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S.E.C. Registration Number

EMPERADOR INC.

(Company's Full Name)

7/F 1880 EASTWOOD AVENUE EASTWOOD CITY CYBERPARK 188 E. RODRIGUEZ JR. AVE. BAGUMBAYAN QUEZON CITY

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

DINA D.R. INTING

Contact Person

8709-2038 to 41

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

SEC FORM 20-IS

(Definitive)

FORM TYPE

Third Monday of May

Month *Day*

Annual Meeting

Registration of Securities

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning

EMPERADOR INC.
7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, Bagumbayan, Quezon City, Metro Manila
Tel Nos. 87092038 to 41

NOTICE AND AGENDA OF THE ANNUAL MEETING OF STOCKHOLDERS

TO ALL STOCKHOLDERS:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of Emperador Inc. (the "Company") will be held on **16 MAY 2022** at **9:00 A.M.** to be conducted virtually, through the link https://www.emperadorbrandy.com/asm2022 that can be accessed through the Company's website, with the following agenda:

1. Call to Order
2. Certification of Notice and Quorum
3. Approval of the Minutes of the Annual Meeting of Stockholders held on 17 May 2021
4. Report of Management for Year 2021
5. Appointment of Independent Auditors
6. Ratification of Acts of the Board of Directors, Board Committees, and Officers
7. Election of Directors
8. Other matters
9. Adjournment

Stockholders of record as of **11 April 2022** will be entitled to notice of, and to vote at, the Annual Meeting.

As provided under Sections 23 and 57 of the Revised Corporation Code and Sections 5 and 7 of Article II and Section 7 of Article III of the Company's Amended By-laws, the Company will hold the Annual Meeting via remote communication, and allow the stockholders to cast their votes by remote communication or in *absentia,* or by proxy.

To participate in the Annual Meeting, stockholders must register from 9:00 AM of **25 April 2022** until 5:00 PM of **06 May 2022**. The procedure for participation via remote communication and in *absentia* are contained in the Information Statement.

Stockholders who wish to appoint proxies may submit proxy instruments until 5:00 PM of **06 May 2022,** to the Office of the Corporate Secretary at the 7th Floor, 1880 Eastwood Avenue Building, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, or by email to corporatesecretary@emperadorinc.com. Validation of proxies shall be held until **09 May 2022**. A sample proxy form will be enclosed in the Information Statement for your convenience.

The Information Statement and other pertinent documents and information on the Annual Meeting are available through the Company's website. For any clarifications, please contact the Office of the Corporate Secretary via email at corporatesecretary@emperadorinc.com.

Quezon City, Metro Manila, Philippines, 30 March 2022.

ANNA MICHELLE T. LLOVIDO
Corporate Secretary

EXPLANATION OF AGENDA ITEMS

1. **Call to Order**

The Annual Meeting will be formally opened at approximately 9:00 o'clock in the morning.

2. **Certification of Notice and Quorum**

The Corporate Secretary will certify that the written notice for the meeting was duly sent to stockholders of record, including the date of publication and the newspapers where the notice was published. The Corporate Secretary will also certify that a quorum exists, and the stockholders representing at least a majority of the outstanding capital stock, present in person or by proxy, shall constitute a quorum for the transaction of business.

Pursuant to Sections 23 and 57 of the Revised Corporation Code and Sections 5 and 7 of Article II and Section 7 of Article III of the Company's Amended By-laws which allow voting *in absentia* by the stockholders, stockholders may register by submitting requirements via email at corporatesecretary@emperadorinc.comand vote *in absentia* on the matters for resolution at the meeting. A stockholder who votes in absentia as well as a stockholder participating by remote communication shall be deemed present for purposes of quorum.

Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the Annual Meeting for complete information on remote participation or voting in absentia, as well as on how to join the livestream for the Annual Meeting.

3. **Approval of the Minutes of the Annual Meeting of Stockholders held on 17 May 2021**

The minutes of the meeting held on 17 May 2021 are available at the Company's website, https://www.emperadorbrandy.com/minutes-of-annual-special-stockholders-meetings.html.

4. **Report of Management for Year 2021**

The performance of the Company in 2021 will be reported.

5. **Appointment of Independent Auditors**

The election of the independent auditor for the ensuing year will be endorsed to the stockholders for approval. The independent auditor conducts an independent verification of the Company's financial statements and provides an objective assurance on the accuracy of its financial statements.

6. **Ratification of Acts and Resolutions of the Board of Directors, Board Committees and Officers**

The actions of the Board and its committees were those taken since the annual stockholders' meeting on 17 May 2021 until 15 May 2022. These include, among others, the internal procedures for participation in meetings and voting through remote communication or *in absentia*, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, declaration of cash dividends, approval of amendments on Employee Stock Option Plan (ESOP), approval of filing an application for secondary listing with the Singapore Stock Exchange, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, approval of agreements, projects, investments, financing, and treasury-related matters, matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, activities in the ordinary course of business, and other similar activities of the Company. 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.

7. **Election of Directors**

Nominees for election of seven (7) members of the Board of Directors, including two (2) independent directors, will be submitted for election by the stockholders. The profiles of the nominees to the Board of Directors are provided in the Information Statement.

8. **Other Matters**

Other concerns or matters raised by stockholders will be discussed.

9. **Adjournment**

Upon determination that there are no other matters to be considered, the meeting shall be adjourned.

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

   [√] **Definitive Information Statement**

2. Name of Registrant as specified in its charter **EMPERADOR INC.**

3. **METRO MANILA, PHILIPPINES**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **A200117595**

5. BIR Tax Identification Code **214-815-715-000**

6. **7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark**
   188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City **1110**
   Address of principal office Postal Code

7. Registrant's telephone number, including area code **(632) 87092038 to 40**

8. **16 May 2022, 9:00 AM**
   by livestream access via https://www.emperadorbrandy.com/asm2022
   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 **27 April 2022**

10. 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 (as of 31 March 2022)
Common	**15,736,471,238**
Treasury	**505,919,938**

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

    Yes ___√____ No _______

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

    Philippine Stock Exchange Common Shares

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY

SAMPLE ONLY

PROXY

The undersigned shareholder(s) of **EMPERADOR INC.** (the "Company") hereby appoint/s ____ or in his absence, the Chairman of the Annual Shareholders' Meeting, as proxy of the undersigned shareholder(s) at the Annual Meeting of Shareholders scheduled on 16 May 2022 at 9:00 in the morning, via livestream access through the link available at the Company's website, and/or at any postponement or adjournment thereof, and/or any annual shareholders' meeting of the Company, which appointment shall not exceed five (5) years from date hereof.

The undersigned shareholder(s) hereby direct/s the said proxy to vote all shares on the agenda items set forth below as expressly indicated by marking the same with [√] or [X]:

ITEM NO.	SUBJECT	ACTION		
		FOR	AGAINST	ABSTAIN
3	Approval of the Minutes of the Annual Meeting of Stockholders held on 17 May 2021			
5	Appointment of Independent Auditors			
6	Ratification of Acts of the Board of Directors, Board Committees and Officers			
7	Election of Directors			
	Andrew L. Tan			
	Winston S. Co			
	Katherine L. Tan			
	Kendrick Andrew L. Tan			
	Kevin Andrew L. Tan			
	Enrique M. Soriano III - Independent Director			
	Jesli A. Lapus. - Independent Director			

PRINTED NAME OF SHAREHOLDER	SIGNATURE OF SHAREHOLDER/ AUTHORIZED SIGNATORY	NUMBER OF SHARES TO BE REPRESENTED	DATE

This proxy should be received by the Corporate Secretary not later than 5:00 PM on **06 May 2022.**

This proxy when properly executed will be voted in the manner as directed herein by the shareholder. If no direction is made, the proxy will be voted for the election of all nominees and for the approval of all matters stated above and for such other matters as may properly come before the meeting in the manner described in the information statement.

A shareholder 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 shareholder attends the meeting in person and expressed his intention to vote in person.

This proxy does not need to be notarized. Partnerships, Corporations and Associations must attach certified resolutions thereof designating Proxy/Representative and Authorized Signatories.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE NOT REQUESTED TO SEND US A PROXY

PART I.

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date & time: 16 May 2022, 9:00 AM
Place: by livestream access via **https://www.emperadorbrandy.com/asm2022**
Principal office: 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City

Approximate date on which the Information Statement is first to be sent or given: **27 April 2022**

The Company is not soliciting proxies. We are not asking for a proxy. Neither are you required to send us a proxy.

Item 2. Dissenters' Right of Appraisal

There are no matters to be acted upon or proposed corporate action in the agenda for the annual meeting of stockholders that may give rise to possible exercise by a dissenting stockholder of its appraisal rights under Title X of the Revised Corporation Code of the Philippines.

Any stockholder of the Company shall have the right to dissent and demand payment of the fair value of his shares in the following instances: (1) in case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) 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 Code; (3) in case of merger or consolidation, and (4) in case of investment of corporate funds for any purpose other than the primary purpose of the Company;

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the Company for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken, provided, that failure to make the demand within the 30-day period shall be deemed a waiver of the appraisal right. From the time of the demand for payment of the fair value of a stockholder's shares until either the abandonment of the corporate action involved or the purchase of the dissenting shares by the Company, all rights accruing to such shares shall be suspended in accordance with the provisions of the Code, except the right of such stockholder to receive payment of the fair value thereof, provided that if the dissenting stockholder is not paid the value of his shares within 30 days after the award, the voting and dividend rights shall immediately be restored. If the proposed corporate action is implemented or effected, the Company shall pay to such stockholder, upon surrender of the stock certificate(s) representing his shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If the fair value is not determined within sixty (60) days from the date the corporate action was approved by the stockholders, it will be determined and appraised by three (3) disinterested persons (one chosen by the Company, another chosen by the dissenting stockholder and the third by the two thus chosen). The findings of the majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. *Provided,* that no payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment: *Provided*, further, that upon payment by the Company of the agreed or awarded price, the dissenting stockholder shall forthwith transfer his shares to the Company.

