related parties	*12*	**P160,397,004**	P172,737,750
Third parties		**134,820,249**	291,249,156
Less allowance for expected credit losses on trade receivables		**(2,620,922)**	(2,620,922)
		292,596,331	461,365,984
Nontrade			
Third parties		**15,941,816**	34,655,267
Related parties	*12*	**1,346,711**	-
Others		**1,316,130**	2,126,300
	22, 23	**P311,200,988**	P498,147,551

Trade receivables are unsecured, non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade receivables pertain to receivables from suppliers for the reimbursements of expenses made by the Company for brand promotions. These are non-interest-bearing and generally have a 60 to 90 days credit terms.

7. Inventories

This account consists of:

	Note	**2020**	2019
At cost:			
Spirits		**P488,981,182**	P457,894,694
Wines		**107,583,633**	92,171,926
Specialty beverages		**77,170,613**	49,660,690
	15	**P673,735,428**	P599,727,310

In 2020 and 2019, the inventories amounting to P985,374,247 and P1,348,453,996, respectively, were recognized as an expense during the year and included in "Cost of goods sold" (see Note 15).

8. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Advances to suppliers	**P29,061,024**	P241,546,226
Prepaid expenses	**786,521**	1,280,868
Input VAT on imports	**-**	4,520,193
	P29,847,545	P247,347,287

Advances to suppliers pertain to initial down payments made by the Company to suppliers which will be applied against future billings.

9. Property and Equipment

The movements and balances in this account are as follows:

	Transportation and Equipment	Furniture and Fixtures	Leasehold Improvements	Machinery and Equipment	Office Equipment	Total
Cost						
January 1, 2019	P18,189,420	P3,946,882	P14,201,241	P2,773,002	P9,258,476	P48,369,021
Additions	570,000	-	649,531	131,062	463,062	1,813,655
Disposal	(813,000)	-	-	-	-	(813,000)
December 31, 2019	17,946,420	3,946,882	14,850,772	2,904,064	9,721,538	49,369,676
Additions	1,418,750	14,822	8,445,370	82,759	206,323	10,166,024
Disposal	(629,650)	-	-	-	-	(629,650)
December 31, 2020	**18,735,520**	**3,961,704**	**23,296,142**	**2,986,823**	**9,927,861**	**58,906,050**
Accumulated Depreciation and Amortization						
January 1, 2019	17,525,714	3,914,723	8,541,342	1,918,658	8,696,286	40,596,723
Depreciation and amortization for the year	290,372	21,321	1,681,587	520,412	531,359	3,045,051
Disposals	(813,000)	-	-	-	-	(813,000)
December 31, 2019	17,003,086	3,936,044	10,222,929	2,439,070	9,227,645	42,828,774
Depreciation and amortization for the year	469,886	18,631	2,829,468	377,719	360,099	4,055,803
Disposals	(629,650)	-	-	-	-	(629,650)
December 31, 2020	**16,843,322**	**3,954,675**	**13,052,397**	**2,816,789**	**9,587,744**	**46,254,927**
Carrying Amounts						
December 31, 2019	P943,334	P10,838	P4,627,843	P464,994	P493,893	P6,540,902
December 31, 2020	**P1,892,198**	**P7,029**	**P10,243,745**	**P170,034**	**P340,117**	**P12,653,123**

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 were charged as part of "Operating expenses" in profit or loss.

The cost of fully depreciated property and equipment still in use amounted to P39,190,000 and P35,166,039 as at December 31, 2020 and 2019, respectively.

10. Investment in an Associate

The Company 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 P126,956,404) 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 31, 2020 and 2019, the Company owns 30% of Pernod shares.

The financial year end date of Pernod is June 30. This is the reporting date established on the articles of incorporation of the associate. This is also the reporting date adopted by its parent company, Pernod Ricard Asia S.A.S. and its ultimate parent company, Pernod Ricard S.A.

The following table summarizes the financial information of Pernod and shows the reconciliation of the Company's share in net assets of such investee to the carrying amounts of its investment as of December 31:

	2020	2019
Percentage ownership interest	**30%**	30%
Current assets	**P592,719,120**	P823,322,979
Noncurrent assets	**186,310,604**	193,217,651
Current liabilities	**480,425,734**	627,083,858
Noncurrent liabilities	**32,304,561**	40,381,518
Net assets	**266,299,429**	349,075,254
Company's share of net assets	**79,889,828**	P104,722,576
Goodwill	**13,470,977**	13,470,977
Carrying amount of investment in an associate	**P93,360,805**	P118,193,553
Revenue	**P585,611,318**	P1,339,369,395
Net loss/total comprehensive loss	**(82,775,824)**	(29,209,504)
Company's share in net losses (30%)	**(P24,832,747)**	(P8,762,851)

11. Trade and Other Payables

This account consists of:

	Note	**2020**	2019
Trade payables to third parties		**P67,510,799**	P103,214,594
Nontrade:			
Related parties	*12*	**2,507,500**	948,310
Third parties		**18,150,397**	7,423,349
Accrued expenses		**21,095,240**	22,197,936
Payables to government agencies		**3,635,718**	1,288,898
	22	**P112,899,654**	P135,073,087

Trade payables are non-interest-bearing and generally have a 30 to 60 days credit terms.

Nontrade payables are amounts owed to nontrade suppliers such as manpower agencies, freight companies and other nontrade transactions. These are non-interest-bearing and generally have a 30 to 60 days credit terms. These also include interest on advances from Parent Company.

Accrued expenses consist mainly of accruals for warehousing, salaries and wages, utilities, importation charges and other operating expenses.

12. Related Party Transactions

Transactions and account balances with related parties as at and for the years ended December 31 are as follows:

				Outstanding Balance			
Category	Year	Note	Transactions During the Year	Amounts Receivable from Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company							
• Management fee	2020	a	P -	P -	P106,700,000	Due and demandable	Unsecured
	2019		-	-	106,700,000	non-interest-bearing	
Entities under Common Control							
• Advances	2020	b	-	-	86,000,000	Payable on demand;	Unsecured
	2019		151,618	-	86,151,618	interest-bearing	
• Interest expense	2020	b, 11, 17	1,720,000	-	2,507,500	Payable on demand	Unsecured
	2019		1,062,292	-	787,500		
• Sales of goods	2020	c, 6	579,492,707	160,397,004	-	30 to 60-day credit term; non-	Unsecured;
	2019		519,081,156	172,737,750	-	interest-bearing	no impairment
• Lease liabilities	2020	d, 19	16,515,722	-	97,715,578	Payable on a	Unsecured
	2019		12,173,857	-	3,693,860	monthly basis	
• Reimbursement of expenses	2020	e, 5, 11	1,346,711	1,346,711	-	Payable on demand;	Unsecured
	2019		160,810	-	160,810	non-interest-bearing	
TOTAL	2020			P161,743,715	P292,923,078		
TOTAL	2019			P172,737,750	P197,493,788		

a. This pertains to amount due to the Parent Company for corporate services rendered in 2017 and 2016.

b. These are cash advances from an entity under common control for additional working capital requirements. These advances earn annual interest rate of 2.0% and 4.5% for 2020 and 2019, respectively with maturities of two (2) years.

c. In the normal course of business, the Company distributes wines and liquors to entities under common control (see Note 6).

d. The Company entered into lease agreements with entities under common control for its office space and warehouse. These leases have terms ranging from three (3) years to five (5) years, renewable under terms and condition agreed upon by both parties. Information about these leases is presented in Note 19. Lease expenses include amortization expense on right-of-use assets and interest expense on lease liabilities (see Note 19).

e. This represents cash advances to officers and related parties as at December 31, 2020 and cash advances from officers and related parties as at December 31, 2019 in the form of reimbursement of expenses and working capital advances.

f. The compensation of the key management personnel of the Company, by benefit type, follows:

	2020	2019
Short-term employee benefits	**P4,227,600**	P4,215,415
Retirement benefits cost	**160,997**	111,204
	P4,388,597	P4,326,619

As at December 31, 2020 and 2019, amounts owed to related parties are presented as follows:

	Note	2020	2019
Trade and other payables	*11*	**P2,507,500**	P948,310
Lease liabilities	*19*	**97,715,578**	3,693,860
Due to related parties		**192,700,000**	192,851,618
		P292,923,078	P197,493,788

13. Loan Payable

This account pertains to unsecured, peso-denominated loans obtained from a local bank with maturity of 90 days with annual interest rate of 3.21% and 5.875% as at December 31, 2020 and 2019, respectively. This loan is intended to finance the inventory build-up and additional working capital requirements of the Company. This loan is not subject to compliance with any loan covenant.

Movement in loan payable is as follows:

	Note	2020	2019
Balances at beginning of year		**P313,000,000**	P357,000,000
Interest charge for the year	*17*	**10,054,377**	23,302,000
Payments made:			
Principal portion of loan payable		**(313,000,000)**	(170,000,000)
Interest expense		**(10,054,377)**	(23,302,000)
Availment of loan		**-**	126,000,000
Balances at end of year	*23, 24*	**P -**	P313,000,000

The Company fully settled its loan payable on December 15, 2020.

Interest expenses recognized in profit or loss relating to loan payable amounted to P10,054,377 and P23,302,000 for the years ended December 31, 2020 and 2019, respectively (see Notes 17 and 24).

14. Equity

Capital Stock

The capital stock of the Company is as follows:

	2020	2019
Ordinary shares	**P150,000,000**	P150,000,000
Additional paid-in capital	**1,500,000**	1,500,000
	P151,500,000	P151,500,000

Ordinary shares carry one vote per share and a right to dividends.

Additional paid-in capital pertains to amount paid on the issuance of shares in excess of par value.

Below are the details of the ordinary shares:

	Number of Shares	Amount
Authorized P100 par value	**1,500,000**	**P150,000,000**
Issued and Outstanding		
Balance at beginning and end of year	**1,500,000**	**P150,000,000**

Retained Earnings

On December 11, 2015, the Company's BOD approved the declaration of cash dividends amounting to P100,000,000, payable to stockholders of record as at the same date. The management is planning to settle in 2021 the dividends payable as at December 31, 2020.

Stock corporations are prohibited from retaining surplus profits in excess of one hundred (100%) percent of their paid-in capital stock, except:

a. when justified by definite corporate expansion projects or programs approved by the BODs; or

b. when the corporation is prohibited under any loan agreement with any financial institutions or creditors, whether local or foreign, from declaring dividends without their consent, and such consent has not yet been secured; or

c. when it can be clearly shown that such retention is necessary under special circumstances of the corporation, such as when there is a need for special reserve for probable contingencies.

As at December 31, 2020, the Company has retained earnings in excess of its paid-up capital. The Company is planning to apply for an increase in the authorized capital stock of the Company with the SEC in 2021 amounting to P500,000,000 to address the excess retained earnings.

15. Cost of Goods Sold

This account consists of:

	Note	**2020**	2019
Inventory at beginning of year		**P599,727,310**	P564,920,108
Net purchases during the year		**1,059,382,365**	1,383,261,198
Cost of goods available for sale		**1,659,109,675**	1,948,181,306
Inventory at end of year	7	**(673,735,428)**	(599,727,310)
		P985,374,247	P1,348,453,996

16. Operating Expenses

This account consists of:

	Note	2020	2019
Salaries, wages and other employee benefits	*18*	**P45,073,453**	P43,970,386
Warehousing and delivery		**39,323,682**	26,075,964
Depreciation and amortization	*9, 19*	**18,816,081**	12,820,052
Taxes and licenses		**6,998,946**	5,442,298
Advertising		**6,821,615**	61,591,647
Utilities		**1,889,657**	2,239,733
Insurance		**1,764,115**	1,787,795
Professional fees		**1,578,286**	202,520
Rental expense	*19*	**1,513,694**	-
Janitorial services		**915,408**	742,622
Office supplies		**621,030**	668,445
Transportation and travel		**571,519**	1,120,676
Repair and maintenance		**530,032**	226,192
Representation		**120,541**	728,252
Miscellaneous		**514,051**	789,725
		P127,052,110	P158,406,307

17. Other Charges - net

This account consists of:

	Note	2020	2019
Interest expense	*12, 13, 19, 24*	**(P13,331,760)**	(P24,951,433)
Interest income	*5*	**2,141,269**	1,398,227
Foreign exchange gain (loss) - net	*22*	**(1,883,805)**	3,683,336
Bank charges		**(210,888)**	(864,601)
Others		**2,292,354**	160,714
		(P10,992,830)	(P20,573,757)

Others pertain to gain on disposal of property and equipment and on refund of excess payments to rental expenses made by the Company in previous years.