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

(a) No officer or director at any time since the beginning of the fiscal year, or nominee for election as director, or associate of any of these persons, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.
(b) No director has informed the Company in writing of his/her intention to oppose any matter to be acted upon at the Annual Stockholders' Meeting (the "Meeting").

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

(a) Each of the 15,736,471,238 common shares outstanding as of 11 April 2022 shall be entitled to one vote with respect to all matters to be taken up during the Meeting.

(b) All stockholders of record as of 11 April 2022 are entitled to notice and to vote at the Meeting.

(c) Pursuant to Sections 23 and 57 of the Revised Corporation Code and SEC Memorandum Circular No. 06, Series of 2020 allowing voting through remote communication or in absentia, stockholders may now participate in the Annual Meeting by remote communication and cast their votes in absentia. A stockholder may cast his/her votes by remote communication or *in absentia* until 5:00 pm of 06 May 2022. A stockholder voting remotely or *in absentia* shall be deemed present for purposes of quorum. Please refer to **Annex "A"** on the Procedures and Requirements for Voting and Participation in the 2022 ASM for the complete information on voting via remote participation or voting in absentia, as well as on how to join the livestream for the Annual Meeting.

(d) All stockholders have cumulative voting rights in the election of the members of the board of directors of the Company. Cumulative voting entitles each stockholder to cumulate his shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or distribute them on the same principle among as many nominees as he shall see fit; provided that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

(e) Security ownership of certain record and beneficial owners and management

Security Ownership of Owners Holding More than Five Percent (5%) of Voting Securities as of 31 March 2022:

TITLE OF CLASS	NAME, ADDRESS OF RECORD OWNER AND RELATIONSHIP WITH ISSUER	NAME OF BENEFICIAL OWNER AND RELATIONSHIP WITH RECORD OWNER	CITIZENSHIP	NO. OF SHARES HELD	PERCENT
Common	Alliance Global Group, Inc. 7/F, 1880 Eastwood Avenue, Eastwood City CyberPark 188 E. Rodriguez, Jr. Avenue, Bagumbayan Quezon City	Alliance Global Group, Inc.	Filipino	13,149,903,200	83.56%
	Parent of the Issuer	Alliance Global Group, Inc., ultimate parent[1]		158,667,400	1.01%

[1]AGI beneficially owns 158,667,400 shares representing about 1.18% lodged with PCD Nominee Corporation (Filipino). The Board of Directors of AGI has voting and investment power over shares of stock held by AGI in Company. AGI authorized the Chairman of the Board of the Company, or in his absence, the Chairman of the Meeting, to vote shares of stock held by AGI in the Company.

Common	PCD Nominee Corporation (Non-Filipino) G/F Makati Stock Exchange Bldg., 6767 Ayala Avenue, Makati City	The Hongkong And Shanghai Banking Corp. Ltd. -Clients' Acct.[2]	Non-Filipino	1,668,976,353	10.61%

Security ownership of management as of 31 March 2022:

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Directors				
Common	Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Winston S. Co	1 (direct)	Filipino	Nil
Common	Katherine L. Tan	1 (direct)	Filipino	Nil
Common	Kendrick Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Kevin Andrew L. Tan	1 (direct)	Filipino	Nil
Common	Enrique M. Soriano III	1 (direct)	Filipino	Nil
Common	Jesli A. Lapus	1 (direct)	Filipino	Nil
Other Executive Officers				
Common	Winston S. Co	Same as above		
Common	Katherine L. Tan	Same as above		
Common	Kendrick Andrew L. Tan	Same as above		
Common	Dina D.R. Inting	0	Filipino	N/A
Common	Anna Michelle T. Llovido	0	Filipino	N/A

There are no indirect beneficial ownership of the named Directors and Officers as indicated above.

Voting trust holders of 5% or more - The Company is not aware of the existence of persons holding more than five percent (5%) of its common shares under a voting trust or similar agreement.

Change in control - The Company is not aware of any arrangement which may result in a significant change in control.

Item 5. Directors and Executive Officers

Incumbent
The following are the incumbent directors and executive officers of the Company:

Name	Age	Citizenship	Position
Andrew L. Tan	72	Filipino	Chairman
Winston S. Co	64	Filipino	Director, President and CEO
Katherine L. Tan	70	Filipino	Director and Treasurer
Kendrick Andrew L. Tan	41	Filipino	Executive Director
Kevin Andrew L. Tan	42	Filipino	Director
Enrique M. Soriano III	54	Filipino	Lead Independent Director
Jesli A. Lapus	72	Filipino	Independent Director
Dina D.R. Inting	62	Filipino	Chief Financial Officer, Compliance Officer and Corporate Information Officer
Anna Michelle T. Llovido	43	Filipino	Corporate Secretary

There are seven (7) members of the Company's Board of Directors, two (2) of whom are independent directors. All incumbent directors were elected during the Annual Meeting of the Board of Directors held

[2] Arran Investment Private Limited ("AIPL") owns 1,495,667,038 common shares representing 9.50% lodged with HSBC. The Board of Directors of AIPL has voting and investment power over shares of stock held by AIPL in the Company.

on 17 May 2021 and will hold office for one (1) year and/or until their successors are elected and qualified.

Brief Background of the Directors and Officers

The overall management and supervision of the Company is undertaken by the Board of Directors ("Board"). Currently, the Board consists of seven members, of which two are independent directors. All of the directors were elected at the Company's annual stockholders meeting on 17 May 2021 and will hold office until their successors have been duly elected and qualified.

The table below sets forth each member of the Company's Board as of 31 March 2022:

Name	Age	Gender	Citizenship	Type/Position	Date First Elected
Andrew L. Tan	72	Male	Filipino	Non-exec/ Chairman	Aug 28, 2013
Winston S. Co	64	Male	Filipino	Executive Director	Aug 28, 2013
Katherine L. Tan	70	Female	Filipino	Executive Director	Aug 28, 2013
Kendrick Andrew L. Tan	41	Male	Filipino	Executive Director	Aug 28, 2013
Kevin Andrew L. Tan	42	Male	Filipino	Non-Exec Director	Oct 04, 2017
Enrique M. Soriano III	54	Male	Filipino	Independent Director	May 16, 2016
Jesli A. Lapus	72	Male	Filipino	Independent Director	May 17, 2021

The table below sets forth the Company's executive officers as of 31 March 2022:

Name	Age	Gender	Citizenship	Position
Winston S. Co	64	Male	Filipino	President and Chief Executive Officer
Katherine L. Tan	70	Female	Filipino	Treasurer
Kendrick Andrew L. Tan	41	Male	Filipino	Executive Director
Enrique M. Soriano III	54	Male	Filipino	Lead Independent Director
Dina D.R. Inting	62	Female	Filipino	Chief Financial Officer, Compliance Officer, and Corporate Information Officer
Anna Michelle T. Llovido	43	Female	Filipino	Corporate Secretary

Andrew L. Tan
Chairman of the Board

Mr. Tan was first elected as Director and Chairman of the Board on August 28, 2013. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc.	Chairman of the Board	Sep 2006	June 2021	15
	Chief Executive Officer	Sep 2006	Sep 2017	11
	Vice Chairman of the Board	Aug 2003	Sep 2006	3
Megaworld Corporation	Chairman and President	Aug 1989	June 2021	32
Global-Estate Resorts, Inc. (subsidiary of Megaworld)	Chairman	Jan 2011	June 2021	10
Empire East Land Holdings, Inc. (subsidiary of Megaworld)	Chairman	July 1994	June 2021	27

He is also the Chairman of Emperador Distillers, Inc. since its incorporation in 2003. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Mr. Tan is concurrently the Chairman of the Board and President of Progreen Agricorp, Inc., Zabana Rum Company, Inc., Megaworld Land, Inc., Megaworld Globus Asia, Inc., Mactan Oceanview Properties and Holdings, Inc., Richmonde Hotel Group International Limited, The Bar Beverage, Inc. and Yorkshire Holdings, Inc. He is also the Chairman of Megaworld Newport Property Holdings, Inc., Alliance Global Group Cayman Islands, Inc., Alliance Global Brands, Inc., Suntrust Properties, Inc., Adams Properties, Inc., Cocos Vodka Distillers Philippines, Inc., Consolidated Distillers of the Far East, Inc., and Townsquare Development, Inc. He is the Chairman and Treasurer of The Andresons Group, Incorporated and sits in the boards of Infracorp Development, Inc., Eastwood Cyber One Corporation, Megaworld Cayman Islands, Inc., Megaworld Cebu Properties, Inc., Gilmore Property Marketing Associates, Inc., Megaworld Central Properties, Inc., Fairways & Bluewater Resort Golf & Country Club, Inc., Twin Lakes Corporation, Anglo Watsons Glass, Inc., Alcazar De Bana Holdings Company, Inc., and Raffles & Company, Inc. He is also the Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation and a Director and Treasurer of Andresons Global, Inc. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration and was conferred Doctor of Philosophy in Humanities (Honoris Causa) in 2011 by the same university.