18. Retirement Benefits Liability

The Company does not have an established retirement plan and only conforms to the minimum regulatory benefit under the Retirement Pay Law (Republic Act No. 7641) which is of the final salary defined benefit type and provides a retirement benefit equal to 22.5 days' pay for every year of credited service for employees who attain the normal retirement age of sixty (60) with at least five (5) years of service. The regulatory benefit is paid in a lump sum upon retirement.

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 statements of financial position. Annual cost is determined using the projected unit credit method. The Company's latest actuarial valuation date is December 31, 2020.

The table below shows the present value of the defined benefits retirement obligation/ retirement benefits liability and its components as at December 31:

	2020	2019
Balance at beginning of year	**P9,203,625**	P6,562,556
Recognized in Profit or Loss		
Current service cost	**1,176,785**	637,948
Interest expense	**476,748**	492,192
	1,653,533	1,130,140
Included in Other Comprehensive Income		
Actuarial loss (gain) arising from:		
Financial assumptions	**1,149,052**	1,539,531
Experience adjustments	**(982,449)**	(28,602)
Demographic assumptions	**540,404**	-
	707,007	1,510,929
Balance at end of year	**P11,564,165**	P9,203,625

The retirement benefits costs is recognized as part of "Salaries, wages, and other employee benefits" under "Operating expenses" in profit or loss (see Note 16).

There are no unusual or significant risks to which the retirement benefits liability exposes the Company. 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 Company.

The principal actuarial assumptions (in percentages) as at December 31 used to determine retirement benefits liability are as follows:

	2020	2019
Discount rate	**3.96%**	5.18%
Salary increase rate	**8.00%**	8.00%

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 the benefit payments is approximately 8.9 years and 8.4 years as at December 31, 2020 and 2019, respectively.

Sensitivity Analysis

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the retirement benefits liability at the balance sheet date after first adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged.

The sensitivities were expressed as the corresponding change in the retirement benefits liability as shown below:

	2020		2019	
	Defined Benefits Obligation		Defined Benefits Obligation	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P956,450)**	**P1,108,938**	(P720,182)	P823,851
Future salary growth	**1,053,864**	**(931,130)**	793,010	(708,698)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

It should be noted that in the event a benefit claim arises under that plan, the benefits shall be due and payable from the Company.

Funding Arrangements
Since the Company does not have a formal retirement plan, benefit claims under the retirement benefits liabilities are paid directly by the Company when they become due.

Asset-liability Matching
The Company does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the defined benefits obligation.

Maturity analyses based on a ten (10) year projection of the expected future benefit payments is as follows:

Defined Benefits Obligation	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	More than 5 Years
2020	**P11,564,165**	**P8,946,836**	**P764,001**	**P7,664,570**	**P518,265**
2019	P9,203,625	P10,698,659	P322,900	P4,060,315	P6,315,444

19. Lease Agreements

The significant lease agreements entered into by the Company are as follows:

a. The Company leases from an entity under common control its office space with total area of 408.5 square meters for a term of three (3) years until July 15, 2018, renewable under terms and condition agreed upon by both parties. This lease agreement was subsequently renewed for three (3) years from July 16, 2018 to July 15, 2021. Escalation rate is 10% every three years thereafter (see Note 12).

b. On February 20, 2015, the Company entered into a lease agreement with a third party for a covered warehouse and office building for a term of five (5) years from April 1, 2015 to March 31, 2020, renewable upon agreement by both parties. Escalation rate is 5% starting third year and 10% starting fourth year. The lease agreement was not renewed before the expiration date.

Due to Corona Virus Disease 2019 (COVID-19) imposed travel restrictions and community lockdown, the Company and the lessor agreed after the expiration period to extend the lease arrangement under the same terms and condition until June 11, 2020. The Company accounted for the extended lease period as a short-term lease. Rental expenses incurred amounting to P1,513,694 were recognized in profit or loss (see Note 16).

c. On June 1, 2020, the Company entered into a lease agreement with an entity under common control for a covered warehouse and office building for a term of five (5) years from June 1, 2020 to May 31, 2025, renewable upon agreement by both parties. Escalation rate is 5% starting third year of the lease and every year thereafter (see Note 12).

d. On September 1, 2020, the Company entered into a lease agreement with an entity under common control for a covered warehouse and office building with a for a term of five (5) years from September 1, 2020 to August 31, 2025, renewable upon agreement by both parties. Escalation rate is 5% starting third year of the lease and every year thereafter (see Note 12).

The lease agreements provide for, among others, security deposits amounting to a total of P5,793,414 and P3,203,153 as at December 31, 2020 and 2019, respectively, which are shown as "Refundable deposits" in the statements of financial position.

i. Right-of-Use Assets

The Company's right-of-use assets pertain to the leases of office space and covered warehouse. Detailed movement in the right-of-use assets is presented below:

	Office	Warehouse	Total
Cost			
Balances at January 1 and December 31, 2019	P7,105,607	P35,372,338	P42,477,945
Additions	-	95,627,356	95,627,356
Derecognition	-	(35,372,338)	(35,372,338)
Balances at December 31, 2020	**7,105,607**	**95,627,356**	**102,732,963**
Accumulated Amortization			
Balances at January 1, 2019	1,322,600	26,529,252	27,851,852
Amortization for the year	2,700,533	7,074,468	9,775,001
Balances at December 31, 2019	4,023,133	33,603,720	37,626,853
Amortization for the year	1,898,207	12,862,071	14,760,278
Derecognition	-	(35,372,338)	(35,372,338)
Balances at December 31, 2020	**5,921,340**	**11,093,453**	**17,014,793**
Carrying Amount			
December 31, 2019	P3,082,474	P1,768,618	P4,851,092
December 31, 2020	**P1,184,267**	**P84,533,903**	**P85,718,170**

ii. Lease Liabilities

Movements in lease liabilities are as follows:

	Note	**2020**	2019
Balances at beginning of year		**P6,693,116**	P17,526,134
Additions from new lease agreements entered during the year		**95,627,356**	-
Interest charge for the year	*17*	**1,557,383**	587,141
Payments made:			
Principal portion of lease liabilities		**(5,928,322)**	(10,833,018)
Interest expense		**(233,955)**	(587,141)
Balances at end of year	*22, 23, 24*	**P97,715,578**	P6,693,116

Maturity analyses of the undiscounted lease liabilities as at December 31, 2020 and 2019 are as follows:

	Undiscounted Lease Payments	**Interest**	**Present Value of Lease Liabilities**
Not later than one year	**P31,854,671**	**P2,822,375**	**P29,032,296**
Later than one year but not later than five years	**73,750,256**	**5,066,974**	**68,683,282**
Balance at December 31, 2020	**P105,604,927**	**P7,889,349**	**P97,715,578**

	Undiscounted Lease Payments	Interest	Present Value of Lease Liabilities
Not later than one year	P5,596,124	P171,360	P5,424,764
Later than one year but not later than five years	1,290,665	22,313	1,268,352
Balance at December 31, 2019	P6,886,789	P193,673	P6,693,116

The Company's lease liabilities classified in the statements of financial position are as follows:

	Note	**2020**	2019
Current			
Related parties	*12*	**P29,032,296**	P2,425,508
Third party		**-**	2,999,256
Noncurrent - Related parties	*12*	**68,683,282**	1,268,352
		P97,715,578	P6,693,116

iii. Amounts Recognized in Profit or Loss

	Note	2020	2019
Amortization expense	16	**P14,760,278**	P9,775,001
Interest on lease liabilities	17	**1,557,383**	587,141
Expenses relating to short term lease	16	**1,513,694**	-
		P17,831,355	P10,362,142

iv. Amounts Recognized in the Statements of Cash Flows

	Note	2020	2019
Total cash outflows for leases	24	**P6,162,277**	P11,420,159

20. Income Taxes

The components of provision for income tax are shown below:

	2020	2019
Current	**P30,666,360**	P19,139,647
Deferred	**(636,531)**	667,930
	P30,029,829	P19,807,577

Current provision for income tax represents regular corporate income tax in 2020 and 2019.

The reconciliation of the provision for income tax computed at the statutory income tax rate and the provision for income tax shown in profit or loss for the years ended December 31 is as follows:

	2020	2019
Income before income tax	**P72,764,964**	P66,846,716
Provision for income tax computed at statutory income tax rate of 30%	**P21,829,489**	P20,054,015
Additions to (reductions in) income taxes resulting from the tax effects of:		
Share in net loss of an associate	**7,449,824**	-
Nondeductible expense	**1,392,897**	173,030
Interest income subjected to final tax	**(642,381)**	(419,468)
Provision for income tax	**P30,029,829**	P19,807,577

The components of the Company's net deferred income tax assets are as follows:

	2020	2019
Retirement benefits liability	**P3,469,249**	P2,761,087
Allowance for expected credit losses on trade receivables	**786,277**	786,277
Effect of PFRS 16	**323,345**	552,608
Unrealized foreign exchange gains	**(24,865)**	(394,599)
	P4,554,006	P3,705,373

The movements of net deferred income tax assets are accounted for as follows:

	2020	2019
Amount charged to profit or loss	**P636,531**	(P667,930)
Amount charged to OCI relating to remeasurement on retirement benefits	**212,102**	453,278
Net increase (decrease) in deferred income tax assets	**P848,633**	(P214,652)

21. Provision

The Company sets-up a provision for any probable liabilities that may arise as a result of conducting its business. The disclosures of additional details beyond the present disclosures may prejudice the Company's position with respect to these matters. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* only a general description is provided.

The movements and balances of provisions as at and for the years ended December 31 are as follows:

	2020	2019
Balances at beginning of year	**P13,901,018**	P13,901,018
Provision used during the year	**(1,926,302)**	-
Balances at end of year	**P11,974,716**	P13,901,018

No provision for probable losses was recognized by the Company in 2020 and 2019.

22. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies
The Company's BOD has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's financial instruments comprise of cash in banks, cash equivalents, trade and other receivables, refundable deposits, trade and other payables, due to related parties, lease liabilities, loan payable and dividends payable.

The main objectives of the Company's financial risk management are as follows:

- to identify and monitor such risks on an ongoing basis;
- to minimize and mitigate such risks; and
- to provide a degree of certainty about costs.

The Company's finance and treasury functions operate as a centralized service for managing financial risks and activities as well as providing optimum investment yield and cost-efficient funding for the Company.

The Company has exposure to the following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risks, and the Company's management of capital.

There were no changes in the exposures to each of the above risks and to the Company's objectives, policies and processes for measuring and managing the risk from the previous period. The policies for managing specific risks are summarized below:

Credit Risk
Credit risk represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations. The Company's credit risk arises from the Company's use of its financial assets. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The carrying amount of financial assets represents the maximum credit exposure to credit risk as at December 31 as follows:

	Note	**2020**	2019
Cash in banks	5	**P206,054,247**	P179,017,498
Cash equivalents	5	**101,351,762**	50,132,917
Trade and other receivables - net	6	**311,200,988**	498,147,551
Refundable deposits	19	**5,793,414**	3,203,153
		P624,400,411	P730,501,119

The Company's policy is to enter into transactions with a diversity of credit worthy parties to mitigate any significant concentration of credit risk. There is no significant concentration of credit risk within the Company.

As at December 31, 2020 and 2019, the Company does not expect any counterparty, other than trade customers, to fail in meeting its obligations, thus, related risk is deemed to be insignificant.

Credit Quality
In monitoring and controlling credit extended to counterparty, the Company adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised of the financial standing of the customer while the nonfinancial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Company.

The Company assessed the credit quality of the 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 probability 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 Company to follow them up.

c. Standard grade for refundable deposits pertains to unsecured rental deposit related to the Company's lease commitment.

ECL Assessment
The Company allocates each exposure to a credit risk on data that are determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial assets, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

In measuring the expected credit losses, trade and other receivables have been assessed on a collective basis as they pose shared credit risk characteristics. They have been grouped based on the days past due.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2020 and 2019:

	December 31, 2020		
	Gross Carrying Amount	**Expected Credit Loss Allowance**	**Credit-impaired**
Current (not past due)	**P193,296,183**	**P -**	**No**
1 - 30 days past due	**97,818,233**	**-**	**No**
31 - 60 days past due	**11,838,070**	**-**	**No**
61 - 90 days past due	**1,835,929**	**-**	**No**
91 - 180 days past due	**536,772**	**-**	**No**
181 - 360 days past due	**2,076,428**	**-**	**No**
More than 360 days past due	**6,420,295**	**2,620,922**	**Yes**
	P313,821,910	**P2,620,922**	

	December 31, 2019		
	Gross Carrying Amount	Expected Credit Loss Allowance	Credit-impaired
Current (not past due)	P294,771,165	P -	No
1 - 30 days past due	118,622,452	-	No
31 - 60 days past due	35,351,475	-	No
61 - 90 days past due	13,818,532	-	No
91 - 180 days past due	11,747,312	-	No
181 - 360 days past due	22,991,644	-	No
More than 360 days past due	3,465,893	2,620,922	Yes
	P500,768,473	P2,620,922	

The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix.

The maturity of the Company's receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Exposures within each credit risk grade are assessed based on delinquency and actual credit loss experience. The Company considered both historical loss rate and forward-looking assumption. The Company 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 Company considers that its cash has low credit risk based on the external credit ratings of the counter parties.

The credit risks 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 Company uses similar approach for assessment of ECLs for security deposit to those used for cash in banks. The Company has assessed that the impact of providing ECL for security deposit is immaterial, thus did not recognize loss allowance

Liquidity Risk

The following are the contractual maturities of financial assets and financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	As at December 31, 2020			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P206,054,247	P206,054,247	P206,054,247	P -
Cash equivalents	101,351,762	101,351,762	101,351,762	-
Trade and other receivables - net	311,200,988	311,200,988	311,200,988	-
Refundable deposits	5,793,414	5,793,414	-	5,793,414
	P624,400,411	P624,400,411	P618,606,997	P5,793,414

	As at December 31, 2020			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P109,263,936	P109,263,936	P109,263,936	P -
Due to related parties	192,700,000	192,700,000	192,700,000	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Lease liabilities	97,715,578	105,604,927	31,854,671	73,750,256
	P499,679,514	P507,568,863	P433,818,607	P73,750,256

**Excluding payables to government agencies.*

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Assets				
Cash in banks	P179,017,498	P179,017,498	P179,017,498	P -
Cash equivalents	50,132,917	50,132,917	50,132,917	-
Trade and other receivables - net	498,147,551	498,147,551	498,147,551	-
Refundable deposits	3,203,153	3,203,153	-	3,203,153
	P730,501,119	P730,501,119	P727,297,966	P3,203,153

	As at December 31, 2019			
	Carrying Amount	Contractual Cash Flows	Within 1 Year	1 to 5 Years
Financial Liabilities				
Trade and other payables*	P133,784,189	P133,784,189	P133,784,189	P -
Loan payable	313,000,000	314,852,377	314,852,377	-
Due to related parties	192,851,618	192,851,618	192,851,618	-
Dividend payable	100,000,000	100,000,000	100,000,000	-
Lease liabilities	6,693,116	6,886,789	5,596,124	1,290,665
	P746,328,923	P748,374,973	P747,084,308	P1,290,665

**Excluding payables to government agencies.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company is subject to foreign currency risk.

Foreign Currency Risk

The Company's foreign currency denominated assets and liabilities as at December 31, 2020 and 2019 are as follows:

	As at December 31, 2020				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	27,782	242,901	(215,119)	48.04	(10,334,317)
EUR	125,486	39,475	86,011	58.69	5,047,986
AUD	39,598	117,713	(78,115)	36.40	(2,843,386)
					(8,129,717)

	As at December 31, 2019				
Currency	Financial Assets	Financial Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	-	1,674,832	(1,674,832)	50.74	(84,980,976)
EUR	-	439,285	(439,285)	56.35	(24,753,710)
AUD	-	434,133	(434,133)	35.26	(15,307,530)
GBP	791	-	791	65.99	52,198
					(124,990,018)

Net foreign exchange loss recognized in profit or loss amounted to P1,883,805 for the year ended December 31, 2020 and net foreign exchange gain recognized in profit or loss amounted to P3,683,336 for the year ended December 31, 2019 (see Note 17).

Sensitivity Analysis
The following table demonstrates sensitivity of cash flows due to changes in foreign exchange rates with all variables held constant.

	December 31, 2020	
	Percentage Increase In Foreign Exchange Rates	**Effect in Income after Income Tax**
USD	**-5.32%**	**P384,940 increase**
EUR	**4.15%**	**146,736 increase**
AUD	**3.23%**	**64,351 decrease**

	December 31, 2019	
	Percentage Increase In Foreign Exchange Rates	Effect in Income after Income Tax
USD	3.76%	P2,236,699 decrease
EUR	6.57%	1,138,423 decrease
AUD	4.88%	522,905 decrease
GRB	1.11%	406 decrease

Changes in foreign exchange rates are based on the average of the banks' forecasted closing exchange rates during the first quarter of the following calendar year. A movement in the opposite direction would increase/decrease income before income tax by the same amount, on the basis that all other variables remains constant.

Capital Management
The Company's objectives, when managing capital, are to increase the value of stockholders' investment and maintain high growth by applying free cash flows to selective investments that would further the Company's worth. The Company sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Company defines capital as paid-in capital stock, additional paid-in capital and retained earnings. Other components of equity are excluded from capital for purposes of capital management. Profiles for capital ratios are set in the light of changes in the Company's external environment and the risks underlying the Company's business operations and industry.