Winston S. Co
Director, President and CEO

Mr. Co was first elected as Director and President on 28 August 2013. He holds position in the following listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc. (the parent company)	Director	June 1998	June 2021	23
	Vice Chairman	Nov 1999	Aug 2003	4
	Chairman	June 1998	Oct 1999	1

He is also a Director and President of Emperador Distillers, Inc. since 2007. His field of expertise is in finance and marketing of consumer products. He is concurrently Chairman and President of New Town Land Partners, Inc.; Chairman of Anglo Watsons Glass, Inc.; President of Cocos Vodka Distillers Philippines, Inc., Director and President of Alliance Global Brands, Inc., Director and Treasurer of Raffles & Company, Incorporated; Director of The Bar Beverage, Inc.; and Senior Vice President of The Andresons Group, Incorporated. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

Katherine L. Tan
Director and Treasurer

Ms. Tan was first elected as Director and Treasurer on 28 August 2013. She holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc. (the parent company)	Director and Treasurer	Feb 2007	June 2021	14
Megaworld Corporation	Director	Aug 1989	June 2021	32
	Treasurer	Aug 1989	June 1995	6

She is a Director and Treasurer of Emperador Distillers, Inc. since 2003, and of Alliance Global Brands, Inc., Yorkshire Holdings, Inc., Emperador Brandy, Inc., Progreen Agricorp, Inc., Cocos Vodka Distillers Philippines, Inc., and Zabana Rum Company, Inc. She is concurrently Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc.; Director and President of The Andresons Group, Incorporated, Consolidated Distillers of the Far East, Inc., and Raffles & Company, Inc.; Director and Corporate Secretary of The Bar Beverage, Inc., and Director of Anglo Watsons Glass, Inc., and Alcazar De Bana Holdings Company, Inc. Mrs. Tan graduated from St. Scholastica's College with a degree in Nutrition.

Kendrick Andrew L. Tan
Director

Mr. Tan was first elected as Director on 28 August 2013. He is the Corporate Secretary and Executive Director of Emperador Distillers, Inc., and also its Vice President for New Product & Innovation and the Head for Research & Development. He is concurrently Director and Treasurer of Anglo Watsons Glass, Inc. and Consolidated Distillers of the Far East, Inc.; Director and Corporate Secretary of Progreen Agricorp, Inc. and Emperador Brandy, Inc.; and Director of The Bar Beverage, Inc., The Andresons Group, Incorporated, Yorkshire Holdings, Inc., Andresons Global, Inc., Cocos Vodka Distillers Philippines, Inc., and Zabana Rum Company, Inc. Mr. Tan graduated from Southern New Hampshire University with a degree in Bachelor of Science in Accountancy.

Kevin Andrew L. Tan
Director

Mr. Tan, was elected as Director on 04 October 2017. He holds position in the following other listed companies:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Alliance Global Group, Inc.	Chief Executive Officer	June 2018	June 2021	3
	Vice Chairman	Sept 2018	June 2021	3
	Director	April 2012	June 2021	9
	Executive Director	Sept 2016	Sept 2017	1
Megaworld Corporation	Executive Vice President and Chief Strategy Officer	Nov 2018	June 2021	3
MREIT, Inc.	President and CEO	Oct 2020	May 2021	1
Global-Estate Resorts, Inc.	Director	June 2014	June 2021	7
Empire East Land Holdings, Inc.	Director	June 2015	June 2021	6

Mr. Tan has over 11 years of experience in retail leasing, marketing and operations. Prior to being the Executive Vice President and Chief Strategy Officer of Megaworld Corporation where he is in charge of developing corporate strategies, expansion and new opportunities as well as investor and stakeholder relations, he was the head of the Commercial Division which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill, Burgos Circle at Forbestown Center, and Uptown Mall, all in Fort Bonifacio, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. He is the Chairman and CEO of Agile Digital Ventures, Inc., Chairman and President of Infracorp Development, Inc., Director and President of Townsquare Development, Inc., Director and Corporate Secretary of Alliance Global Brands, Inc., Director and Treasurer of Consolidated Distillers of the Far East, Inc. and Uptown Cinemas, Inc., Executive Director of Megaworld Foundation, Inc., and Director of Emperador Distillers, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., New Town Land Partners, Inc., Eastwood Cyber One Corporation, Twin Lakes Corporation, Alcazar De Bana Holdings Company, Inc., Cocos Vodka Distillers Philippines, Inc., Zabana Rum Company, Inc., and The Andresons Group Incorporated. He holds a degree in Bachelor of Arts Major in Humanities with Professional Certificate in Management from the University of Asia and the Pacific.

[Note: The tenure of an independent director is set to a cumulative term of nine years. Independent directors (IDs) who have served for nine years may continue as a non-independent director of the company. Reckoning of the cumulative nine-year term is from 2012, in connection with SEC Memorandum Circular No. 04, Series of 2017.]

Enrique M. Soriano III
Independent Director

Mr. Soriano was first elected as Independent Director of the Company on May 16, 2016. He is also an Independent Director of MREIT Fund Managers, Inc. and Travellers International Hotel Group, Inc. He is currently the Executive Director of the Wong + Bernstein Group, an Asia Pacific based Strategic Advisory Firm that specializes on Family Governance and Next Generation Leadership. He is also a Senior Advisor at Family in Business Strategic Group, and a Senior Fellow on Governance at the IPMI International Business School in Jakarta. He also sits as a Director and/or Board advisor to 25 UHNW (ultra-high net worth families) in the ASEAN region. He is also a Columnist and Book Author.

He is a former World Bank/ International Finance Corporation Governance Consultant, Dean of Education at the Manual L. Quezon University, Senior Professor of Service and Global Marketing at the Ateneo Graduate School of Business, and Country President of Electronic Realty Associates (ERA Philippines.). His advocacy related to Real Estate Innovation, Strategic Management and Corporate Governance has made him a sought-after Senior Advisor to family owned businesses in Asia and resource speaker in international conferences in the US, Canada, UK, ASEAN and Africa. Due to his strategic advocacies, he has been recognized and invited to lecture and deliver talks at dozens of universities in Asia and North America, notably Harvard University and University of San Francisco. He writes a business column in several Philippine newspapers, in the US and a couple of business magazines in the EU and the Middle East. He is currently finishing his third book on Family Governance and Succession following his bestselling book entitled “Ensuring the Family Business Legacy: Powerful Insights About Leadership and Succession.”

He holds a B.A. in History, minor in Economics degree from the University of the Philippines, an MBA from De La Salle University, Doctorate Units at the UP National College of Public Administration and has an Executive Diploma in Directorships at the Singapore Management University. He also pursued Post Graduate Education specializing on Behavioral Finance at Harvard Kennedy School of Government and at the National University of Singapore Business School focusing on Asian Family Businesses. He was conferred Certified Professional Marketer by the Marketing Institute of the Philippines in 2016.

Jesli A. Lapus
Independent Director

Dr. Lapus has served as Independent Director since May 2021. He holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/ Years
Alliance Global Group, Inc.	Independent Director	June 2021	June 2021	1

Dr. Lapus is currently Chairman and Independent Director of STI Education Services Group, Inc. since 2013 and Chairman of LSERV Corporation since 2012. He is Independent Director of Information and Technology Academy (iAcademy) since 2010, Philippine Life Financial Assurance Corporation since 2012 and STI Education Systems Holdings, Inc. since 2013. He is also an Advisor of Radiowealth Finance Company, Inc. He is a former Chairman of the Board of Investments, Philippine Exports Zone Authority, National Development Corporation, Export Development Council, Export Development Council, Micro, Medium and Small Enterprises Council (MSMED), Summer Institute of Linguistics (SIL) and Manila Tytana Colleges. He is a former Board Member of Metrobank, Land Bank of the Philippines, Philippine Airlines, Meralco, and Union Bank of the Philippines; former Governor/Trustee of the Asian

Institute of Management, Management Association of the Philippines, and Bankers Association of the Philippines; and former Advisor of Philplans First, Inc.

As a top executive in the private sector, he has successfully managed celebrated firms and a universal bank in attaining industry leadership. As the youngest President and CEO of the Landbank of the Philippines at 42 years old, Lapus steered the bank from number 18 to become the 3rd biggest in the banking industry. As the first Filipino and the youngest Managing Director of the German multinational company Triumph International (Phils.), Inc. from 1979-1985, he led it to become the biggest manufacturing operation of its kind in the world making it a top Philippine exporter and employer. At 23, he was the Chief Finance Officer (CFO) of the Ramcar Group where he engineered mergers and acquisitions which established Ramcar as the undisputed market leader in the country. At age 20, he was Auditor-in-Charge and Management Consultant at SGV & Co., CPA's (1969-1973).

Dr. Lapus has the distinction of having served in the cabinets of three (3) Philippine Presidents in the following capacities: Secretary of the Department of Trade and Industry, Secretary of the Department of Education, President and CEO of The Land Bank of the Philippines, and Undersecretary of the Department of Agrarian Reform. He had been elected member of the Philippine Congress for three consecutive terms in 1998-2007 where he spearheaded many famous legislation such as the 2005 Fiscal Reform Measures (EVAT, Sin Taxes, Tax Amnesty and Attrition Law).

Dr. Lapus has been elected by the 180-country international organization, the United Nations Educational and Scientific Council (UNESCO) in Paris, France as a member of its Executive Board. He also served as the President of the South East Asian Ministers of Education Council (SEAMEO).

Dr. Lapus received his Doctor of Public Administration (Honoris Causa) from the Polytechnic University of the Philippines and his Master in Business Management from the Asian Institute of Management and is a Certified Public Accountant. He also pursued his Post Graduate Studies in Investment Appraisal and Management from Harvard University, USA; Management of Transfer of Technology from INSEAD, France; Project Management from BITS, Sweden; Personal Financial Planning from UCLA, USA; and Cursos Internacionales from the Universidad de Salamanca, Spain.

Dina D.R. Inting
Chief Financial Officer, Corporate Information Officer and Compliance Officer

Ms. Inting was first elected as Compliance Officer and Corporate Information Officer on 28 August 2013. She holds position in the following other listed company:

Listed Company	Position	Date First Appointed/ Elected	Date Last Appoint/Elected	No. of Terms/ Years
Alliance Global Group, Inc.	Chief Financial Officer (Principal Financial Officer)	January 1995	June 2021	26
	Compliance Officer	August 2005	June 2021	16
	Corporate Information Officer	August 2002	June 2021	19

She is currently director of Progreen Agricorp, Inc. She gained an extensive experience in the fields of audit, comptrollership, treasury, finance, branch operations and personnel management from her previous employments. She is a Cum Laude graduate of Bachelor of Science in Commerce major in Accounting, Honors Program, at the Philippine College of Commerce (Polytechnic University of the Philippines), holds a certificate in Organizational Development from the Ateneo de Manila University, and is a Certified Public Accountant.

Anna Michelle T. Llovido
Corporate Secretary

Ms. Llovido was first elected as Assistant Corporate Secretary on 20 May 2019 until her appointment as Corporate Secretary on April 30, 2020. She holds position in the following other listed company:

Listed Company	Position	Date First Elected	Date Last Elected	No. of Term/Years
Megaworld Corporation	Corporate Secretary	August 2014	June 2021	7

Ms. Llovido concurrently serves as Senior Corporate Legal Counsel of Emperador Distillers, Inc. She is an experienced in-house counsel with 16 years of practice in mergers and acquisitions, financing, regulatory compliance, transactional contracts negotiation, data privacy, litigation, labor and intellectual property law. She is the data protection officer of Emperador Inc. and Emperador Distillers, Inc.

Prior to her employment in Emperador Distillers, Inc., Ms. Llovido was a Manager at Reeves & Associates International Corporation and was charged with the management of its Philippine representative office. She also served as Legal Counsel to Transnational Diversified Group, Inc. from May 2008 to September 2009 where she serviced the legal requirements of over 30 companies engaged in total logistics, ship management, air and travel services, and information and communications technology. She was an Associate Lawyer at Tantoco Villanueva De Guzman & Llamas law offices from April 2006 to April 2008. Ms. Llovido obtained her bachelor's degrees in Laws in 2004 and Hotel and Restaurant Management in 1999 from the University of Santo Tomas.

The Corporate Governance Committee and Independent Directors

SRC Rule 38 and the Company's Revised Manual on Corporate Governance provides that the nomination and election of independent directors shall be conducted in accordance with the following rules:

1. Nomination of independent directors shall be conducted by the Corporate Governance Committee prior to a stockholders' meeting. All recommendations shall be signed by nominating stockholders and shall bear the conformity of the nominees.
2. The Corporate Governance Committee shall pre-screen the nominees and prepare a final list of candidates.
3. The final list of candidates shall contain the business and/or professional experience of the nominees for independent directors, which list shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Company is required to submit to the Commission. The name of the person or group of persons who recommended the nominees for independent directors shall be identified in such report including any relationship to the nominees.
4. Only nominees whose names appear in the final list of candidates shall be eligible for election as independent directors. No other nominations 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.
5. The conduct of the election of independent directors shall be made in accordance with the standard election procedures of the Company in its By-laws, subject to pertinent laws, rules and regulations of the Commission.
6. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent directors. He shall ensure those independent directors are elected during the stockholders' meeting.
7. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy.

The Company complies with The Securities and Regulation Code and its Amended Implementing Rules and Regulations and with the Revised Manual on Corporate Governance and has at least two (2) independent directors in its Board of Directors, who are each independent of management and free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director in the Company. An independent director should have at least one (1) share of the Company's common stock, a college graduate or has been engaged or exposed to the business for at least five (5) years, and possesses integrity/probity and assiduousness. Pursuant to SEC Memorandum Circular 19, Series of 2016, the Board's independent directors should serve for a maximum cumulative term of nine years. After which, the independent director should be perpetually barred from re-election as such in the same company, but may continue to qualify for nomination and election as a non-independent director. In the instance that the company wants to retain an independent director who has served for nine years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual stockholders' meeting. Reckoning of the cumulative nine-year term is from 2012, in connection with the SEC Memorandum Circular 9-2011. Any term beyond nine years for an Independent Director is subjected to particularly rigorous review, taking into account the need for progressive change in the Board to ensure an appropriate balance of skills and experience. However, shareholders may, in exceptional cases, choose to re-elect an independent director who has served for nine years. In such instances, the Board must provide a meritorious justification for the re-election.

Nominees
Directors are elected annually by the stockholders at the annual stockholders' meeting to serve until the election and qualification of their successors. The Corporate Governance Committee composed of Enrique M. Soriano III as Chairman and Jesli A. Lapus and Kendrick Andrew L. Tan as members accept nominees to the Board of Directors, including nominees for independent directors.

The Committee is responsible for screening and qualifying the list of nominees. The following is the complete and final list of nominees for members of the Board of Directors:

1. Andrew L. Tan
2. Winston S. Co
3. Katherine L. Tan
4. Kendrick Andrew L. Tan
5. Kevin Andrew L. Tan
6. Enrique M. Soriano III – Independent Director
7. Jesli A. Lapus - Independent Director

Mr. Kevin Andrew L. Tan nominated the incumbent Independent Director Mr. Jesli A. Lapus as Independent Director, while Mr. Winston S. Co nominated the incumbent Independent Director, Mr. Enrique M. Soriano III, for another term. Messrs. Tan, Co, Soriano III, and Lapus are not related by consanguinity or affinity up to the fourth civil degree.

The above disclosures on the business experience of the named directors, officers, and nominees, all cover the past five (5) years.

Disagreements with the Company
No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting because of a disagreement with the Company on any matter relating to the Company's operations, policies or practices.

Significant Employees
While the Company values its workforce, the business of the Company is not highly dependent on the services of personnel outside of Senior Management.

Family Relationships
Chairman Andrew L. Tan is married to Director and Treasurer Katherine L. Tan while their sons, Kendrick Andrew L. Tan and Kevin Andrew L. Tan, are also Directors. Kendrick is currently serving as director of Anglo Watsons Glass, Inc. and Executive Director and Corporate Secretary of EDI. Kevin is currently serving as Director of other listed companies: Alliance Global Group, Inc. (where he is the

Vice-Chairman and CEO), Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc, and EVP and CSO of Megaworld Corporation.

Involvement in Legal Proceedings
The Company is not aware of the occurrence during the past five (5) years up to the date hereof of any of the following events that are material to an evaluation of the ability or integrity of any director, any nominee for election as director, or executive officer:

1. Any bankruptcy petition filed by or against any business of a director, nominee for election as director, or executive officer who was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;

2. Any conviction by final judgment in a criminal proceeding, domestic or foreign, or a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;

3. Any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and

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

Certain Relationships and Related Transactions

Except for the material related party transactions described in the notes to the consolidated financial statements of the Company for the years 2021 and 2020 (*please see as filed in here*), there has been no material transaction during the last two years, nor is there any material transaction currently proposed, to which the Company was or is to be a party, in which any director or executive officer, any nominee for election as director, stockholder of ten percent (10%) or more of the Company's voting shares, and any member of the immediate family (including spouse, parents, children, siblings, and in-laws) of any such director or officer or stockholder of ten percent (10%) or more of the Company's voting shares had or is to have a direct or indirect material interest.

Item 6. Compensation of Directors and Executive Officers

The following table identifies the Company's Chief Executive Officer and the four most highly compensated executive officers and summarize their aggregate annual compensation in the last two completed years and the estimated aggregate compensation for the ensuing year. Such compensation is received from EDI and none from the Company.

	Name and principal position	**Year**	**Salary (P) '000**	**Bonus (P)**	**Other Annual Compensation**
CEO	Winston S. Co, President				
A	Katherine L. Tan, Treasurer				
B	Kendrick Andrew L. Tan, Executive Director				
C	Glenn Manlapaz, Director for Asia and the Pacific				
D	Edwin Jaranilla, VP-Production				
	Total - President and four most highly compensated executive officer	2020 2021 2022 (estimate)	28,172 29,367 31,478		None None None

The following table identifies the compensation of each of the Board of Directors:

	Name of Director	Per Diem 2020 (P) ’000	Per Diem 2021 (P) ’000	Per Diem 2022 (P) ’000 (estimate)	
1	Andrew L. Tan, Chairman	75	75	75	
2	Winston S. Co, Director	75	75	75	
3	Katherine L. Tan, Director	75	75	75	
4	Kendrick Andrew L. Tan, Director	75	75	75	
5	Kevin Andrew L. Tan, Director	75	75	75	
6	Enrique M. Soriano III, Independent	75	390	285	
7	Jesli A. Lapus, Independent Director	75	360	285	
[1to7]	Total – Directors’ Per Diem	525	1,125	945	

The Company’s By-Laws stipulates that, except for reasonable per diem, directors, as such, are entitled to receive only such compensation as may be granted to them upon the recommendation of the Corporate Governance Committee and subsequent approval by vote of stockholders representing at least a majority of outstanding capital stock at a regular or special meeting of stockholders. In no case shall the total yearly compensation of directors, as such, exceed 10% of the net income before tax of the Corporation for the preceding year. In the last two completed years, directors received per diem only from the Company.

Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer, that results or will result from the resignation, retirement or any other termination of such executive’s employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officer’s responsibilities following a change-in-control and amount involved, including all periodic payments or installments, exceeds P2.5 million.