The Company is not subject to externally-imposed capital requirements.

23. Fair Values of Financial Instruments

Cash, Trade and Other Receivables, Trade and Other Payables and Dividends Payable
The carrying amounts of the Company's cash, trade and other receivables, trade and other payables (excluding provision and payables to government agencies) and dividends payable approximate their fair values due to the short-term maturities of these financial instruments.

Refundable Deposits
The carrying amount of refundable deposit approximates its fair values as the impact of discounting is not significant.

Loan Payable and Due to Related Parties
The estimated fair values of loan payable and due to related parties are based on the present value of expected future cash flows using the applicable market rates for similar types of loans at reporting date. The difference between the carrying amount and fair value of loan payable and due to related parties is considered immaterial by management.

Lease Liabilities
The fair value of lease liabilities is based on the prevailing market rates for similar instruments.

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities as at December 31, 2020 and 2019 are presented below:

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets at Amortized Cost				
Cash in banks	**P206,054,247**	**P206,054,247**	P179,017,498	P179,017,498
Cash equivalents	**101,351,762**	**101,351,762**	50,132,917	50,132,917
Trade and other receivables - net	**311,200,988**	**311,200,988**	498,147,551	498,147,551
Refundable deposits	**5,793,414**	**5,775,009**	3,203,153	3,195,001
	P624,400,411	**P624,382,006**	P730,501,119	P730,492,967

	2020		2019	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Other Financial Liabilities				
Trade and other payables	**P109,263,936**	**P109,263,936**	P133,784,189	P133,784,189
Due to related parties	**192,700,000**	**192,700,000**	192,851,618	192,851,618
Loan payable	**-**	**-**	313,000,000	314,852,377
Dividends payable	**100,000,000**	**100,000,000**	100,000,000	100,000,000
Lease liabilities	**97,715,578**	**105,604,927**	6,693,116	6,767,071
	P499,679,514	**P507,568,863**	P746,328,923	P748,255,255

24. Reconciliation Between the Opening and Closing Balances for Liabilities Arising from Financing Activities

The reconciliation of movements of liabilities to cash flows arising from financing activities in 2020 and 2019 are as follow:

	Loan Payable	Accrued Interest	Lease Liabilities	Due to Related Parties	Total
Balances at January 1, 2020	P313,000,000	P787,500	P6,693,116	P192,851,618	P513,332,234
Changes from Financing Cash Flows					
Payments of:					
Loan payable	(313,000,000)	-	-	-	(313,000,000)
Lease liabilities	-	-	(5,928,322)	-	(5,928,322)
Advances from related parties	-	-	-	(151,618)	(151,618)
Interest paid	(10,054,377)	-	(233,955)	-	(10,288,332)
Total Changes from Financing Cash Flows	(323,054,377)	-	(6,162,277)	(151,618)	(329,368,272)
Liability-Related Other Changes					
Non-cash additions from new lease agreements entered during the year	-	-	95,627,356	-	95,627,356
Interest expense	10,054,377	1,720,000	1,557,383	-	13,331,760
Total Liability-Related Other Changes	10,054,377	1,720,000	97,184,739	-	108,959,116
Balances at December 31, 2020	P -	P2,507,500	P97,715,578	P192,700,000	P292,923,078

	Loan Payable	Accrued Interest	Lease Liabilities	Due to Related Parties	Total
Balances at January 1, 2019	P357,000,000	P4,103,099	P17,526,134	P297,700,000	P676,329,233
Cashflows from Financing Activities					
Payments of:					
Loan payable	(170,000,000)	-	-	-	(170,000,000)
Advances from related parties	-	-	-	(104,848,382)	(104,848,382)
Lease liabilities	-	-	(10,833,018)	-	(10,833,018)
Proceeds from availment of loan payable	126,000,000	-	-	-	126,000,000
Interest paid	(23,302,000)	(4,377,891)	(587,141)	-	(28,267,032)
Total Changes from Financing Cash Flows	(67,302,000)	-	(11,420,159)	(104,848,382)	(187,948,432)
Liability-Related Other Changes					
Interest expense	23,302,000	1,062,292	587,141	-	24,951,433
Balances at December 31, 2019	P313,000,000	P787,500	P6,693,116	P192,851,618	P513,332,234

25. Subsequent Events

Impact of Corona Virus Disease 2019 (COVID-19)

On March 22, 2021, the Philippine government placed the NCR, Bulacan, Cavite, Laguna, and Rizal (NCR+) under General Community Quarantine (GCQ) starting March 22 to April 4, 2021 to help address the rising cases of COVID-19 in these areas. In light of the recent alarming increase in COVID-19 cases in NCR+, several cities and municipalities have once again issued liquor bans which took effect on March 15, 2021.

On March 29, 2021, NCR+ was placed under the Enhanced Community Quarantine (ECQ) starting March 29 to April 4, 2021, which was further extended to April 11, 2021, to help address the surge of COVID-19 cases in these areas. Moreover, NCR+ was placed under the Modified Enhanced Community Quarantine (MECQ) starting April 12, 2021 to April 30, 2021.

During the ECQ, a strict home quarantine was implemented in all households, all public transportation was suspended, provision for food and essential health services was regulated and the presence of uniformed military personnel to enforce quarantine procedures was heightened. Liquor bans have also been implemented in several areas under ECQ wherein drinking alcoholic beverages in public areas was prohibited and retail stores were only allowed to sell the same during a limited time in the day.

Since the Company's primary operation is the importation and distribution of wines, spirits and other specialty beverages, the Company was only able to operate limitedly amidst the community quarantine period. Moreover, the Company continues to have a skeletal workforce to oversee and ensure facilities, vital equipment, sanitation and security are adequately and properly maintained. The Company has assessed that the ECQ being implemented by the government will have a potential unfavorable impact on the Company's revenues, including the collection of its receivables, among others. However, the quantitative impact of this event on the Company's financial performance for the succeeding quarters is not yet determinable at this date. Nonetheless, the expected decline in operations does not pose a material uncertainty on the Company's ability to continue as a going concern.