Warrants and Options Outstanding held by Directors or Officers

On December 15, 2014, stockholders holding more than 2/3 of the subscribed and outstanding capital stock of the Company approved an Employee Stock Option Plan (the “Plan”) for qualified employees of the Company and its subsidiaries. On August 17, 2021, the BOD approved an Amended Plan which provided certain amendments.

Under the Plan, and Amended Plan, stock options may be granted within ten (10) years from the approval of the Plan by stockholders of the Company owning at least 2/3 of its outstanding capital stock. The exercise price shall be at most a 15% discount from the volume weighted average closing price (“VWAP”) of the Company’s common shares for the nine months immediately preceding the date of grant; and, for the first batch of options granted, the exercise price shall be at P7.00/share. The Company shall reserve up to 1,000,000,000 common shares representing 5% of the authorized capital stock for issuance pursuant to the Plan.

The Plan shall be administered by the Corporate Governance Committee of the Board, which shall determine the eligible participants of the Plan for a particular calendar year as well as the number of shares to be covered by each option so granted, taking into consideration their position and responsibilities, nature and value of their services and accomplishments, and their present and potential contribution to the success of the Company and subsidiaries, and such other factors as the Committee may deem relevant.

The purpose of the Plan is to enable qualified employees of the Company and subsidiaries to participate in the growth of the group, thereby encouraging long-term commitment and to encourage senior management to develop and train future leaders that will continue business growth and success of the group.

The stock options shall generally vest on the 60th birthday or the date of retirement of the option holder (“Option Holder” or “grantee’) provided that the Option Holder has continuously served for 11 years after the Option Offer Date or 3 years for Option Holder who has continuously served for at least 20 years before the Option Offer Date, and may be exercised within 5 years from vesting date, subject to the terms and conditions of the Amended Plan.

On November 6, 2015, stock options were granted to qualified employees giving them the right to subscribe to a total of 118 million common shares of the Company at the exercise price of P7.00 per share.

On March 15 and August 25, 2021, stock options were granted to qualified employees to subscribe to 20 million and 55 million common shares of the Company at an exercise price of P10.10 and P10.65 per share, respectively.

No stock options have vested nor exercised as of December 31, 2021.

Item 7. Independent Public Accountants

Punongbayan&Araullo (“P&A”) is the recommended principal auditor for 2022. It audited the Company’s consolidated financial statements for the years 2013 to 2021. In compliance with SEC Rule 68 paragraph 3 (b) (iv) (Rotation of External Auditors), and as adopted by the Company, external auditors or engagement partners are rotated or changed every five years. Mr. Romualdo V. Murcia III is the lead engagement partner for 2017-2021.

Representatives of Punongbayan & Araullo are expected to be present at the Meeting. They will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

External audit fees and services

The combined fees billed by P&A for the audit of the 2021 and 2020 annual financial statements of the Company and its subsidiaries, excluding out-of-pocket expenses, totaled P5.6 million and P5.5 million, respectively. The services are those normally provided in connection with statutory and regulatory filings or engagements.

Tax fees and all other fees

In 2021, P&A was engaged to review the interim consolidated financial statements as of June 30 and September 30, 2021 and for the interim periods so ended in 2021 and 2020, for which P&A separately billed a total of P6.0 million. It was also engaged to make a tax study relating to its potential listing in Singapore Stock Exchange for which it has billed P0.7 million. There were no similar services in 2020.

Approval of services

The above services have been approved by the Audit Committee through the internal policies and procedures of approval. The Audit Committee is composed of Enrique M. Soriano III as Chairman and Jesli A. Lapus and Andrew L. Tan as members. The auditors’ appointments were endorsed to and approved by the Board of Directors, and then by the stockholders at the annual stockholders’ meetings.

Changes in and disagreements with accountants on accounting and financial disclosure

P&A issued an unqualified opinion on the consolidated financial statements. There are no disagreements with them on any matter of accounting principles or practices, financial statement disclosures, and auditing scope or procedure which, if not resolved would have caused the auditors to make reference thereto in its reports.

Information Incorporated by Reference

Financial Statements of the Company and its subsidiaries as of 31 December 2021 as well as the Management's Discussion and Analysis of Operations and Financial Condition for the corresponding periods are included in the Company's Management Report and are incorporated herein by reference.

C. OTHER MATTERS

Item 8. Action with Respect to Reports

The minutes of the Annual Meeting of Stockholders held on 17 May 2021, attached herewith as Annex "B", will be submitted to the stockholders for approval. The Minutes refer to the adoption of stockholder's resolutions pertaining to the following matters: approval of Minutes of the Annual Stockholders' Meeting held on 20 August 2020; appointment of independent auditors; ratification of acts and resolutions of the Board of Directors, Board Committees, and Officers; and election of directors.

The approval or disapproval of the Minutes will constitute merely an approval or disapproval of the correctness of the minutes but will not constitute an approval or disapproval of the matters referred to in the Minutes.

The approval by the Board of the application for secondary listing of its common shares with the Singapore Exchange Securities Trading Limited (the "SGX-ST") will also be ratified. The Company is applying to list in SGX-ST and the purpose of the application is for the listing and quotation of all of EMP's issued shares, the shares which may be issued upon exercise of options granted and to be granted under the Employee Stock Option Plan, on the Main Board of the SGX-ST by way of a secondary listing. The Company has obtained on April 13, 2022 from the SGX-ST a conditional eligibility-to-list ("ETL") for its proposed secondary listing by way of introduction (the "Secondary Listing") on the Main Board of the SGX.

The ETL is subject to fulfilment of certain conditions, including the submission of certain confirmations and undertakings by the Company to the SGX-ST. The receipt of the ETL is one of the requirements which has to be met in order for the Company to proceed with the Secondary Listing. The Secondary Listing is also subject to, inter alia, the prevailing market conditions. The eligibility to list from the SGX, which is subject to various conditions, will facilitate the Company's secondary listing on the SGX-ST, and the trading of its shares on the SGX. The Company has not made a decision on when the secondary listing is to occur and will provide an update in due course.

In connection with the Company's secondary listing on the SGX-ST, the Company currently does not anticipate making an offer to the public in Singapore that will require a prospectus to be lodged with and registered with the MAS. Accordingly, MAS' approval has not been sought for the lodgement and registration of such a prospectus.

Item 9. Other Proposed Action

Ratification of Acts and Resolutions of the Board of Directors,
Board Committees and Officers

The stockholders will be asked to ratify all acts and resolutions of the Board of Directors, Board Committees, and of Management adopted and taken during the period up to the date of the Meeting. These include, among others, the internal procedures for participation in meetings and voting through remote communication or *in absentia*, the appointment of officers in the corporation, opening and maintenance of bank accounts and other bank transactions, approval and issuance of financial statements, declaration of cash dividends, approval of amendments on Employee Stock Option Plan (ESOP), approval of filing an application for secondary listing with the Singapore Stock Exchange, appointment of proxies and nominees, designation of authorized contract signatories and representatives, appointment of attorneys-in-fact, matters covered by disclosures to the Securities and Exchange Commission and the Philippine Stock Exchange, approval of agreements, projects, investments, financing, and treasury-related matters in the ordinary course of business of the Company, and other similar activities of the Company. 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.

Item 10. Voting Procedures

Vote Required

In the election of directors, the seven (7) nominees garnering the highest number of votes will be elected as members of the board of directors, provided that there shall always be elected at least two (2) independent directors in the Company's board of directors.

For all the other matters proposed to be acted upon, the vote of a majority of the outstanding capital stock will be required for approval.

Method of Counting of Votes

Each holder of common share will be entitled to one (1) vote with respect to all matters to be taken up during the Meeting; provided, that in the election of directors, each stockholder may vote such number of shares for as many persons as there are directors to be elected or may cumulate said shares and give one nominee as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many nominees as he shall see fit; provided further, that the total number of votes cast by him shall not exceed the number of shares owned by him multiplied by the number of directors to be elected.

There will be seven (7) persons to be elected to the Company's board of directors, including at least two (2) independent directors. In the event that the number of nominees to the board of directors exceeds the number of board seats, voting shall be done by ballot. However, if the number of nominees to the board of directors does not exceed the number of board seats, voting will be done by a show of hands. Election inspectors duly appointed during the meeting shall be responsible for counting the number of votes, subject to validation by representatives of Punongbayan & Araullo, the Company's external auditors.

The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D.R. Inting, Chief Financial Officer and Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: 25 April 2022

EMPERADOR INC.

By:

DINA D.R. INTING
Chief Financial Officer, Corporate Information Officer and Compliance Officer

MANAGEMENT REPORT
AS REQUIRED BY SRC RULE 20

1. BUSINESS

BUSINESS DEVELOPMENT

EMPERADOR INC. ("**the Company**" or "**EMP**" or "**Emperador**") is a holding company which operates an integrated global business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines, United Kingdom, Spain and Mexico through its subsidiaries.

At present, EMP and its subsidiaries (collectively referred to as "**the Group**") has a wide range of products in its portfolio across multiple price segments – from value to luxury – and an international reach to at least 102 countries. The Group's brandy and Scotch Whisky portfolios include some of the oldest and best-recognized brands in the world, including brands with centuries-old legacies.

The Group belongs under the umbrella of **Alliance Global Group, Inc.** ("**AGI**"), the ultimate holding company. The Group has acclaimed renown as the world's largest brandy producer, leading the brandy segment in the Philippines and Spain, and the world's fifth largest Scotch whisky producer *(Scotch Whisky Industry Review 2020)*.

Emperador has established its identity in the Philippine alcoholic beverages business as producer of high-quality liquor and innovative products – predominated by its own brand 'Emperador Brandy' which was introduced in 1990 through **Emperador Distillers, Inc.** ("**EDI**"), the Philippines' largest liquor company and the world's largest brandy producer. This strong presence was further fortified by ensuing offshore acquisitions.