Enactment of Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
On March 26, 2021, the President of the Philippines has approved the Republic Act (RA) No. 11534, or the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE), with nine (9) provisions vetoed by the President. Below are the salient features of the Act that are relevant to the Company:

- Corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million. All other domestic corporations and resident foreign corporations will be subject to 25% income tax. Said reductions are effective July 1, 2020.

- Minimum corporate income tax (MCIT) rate is reduced from 2% to 1% effective July 1, 2020 to June 30, 2023.

- The imposition of improperly accumulated earnings tax has been repealed.

On April 8, 2021, the Bureau of Internal Revenue issued the following implementing revenue regulations that are effective immediately upon publication:

- BIR RR No. 2-2021, amending certain provisions of Revenue Regulations No. 2-98, As Amended, to implement the amendments introduced by RA No. 11534 to the National Revenue Code of 1997, as Amended, relative to the final tax on certain passive income.

- BIR RR No. 3-2021, Rules and Regulations implementing Section 3 of RA No. 11534 amending Section 20 of the National Internal Revenue Code of 1997, As Amended.

- BIR RR No. 4-2021, implementing the Provisions on Value-Added Tax (VAT) and Percentage Tax under RA No. 11534 which further amended the National Revenue Code of 1997, as Amended, as implemented by Revenue Regulations No. 16-2005 (Consolidated Value-Added Tax Regulations of 2005), As Amended.

- BIR RR No. 5-2021, implementing the new income tax rates on the regular income of corporations on certain passive incomes, including additional allowable deductions from gross income of persons engaged in business or practice of profession pursuant to RA No. 11534 which further amended the National Revenue Code (NIRC) of 1997.

The enactment of the CREATE Act is a non-adjusting subsequent event thus, the current and deferred income taxes as at December 31, 2020 are measured using the applicable income tax rates as at December 31, 2020.

Further, the Bureau of Internal Revenue has issued its Revenue Regulation No. 5-2021 to promulgate the implementation of the new income tax rates on the regular income of corporations, on certain passive incomes and additional allowable deductions of persons engaged in business or practice of profession as provided for in the CREATE Act. The corporate income tax of the Company will be lowered from 30% to 25% for large corporations, on which the Company would qualify, effective July 1, 2020.

Presented below is the estimated effect of changes in tax rates under the CREATE Act.

	As at December 31, 2020	Effect of Changes in Tax Rates	Amounts Based on the Reduced Tax Rates
Statement of Comprehensive Income			
Provision for income tax - current	P30,666,360	(P2,603,374)	P28,062,986
Provision for income tax - deferred	(636,531)	1,075,135	438,604
Net income for the year	(42,735,135)	(1,528,239)	(44,263,374)
Statement of Financial Position			
Deferred income tax asset - net	4,554,006	(759,002)	3,795,004
Income tax payable	(15,399,144)	2,603,374	(12,795,770)
Statement of Changes in Equity			
Accumulated remeasurements on retirement benefits	(4,425,851)	(316,133)	(4,741,984)

26. Supplementary Information Required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

In addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRS. The following are the tax information required for the taxable year ended December 31, 2020:

a. VAT

1. Output VAT	**P142,135,823**
Account title used:	
Basis of the Output VAT:	
Vatable sales	P1,184,331,262
Zero rated sales	36,680,608
Exempt sales	5,028
Sale of fixed asset	133,928
	P1,221,150,826
2. Input VAT	
Balance at beginning of year	P4,520,193
Current year's domestic purchases:	
a. Goods for resale/manufacture or further processing	41,314,492
b. Importations other than capital goods	80,604,587
c. Services lodged under other accounts	13,915,431
Other adjustments	(690,037)
VAT credits used	(985)
Balance at end of year	P139,663,681
Total Vat payable during the year	P2,472,142
Less: VAT payments during the year	(1,274,827)
Net VAT payable at the end of the year	P1,197,315

b. Customs Duties and Tariff Fees

Landed cost of imports	P671,704,888
Customs duties and tariff fees paid or accrued	45,009,946
	P716,714,834

c. Excise Taxes

Imported excisable items wines and liquor	P118,403,824

d. Documentary Stamp Tax

On borrowings	P1,695,440

e. Withholding Taxes

Tax on compensation and benefits	P5,559,544
Expanded withholding taxes	6,607,795
	P12,167,339

f. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" Account under Operating Expenses	
License and permit fees	P1,171,161
Others	126,822
	P1,297,983

g. Tax Cases and Assessments

On November 17, 2020 the Company received a Preliminary Assessment Notice (PAN) covering Income Tax, Value Added Tax, Withholding Tax on Compensation and Documentary Stamp Tax for the taxable year 2019. The initial deficiency assessment based on preliminary investigation amounted to P3,004,116. The Company paid the deficiency tax in March and December 2020.

On October 16, 2020 the Company received a Preliminary Assessment Notice (PAN) covering Value Added Tax for the taxable year 2020. The initial deficiency assessment based on preliminary investigation amounted to P1,001,407. The Company paid the deficiency tax in January 2021.

ANNEX "J"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ENRICO S. CRUZ**, Filipino, of legal age and a resident of No. 37 Radish Street, Valle Verde V, Pasig, Metro Manila, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Da Vinci Capital Holdings, Inc. and have been its independent director since November 20, 2020.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Security Bank Corporation	Independent Director	2019 – present
SB Capital	Vice-Chairman	2020 – present
AREIT, Inc.	Independent Director	2020 – present
Maxicare Corporation	Independent Director	2019 – present
CIBI Information, Inc.	Independent Director	2020 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Da Vinci Capital Holdings, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the director/officer/substantial shareholder of Da Vinci Capital Holdings, Inc.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of Da Vinci Capital Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 27 2021 day of April 2021 at City of Manila.

Certification of Independent Director:

ENRICO S. CRUZ
Nominee for Independent Director
Da Vinci Capital Holdings, Inc.

SUBSCRIBED AND SWORN to before me this APR 27 2021 day of April 2021 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Driver's License No. N11-75-001060 valid until September 26, 2023.