EMP has enriched its heritage through the acquisition of century-old businesses in Jerez, Spain, known as the world capital of sherry wine and home of the Brandy De Jerez, and in Scotland, United Kingdom, home of Scotch whisky, which themselves were acclaimed as being the first and oldest facility in Spain and the fifth largest Scotch whisky manufacturer in the world.

The Company was originally incorporated under the name of Touch Solutions, Inc. ("TSI") in the Philippines on November 26, 2001 and first listed its shares on December 19, 2011 under the symbol "TSI". On August 28, September 16 and September 27, 2013, the Board of Directors ("**BOD**"), stockholders and Philippine Securities and Exchange Commission ("SEC'') respectively approved the change in corporate name to **Emperador Inc.** The Company's shares are presently traded in the Philippine Stock Exchange ("**PSE**") under the symbol "EMP".

It was in 2013 that the Company transformed into a holding company and increased its capitalization base to P20 billion. In a series of transactions in August and September 2013, AGI acquired majority control (88% ownership interest in the Company at that time) and the Company concurrently acquired 100% ownership in EDI from AGI. The Company thus became a subsidiary of AGI and the immediate parent of EDI (see Note 24.1 to the Consolidated Financial Statements). As of December 31, 2021, AGI directly holds 85% ownership interest in the Company.

On October 31, 2014, Emperador through its indirect wholly-owned subsidiary, **Emperador UK Limited** ("**EUK**"), completed a deal signed on May 9, 2014, for the acquisition of the entire issued share capital of **Whyte and Mackay Group Limited** ("**WMG**" or "**Whyte and Mackay**") from United Spirits (Great Britain) Limited, an indirect wholly-owned subsidiary of United Spirits Limited ("USL"), at an enterprise value of £430 million. Emperador took the reins from the world's liquor giants - USL of India (the world's largest spirits company by volume) which was forced to put Whyte and Mackay up on sale because of UK anti-trust concerns, when London-based Diageo Plc (the world's leading premium drinks manufacturer) gained controlling interest in USL.

On December 4, 2014, with the completion of the Whyte and Mackay acquisition as a condition precedent to its entry, Singapore sovereign wealth fund **GIC Private Ltd**. ("**GIC**"), through its private equity arm, **Arran Investment Pte. Ltd.** ("**Arran**") initially invested P17.6 billion in the Company split into 70%-equity and 30%-equity-linked securities ("**ELS**"), which is convertible to equity between 2 to 7 years. Through this initial investment, Arran acquired 7% ownership interest in EMP and AGI's interest was diluted to 81%. In 2017, additional new shares were issued to Arran in consideration for the three-year accrued interest on the ELS. On February 5, 2020, Arran partly converted a portion of its ELS into EMP shares ("Tranche 1 Shares") which EMP issued from its treasury. On December 3, 2021, Arran elected to exercise its conversion right in respect of the remaining balance of the ELS ("Tranche 2 Shares"). The Company was given an initial period until 28 February 2022 to issue the Tranche 2 Shares, the period was later modified to May 15, 2022. As of December 31, 2021, Arran owns 9% in EMP through these shares.

On February 29, 2016, EMP, through its indirect wholly-owned subsidiary **Bodegas Fundador S.L.U.** ("**Bodegas Fundador**"), acquired Beam Suntory's Spanish brandy and sherry business in Jerez de la Frontera, the brandy capital of Spain. The purchase included the iconic brands of 'Fundador', the Philippines' best-selling premium imported brandy; 'Terry Centenario', Spain's number one selling brandy; 'Tres Cepas', the number one brandy in Equatorial Guinea; and 'Harveys', the number one selling sherry wine in the United Kingdom. The all-cash offer was agreed at a value of €275 million. It also included production facilities, ageing cellars, vineyards and blending and bottling facilities. The completion of the purchase marked the birth of the world's biggest brandy company, and a new era began not only for Emperador and Fundador but for the whole brandy and sherry industry in Spain.

On December 1, 2016, **Bodega Las Copas S.L**. ("**BLC**"), a joint-venture company of Grupo Emperador Spain S.A.U. ("**GES**") and **Gonzalez Byass, S.A.** ("**Gonzalez Byass**"), signed an agreement to acquire the Domecq brandy and wine trademarks and related assets from the Mexican and Spanish subsidiaries of Pernod Ricard S.A. plus the Domecq inventories. The transaction included the Domecq brand portfolio of Mexican brandies 'Don Pedro', 'Presidente' (the first Mexican brandy) and 'Azteca de Oro'; and 'Domecq' and 'Brandy Domecq' brands for Brazil and Colombia (collectively, "**Domecq brand portfolio**") as well as the winery related to the production of Mexican wines in Ensenada, Mexico, together with the relevant inventories related to the Domecq brands in markets, including Spain, the US, Belgium and the Netherlands. On March 30, 2017, BLC, and the Mexican subsidiaries **Pedro Domecq S.A. de C.V.** and **Bodega Domecq S.A. de C.V.,** completed the sale transaction for €81 million.

On December 20, 2017, with the aim of streamlining the group's structure and obtaining the greatest efficiency, GES and Gonzalez Byass approved the restructuring of BLC. This allowed the economic and organizational differentiation of the different lines of business by transferring the Domecq brand portfolio to a newly incorporated company, **Domecq Bodega Las Copas S.L.** ("**Domecq BLC")**, effective September 1, 2017. The restructuring was implemented by means of, on the one hand, the partial spin-off of BLC, under which BLC transferred to Domecq BLC the majority stake in the Mexican company Pedro Domecq S.A. de C.V., and on the other hand, the acquisition by Domecq BLC of the majority stakes in two other Mexican companies, **Gonzalez Byass de Mexico S.A. de C.V**. *(now known as* **Domecq Distribucion de Bebidas SA de CV)** and Bodega Domecq S.A. de C.V., and of the Domecq brand portfolio worldwide. In 2019, Pedro Domecq S.A. de C.V. absorbed Bodega Domecq S.A. de CV, due to synergies of merging both companies. In 2021, Pedro Domecq, S.A. de C.V. merged with Domecq Distribución de Bebidas, S.A. de C.V. to maximize the synergies for both companies.

For its part, BLC keeps its main activities - planting, cultivation and exploitation of vineyards in order to produce grapes for distillation, and manufacture, storage, distribution, sale of wine spirits, liquors, spirits and similar – which are developed throughout its Spanish fully owned subsidiaries **Alcoholera de la Mancha Vinícola, S.A.U.** ("**Alcomasa**") and **Viñedos del Río Tajo, S.L.U.** ("**Viñedos**"), and the remaining stakes in the Mexican companies referred to above.

SUBSIDIARIES

EDI

EDI is the leading brandy manufacturer and distributor in the Philippines, and the largest brandy producer in the world.

It was incorporated on June 6, 2003 and it acquired the brandy manufacturing assets and related brands led by 'Emperador' Brandy, from Consolidated Distillers of the Far East, Inc. ("**Condis**") in January 2007. AGI subsequently acquired full ownership of EDI from **The Andresons Group, Inc.**

(‘’**TAGI**’’) and the Tan Family in February 2007. In the second half of 2013, AGI transferred its full ownership in EDI to EMP. This acquisition of EDI by EMP is accounted for similar to a reverse acquisition of a non-operating shell company, wherein the legal subsidiary, which is EDI, is deemed as the acquirer and the legal parent, which is the Company, is deemed as the acquired. Thus, the consolidated financial statements prior to the acquisition date have been prepared as a continuation of the consolidated financial statements of EDI and its subsidiaries (collectively referred to as “**EDI Group**”), except for the capital structure which represent that of the Company.

In 1990, EDI launched ‘Emperador Brandy’, the Company’s first brandy label, in the Philippines. Since that time the ‘Emperador’ brand has become the number one brandy in the Philippines and in the world based on volume according to the 2020 IWSR. The Company continues to innovate its Emperador brand offerings.

In April 2009, EDI launched flavored vodka and gin beverages under ‘The BaR’ brand. ‘The BaR’ became the first flavored vodka and gin products manufactured by a Philippine company. In the third quarter of 2012, EDI introduced ‘The BaR’ cocktails line primarily targeted at younger alcoholic beverage consumers and female customers.

In 2010, ‘Emperador Light’ was introduced in response to a growing market for alcoholic beverages with lower alcohol content. EDI began selling the ‘Emperador Deluxe’ brand in March 2013 which is being manufactured in Spain for export to Philippines under a supply agreement with Gonzalez Byass. A couple of months earlier, the acquisition of Bodega San Bruno from one of the largest and oldest liquor and wine conglomerates in Spain allowed Emperador to own one of the world’s best brandy stocks that are rare, high quality and aged for more than 40 years in Spain.

In April 2015, EDI launched the ready-to-drink ‘Smirnoff Mule’, which is being manufactured and distributed under license from Diageo North America, Inc. A few months later, in October, EDI reintroduced ‘Andy Player’ whisky. ‘Andy Player’ is a popular drink in the ‘80s. During the year, EDI also began selling the Whyte and Mackay products locally.

In March 2016, EDI assumed the distribution of ‘Fundador’ brandy in the Philippines. It was also in 2016 when EDI launched the new ‘Tres Cepas Light’, a product of Bodegas Fundador, into the Philippine market..

In 2017, EDI also started distributing Bodegas Fundador’s ‘Harveys Bristol Cream’ and the newly developed ‘Fundador Double Light’.

In 2018, EDI takes on a promotional pair packaging of a mixer, ‘Club Mix Lime Juice’, a lime drink cordial, and ‘Emperador Light’ brandy that go perfectly well together as ‘LimeLight’ and ‘GreenLight’. In mid-September, EDI launched ‘the gin for the new generation’ ‘The BaR Premium Gin’, infused with flavors and botanicals from the gardens of Andalusia, Spain in Pink Berries, Green Lime and Premium Dry. These variants, especially the Pink Gin, are targeted towards a growing young and social media focused demographics of the country. This line takes from a successful trend of pink products globally and brings this trend into the Philippine context.

In 2019, EDI launched ‘Emperador Double Light’, a lower alcohol premium drink made from imported Spanish brandies finely aged in sherry casks. ‘Emperador Double Light’ advocates both mindful drinking, as well as responsible drinking. Despite having lower alcohol content, the product is positioned for social enjoyment, rather than to boost intake. EDI introduced another pair packaging of a mixer, Club Mix Apple Tea cordial, and Emperador Light or Emperador Double Light or The Bar.

In 2020, EDI launched ‘The Bar Fruity Mix’ and ‘So Nice’ ultralight alcohol drink capitalizing on the strong Hallyu (Korean Wave) influence among Filipinos.

In August 2021, ‘Emperador Coffee Brandy’ was launched bringing more fun to coffee and more enjoyment to brandy. It is a premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee with low 40-proof or 20% alcohol by volume (ABV) content. This newest innovation will be launched in international markets in 2022.

EDI has established distribution footprint to at least sixty-one (61) countries since 2020.

EDI also distributes Ernest & Julio Gallo wines and Pik-Nik shoestring-shaped potato snacks (a product of its affiliate in AGI group**)** as well as New York Club No. 1 Vodka (another product from the said affiliate).

It operates two manufacturing plants in Laguna. The main plant is being leased from its wholly-owned subsidiary **Tradewind Estates, Inc**. ("**TEI**" or "**Tradewind**") while the annex plant was acquired in May 2012. In 2017, EDI acquired a lot in Biñan where a bottle washing facility, one of its sustainability projects, would be built.

EDI owns two distillery plants located in Balayan and Nasugbu, Batangas, both of which are being leased to and operated by its subsidiary ***Progreen Agricorp, Inc.*** ("**Progreen**").

It has 22 billion shares authorized capital stock, 12.5 billion shares of which were issued and outstanding as of to-date.

Emperador International

Emperador International Ltd. ("**EIL**") is a business company incorporated in the British Virgin Islands on December 13, 2006. It is an investment and holding company which is the parent company of the Group's offshore subsidiaries. Its group is primarily responsible for the offshore investments and properties in Spain and United Kingdom. At present, voting rights to EIL is 84% and 16% directly held by EMP and EDI, respectively. Thus, it is 100% beneficially owned by EMP.

Emperador Spain

Emperador Asia Pte Ltd. ("**EAsia**"), a wholly-owned subsidiary of EIL, was incorporated in Singapore. It wholly owns *GES*, a public liability company in Spain, incorporated on September 28, 2011.

GES main activities are the production of wines, fortified wines, brandies and all types of alcoholic drinks, as well as the purchase and operation of any type of land and, in particular, vineyards. In 2013, it acquired ***Bodega San Bruno, S.L.U.*** ("**BSB**"), a wholly-owned subsidiary, whose business activities involved the plantation, growing and operation of vineyards. BSB was incorporated on January 10, 2013.

The Spain group acquired vineyard estates in Toledo, called Daramezas and Bergonza, and in Madrid, called Monte Batres, in 2013-2014. And from hereon, the Spain group started growing.

In 2014, GES invested in ***BLC***, a 50%-50% joint venture with Gonzalez Byass. BLC is a company that converts and produces alcohol and spirits. BLC's main industrial facilities are located at Jerez de la Frontera in Cadiz and Tomelloso in Ciudad Real.

Bodegas Fundador, a wholly-owned subsidiary of GES, incorporated on September 28, 2011 under its former name Brandy Emperador Spain, acquired the Spanish brandy and sherry business from Beam Suntory Inc. on February 29, 2016. The purchase includes Spain's largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years; four iconic brands including 'Fundador Brandy de Jerez'; production and bottling facilities, vineyards, distillery and winery facilities. Bodegas Fundador was consolidated starting March 2016. Bodegas Fundador's wholly-owned subsidiary is Harvey´s Cellars, S.L.U. (formerly Destilados de la Mancha S.L.).

On January 19, 2017, GES through ***Complejo Bodeguero San Patricio, S.L.U. ("CBSP***"), a wholly-owned subsidiary of GES at that time, incorporated on October 11, 2016, acquired the Grupo Garvey brands and associated inventories and casks and real estate properties. Bodegas Garvey, founded in 1780 by the Irish aristocrat William Garvey and based in Jerez de la Frontera, is one of the ancient brandy and sherry companies in Spain. In October 2020, the merger of CBSP (absorbed company) and Bodegas Fundador (surviving company) was registered, the effectivity retroacts to the start of the year, given the confluence of activities of both companies, in order to facilitate the use of common resources, a significant reduction and simplification of operating, administrative and structural costs, thus achieving greater competitiveness in business traffic.

On March 30, 2017, BLC, Pedro Domecq S.A. de C.V. and Bodega Domecq S.A. de C.V. completed the acquisition of the Domecq brand portfolio and related assets, which was signed on December 1, 2016. During the last quarter of 2017, the Domecq brandy portfolio and wine business were integrated into **Domecq BLC**.

Domecq BLC, a subsidiary of GES incorporated on December 20, 2017, holds the spun-off Domecq brandy and wine portfolio and related assets and was consolidated starting September 1, 2017. Its wholly-owned subsidiaries in Mexico, ***Pedro Domecq SA de CV*** ("***Pedro Domecq***") and ***Bodega Domecq SA de CV*** (the latter was absorbed in 2019 by Pedro Domecq SA de CV) were incorporated on March 15, 2017 while ***Domecq Distribucion de Bebidas SA de CV*** (corporate name changed from ***Gonzales Byass de Mexico SA de CV*** in 2018) (absorbed by Pedro Domecq in 2021) was incorporated on October 2, 2001. The first is involved in the manufacturing, bottling and selling of spirits, the second was involved in business management which is now being done by the first, while the third was into the distribution and sale of foods and beverages, which at the time of the merger was mainly for Pedro Domecq. Pedro Domecq is the surviving subsidiary at end-2021.

Grupo Emperador Gestion, S.L.U., a wholly-owned subsidiary of GES, was incorporated on October11, 2016, with a share capital of €3,000. It provides consulting, management and administration services to the Spain group.

Stillman Spirits, S.L.U., a wholly-owned subsidiary of GES, was incorporated on March 20, 2019, with a share capital of €3,000. It imports UK products into Europe , following UK's exit from the European Union.

Emperador Europe

Emperador Europe SARL ("**EES**"), a wholly-owned subsidiary of EIL, is a private limited liability company incorporated in Luxembourg in September 2014. The objective of the company is the holding of participations in any form whatsoever and all other forms of investments.

Emperador Holdings (GB) Limited ("**EHGB**" or "**EGB**"), the ultimate UK parent undertaking and controlling entity, is a wholly-owned subsidiary of EIL. EGB is a private company incorporated under the laws of England and Wales on June 19, 2014. It operates as an investment and holding company and wholly owns EUK. As of December 31, 2019, its authorized called-up share capital totaled 1 thousand shares at £1 per share, all of which were allotted and fully paid up by EIL.

Emperador UK Limited ("**EUK**"), a subsidiary of EGB, is a private limited company incorporated in Scotland on May 6, 2014. It is the immediate parent of WMG. As of December 31, 2019, it has authorized called up share capital of 1,250 shares at £1 per share, all of which were allotted and fully paid up.

Whyte and Mackay Group Limited ("**WMG**") is the smallest consolidating group under EGB. WMG was incorporated on August 7, 2001, in Scotland. It wholly owns ***Whyte and Mackay Global Limited*** ("**WM Global**") which was incorporated on December 4, 2018 in Scotland. The main trading entity is WM Global's wholly owned subsidiary, ***Whyte and Mackay Limited*** ("**WML**"), which was incorporated on January 20, 1927 in Scotland. WML's principal activity is the production, marketing and distribution of distilled potable alcoholic drinks which include Scotch whisky, vodka, liqueurs and other alcoholic drinks.

WM Global also wholly owns ***Whyte and Mackay Warehousing Ltd***. ("**WMW**"), incorporated in Scotland, and ***Whyte and Mackay Americas Ltd, LLC*** ("**WMA**"), incorporated in the United States of America. WMW's principal activity is the warehousing and blending of bulk whisky for related and third-party customers while WMA, a direct subsidiary of WML, was formed to handle Whyte and Mackay's business portfolio in US market. There are forty-six dormant companies within WMG Group that are retained for branding purposes.

Whyte and Mackay is the fifth largest producer of Scotch whisky in the world by capacity *(Source: Scotch Whisky Industry Review, 2020*) with a history of 175 years and ownership of some of the most iconic Scotch brands in the industry, including British luxury brands 'The Dalmore Single Highland

Malt', 'Jura Single Malt', 'Tamnavulin Single Malt', 'Fettercairn Single Malt' and 'Whyte & Mackay Blended Scotch Whisky. The products are distributed in approximately 102 countries across the world including a strong presence in the global travel retail space. Some of these products are now being distributed in the Philippines by EDI.

Philippine Subsidiaries

Anglo Watsons Glass, Inc. ("**AWGI**"), a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 22, 1999. EDI acquired AWGI from its previous owner, AGI, in 2012. AWGI's business is the manufacture of flint glass containers.