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CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022468 / 04-16-19
No. 900 Romualdez St., Paco, Manila

ANNEX "K"

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **BIENVENIDO E. LAGUESMA**, Filipino, of legal age and with office at 706 Prestige Tower, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of Da Vinci Capital Holdings, Inc. and have been its independent director since November 20, 2020.

2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/ RELATIONSHIP	PERIOD OF SERVICE
Laguesma Magsalin & Consulta Law Offices	Partner	2001 – present
Maritime Academy of Asia and the Pacific (MAAP)	Director	2019 – present
Anda Power Corporation	Director	2020 – present
Philippine Bank of Communications	Independent Director	2019 – present
Cosco Capital, Inc.	Independent Director	2017 – present

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of Da Vinci Capital Holdings, Inc. as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.

4. I am not related to any of the director/officer/substantial shareholder of Da Vinci Capital Holdings, Inc.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance, and other SEC issuances.

7. I shall inform the Corporate Secretary of Da Vinci Capital Holdings, Inc. of any changes in the abovementioned information within five days from its occurrence.

Done, this APR 27 2021 day of April 2021 at City of Manila.

Certification of Independent Director:

BIENVENIDO E. LAGUESMA
Nominee for Independent Director
Da Vinci Capital Holdings, Inc.

SUBSCRIBED AND SWORN to before me this APR 27 2021 day of April 2021 in Manila, Philippines, affiant personally appeared before me and exhibited to me his Social Security System No. 335139112.

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CHERRIE LYNNE MAY R. PUREZA
Notary Public for the City of Manila
Commission No. 2020-079 until Dec. 31, 2021
Roll No. 58325
IBP Lifetime Member No. 09093
PTR No. 9824725 / 01-05-2021 / Mla.
MCLE Compliance No. VI-0022468 / 04-16-19
No. 900 Romualdez St., Paco, Manila

ANNEX "L"

PROXY

The undersigned stockholder of **DA VINCI CAPITAL HOLDINGS, INC.** (the "**Company**") hereby appoints ____________________ or in his/her/its absence, the Chairman of the meeting, as attorney-in-fact and proxy, with power of substitution, to present and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Stockholders' Meeting of the Company on 28 May 2021, and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of the Minutes of the Previous Meeting	▢ Yes	▢ No	▢ Abstain
2. Approval of the Annual Report and 2020 Audited Financial Statements	▢ Yes	▢ No	▢ Abstain
3. Ratification of Acts of the Board of Directors and Management since the Last Annual Meeting of Stockholders	▢ Yes	▢ No	▢ Abstain
4. Approval of Amendment of the Company's Articles of Incorporation and By-Laws:	▢ Yes	▢ No	▢ Abstain
a. Amendment of Corporate Name	▢ Yes	▢ No	▢ Abstain
b. Amendment of Primary and Secondary Purposes	▢ Yes	▢ No	▢ Abstain
c. Amendment of Corporate Term	▢ Yes	▢ No	▢ Abstain
d. Change in par value of Common Shares	▢ Yes	▢ No	▢ Abstain
e. Increase of authorized capital stock, and delegation to the Company's Board of Directors of the authority to determine the manner of subscription and the subscriber/s of the increase in authorized capital stock	▢ Yes	▢ No	▢ Abstain
5. Approval of the Top-Up Plan for the fractional shares resulting from the proposed increase in authorized capital stock	▢ Yes	▢ No	▢ Abstain
6. Ratification of Rescission of Subscription Contract between the Company and Invescap Incorporated	▢ Yes	▢ No	▢ Abstain
7. Issuance of up to 11,250,000,000 Common Shares to Cosco Capital Inc. pursuant to the Share Swap Transaction	▢ Yes	▢ No	▢ Abstain
8. Waiver of requirement to conduct rights offering on the issuance of up to 11,250,000,000 Common Shares to Cosco Capital, Inc.	▢ Yes	▢ No	▢ Abstain
9. Issuance of up to 3,000,000,000 Common Shares Pursuant to the Company's Follow-on Public Offering			

10. Election of Directors	**No. of Votes**
a. Lucio L. Co	____________________
b. Jose Paulino L. Santamarina	____________________

c. Camille Clarisse P. Co ______________________

d. Janelle O. Uy ______________________

e. Robin Derrick C. Chua ______________________

Independent Directors

f. Enrico S. Cruz ______________________

g. Bienvenido E. Laguesma ______________________

▢ Distribute votes equally among nominees
▢ Withhold authority for all nominees listed above
▢Withhold authority to vote for the nominees listed:

____

____

11. Appointment of R.G. Manabat & Company (KPMG) as External Auditor and Fixing its Remuneration	▢ Yes	▢ No	▢ Abstain
12. Other matters: at his/her/its discretion, the proxy named above is authorized to vote upon such other matters as may properly come before the meeting.	▢ Yes	▢ No	▢ Abstain

Printed Name of Stockholder	**Signature of Stockholder/Authorized Signatory**
Total Number of Stocks	**Date**

THIS PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY BY EMAIL **(http://corporate.governance.davinci@gmail.com)** ON OR BEFORE 24 MAY 2021 AT 5:00 P.M., THE DEADLINE FOR SUBMISSION OF PROXIES, TOGETHER WITH PROOF OF IDENTIFICATION, SUCH AS, DRIVER'S LICENSE, PASSPORT, COMPANY ID OR SSS/GSIS ID. ASIDE FROM PERSONAL IDENTIFICATION, REPRESENTATIVES OF CORPORATE STOCKHOLDERS AND OTHER ENTITIES MAY BE REQUIRED TO PRESENT A DULY SWORN SECRETARY'S CERTIFICATE OR ANY SIMILAR DOCUMENT SHOWING HIS OR HER AUTHORITY TO REPRESENT THE CORPORATION OR ENTITY. THE CORPORATE SECRETARY WILL INSPECT, EXAMINE, AND VALIDATE THE SUFFICIENCY OF THE PROXY FORMS RECEIVED.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS. A STOCKHOLDER GIVING A PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON (IF THE PREVAILING CIRCUMSTANCES WILL ALLOW) AND EXPRESSES HIS, HER OR ITS INTENTION TO VOTE IN PERSON.