AWGI operates a manufacturing plant at the Canlubang Industrial Estate in Canlubang, Laguna, Philippines which runs on a 24-hour shift and has a capacity of 200 metric tons per day. The manufacturing plant is being leased from AGI. It is generally running at full capacity. Due to the high demand of EDI and capacity constraints, AWGI currently services the Group's bottling requirements only.

The Bar Beverage, Inc., a wholly-owned subsidiary of EDI, was incorporated in the Philippines on August 11, 2008 for the purpose of engaging primarily in the manufacturing, processing, importing and/or exporting, buying, selling, acquiring, holding or otherwise dealing in, any and all kinds of alcoholic beverage products, flavorings, essences, beverages, soft drinks, foodstuffs, goods, wares, merchandise and/or commodities of the same or similar kind as well as products, natural or artificial, of the Philippines or elsewhere.

Tradewind, a wholly-owned subsidiary of EDI, was incorporated in the Philippines on September 22, 2000. EDI acquired TEI from its previous owner, Alliance Global Brands, Inc. (a wholly-owned subsidiary of AGI), in March 2016. TEI owns and leases to EDI a manufacturing complex in Sta. Rosa, Laguna which serves as EDI's main plant. On July 4, 2018, TEI acquired controlling interest in ***Boozylife Inc*****.** ("**Boozy**"), a local e-commerce company engaged in the on-demand delivery of alcoholic and non-alcoholic beverages.

Alcazar De Bana Holdings Company, Inc. ("**Alcazar**"), a wholly-owned subsidiary of EDI, was incorporated in the Philippines on July 20, 2016. It currently wholly owns **Progreen**, a domestic corporation engaged in the production, distillation, distribution and trading of alcohol and alcohol-related products as well as alcoholic beverages, wines, and liquors. Progreen handles the domestic distillery operations and leases from EDI the distillery plants in Batangas. Progreen started its commercial operations in November 2016. It wholly owns ***South Point Science Park, Inc.***, a domestic corporation incorporated to engage in management and maintenance of office, commercial, industrial and institutional developments in a science park, which is engage in port operations.

DESCRIPTION OF BUSINESS

Prior to the introduction of Emperador Brandy in 1990, the **Philippine spirits industry** was dominated by longstanding and well-established gin and rum manufacturers. Through dynamic marketing and by establishing a reputation for product quality, EDI created demand for brandy in the Philippine spirits market following the launch of Emperador Brandy, which has remained as the market leader among the local brandy brands in terms of sales volume since 1990. EDI continues to lead based on the national sales volume of top three domestic spirit manufacturers. Currently, 'Emperador' is the leading Philippine brand in the brandy segment.[3] EDI produces/distributes brandy products that had 99.1% share of the domestic brandy market in terms of sales volume, and 82.7% volume share in terms of total brandy segment in the Philippines (includes imported brandy).[4]

EDI keeps on innovating its product offerings with creative flavors and packaging to suit the discriminating taste of drinkers, especially the youthful ones who are generally seeking variety and sensory experiences. In particular, in 2010, the first light brandy, 'Emperador Light', was introduced to capture the taste preferences of Filipino consumers. In 2018, EDI added excitement to Emperador

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[3] *EDI's calculation based in part on data reported by Nielsen through its Retail Index Service for Wines & Spirits Category for the period ending December 2021, for the Total Domestic Brandy and Total Brandy. (Copyright © 2022. The Nielsen Company)*
[4] *Ibid note 1*

Light drinkers by pairing Emperador Light with Club Mix Lime Cordial, dubbed as 'LimeLight' and 'GreenLight', and in 2019 introduced another pairing with Club Mix Apple Cordial, which it called 'Apple of My Light'. Also in 2019, EDI launched a smooth and fruity "lighter" drink 'Emperador Double Light', the *"Doble Swabe, Doble Sarap"* drink. Its pleasantly sweet, caramel-vanilla notes become soft and mellow with the addition of ice, creating an unforgettable very smooth and suave sipping experience for younger and lighter drinkers. In August 2021, EDI launched 'Emperador Coffee Brandy', a premium brandy liqueur that combines the smoothness of brandy and the rich aroma of coffee and, in November, EDI rolled out. as "*Sarap maka-Feel good*" on TV and digital-online and merchandising campaign at the stores.

With the increasing number of drinkers who are drinking multiple types of alcoholic beverages, EDI's 'The BaR' brand was born in 2009. The BaR is the first flavored vodka, gin and tequila beverages to be produced by a Philippine company. In 2018, 'The BaR Premium Gin' line came out in three variants infused with flavors and botanicals imported from Spain. The most exciting variant is the Pink Gin because of its very millenial pink color, a trend that is fast gaining popularity globally. In 2020, EDI introduced 'The Bar Fruity Mix' and 'So Nice' ultralight alcohol drink that capitalize on the strong Hallyu (Korean Wave) influence among Filipinos.

With the introduction of 'Emperador Deluxe' in 2013, EDI is the first to bring an imported liquor brand produced entirely in Spain that focuses on the Philippine market. And with the purchase of Bodegas Fundador in Spain, EDI took over the Philippine distribution of 'Fundador Brandy', the Philippine best-selling imported premium brandy, beginning March 2016 and launched locally 'Tres Cepas Light' in December 2016, 'Tres Cepas VS' and 'Harveys' in 2017, and 'Fundador Double Light' in 2018.

EDI continues premiumization of its product portfolio with the introduction of the higher-priced single-malt and blended Scotch whisky products in the local market. In October 2015, 'Andy Player Black Blended Whisky' was launched, with the aim of cultivating a whisky-drinking culture in the local market. Currently, the Philippine whisky sector is so small and Emperador believes, whisky can bring new business.

EDI has extensive nationwide distribution network that provides it with a distinct competitive advantage. Its distribution network is operated through sales offices and distribution outlets throughout the Philippines. In addition, EDI employs its own sales and distribution force and vehicles fleet. EDI employs a majority of its sales force in-house that enables EDI to work closely with its customers and develop strong relationships with them. It continually seeks ways to expand the reach of its distribution network. EDI has established its distribution footprint to at least 61 countries by end-2021.

The COVID-19 pandemic has brought challenges to the business that EDI has coped up with, adapting to changing trends, complying with government-mandated protocols as business continues.

The **Scottish whisky industry** is a homegrown industry that dates back to the 15th Century and has long been considered a cornerstone of the UK economy. In 2021, the value of Scotch whisky exports grew by 19% to £4.51 billion equating to a volume of 1.38 billion 70cl bottles. Despite this growth, the value of Scotch Whisky exports is still 8% below the level achieved in 2019. Scotch whisky is considered the world's number one internationally traded spirit. (Source: Scotch Whisky Association)

The Whyte and Mackay business traces its history to the docks of Glasgow, Scotland in 1844. By the late 19th century, Glasgow was famous for its shipbuilding, pioneering its craft all over the world. It was at this time that James Whyte and Charles Mackay began to marry the best whiskies of Scotland with the intention of creating the smoothest and most distinctive blend of Scotch Whisky. In 1960, the Dalmore distillery, which has been producing exceptional single malt whisky since 1839, was acquired; and by 1965 'Whyte & Mackay' became the fifth most popular brand in Scotland. This achievement was followed by a successful redoubling of efforts in the export markets. Whyte and Mackay is considered the fifth largest maker of Scotch whisky in the world and owns some of the most iconic Scotch brands in the industry. The products are sold in at least 102 countries mainly in Europe, Asia and North America, with presence in the global travel retail space.

Whyte and Mackay is headquartered in Glasgow and has significant malt and grain production capability from its four malt distilleries and one large grain distillery. It also has a leased bottling facility with a capacity of 6.5 million cases per annum. In 2019, Whyte and Mackay were again awarded with the International Wine and Spirits Competition ("IWSC") Scotch Producer of the Year; it also received the same award in 2017 highlighting the extremely high-quality liquids the business produces.

The year 2021 was another excellent year for Whyte and Mackay with the business performing strongly despite the various continued challenges imposed by the COVID-19 pandemic alongside global supply chain disruptions. The business continued to grow internationally, despite a number of markets continuing to be hampered by the effective closure of the on-premise and specialist retail channels. It also enjoyed exceptional growth in the UK driven by off-premise and e-commerce channels. Internationally, Asia remained a strong driver of growth supported by great results across Europe and North America. The Global Travel Retail channel returned to growth following the effective shutdown in 2020 as non-Airport retail in particular bounced back. In terms of supply chain, Whyte and Mackay maintained industry leading service levels by adapting ways of working to comply with various social distancing and segregation rules.

'The Dalmore', its luxurious brand, was again the major growth driver as the brand continued to excel at the apex of the single malt category, despite the continued world-wide impact of the COVID pandemic. The year 2021 saw more rare releases entering the market to allow consumers expanded opportunities to experience this brand and its exceptional liquids, together with the continued success of the core range. The launch of the Decades range was a particular highlight. The continued demand for these new releases demonstrates how highly this luxury brand is regarded.

'Jura', the second largest profit-contributor brand has shown some real consumer momentum across UK and Europe in particular, with Jura 12 Sherry Cask gaining real traction across Asia. Jura is now the largest single malt brand in the UK Grocery market. The core range of Jura Journey together with aged 10 and 12 year-olds have consistently shown they can compete strongly in the very competitive mainstream category and continue to be supported by very successful special finish releases. The very unique nature of this island single malt is widely loved.

The third Single Malt brand, 'Tamnavulin', had another exceptional good year. This sherry finished Speyside Malt has gained share across all the regions of the world where it has been launched and enjoyed particular success in UK and Europe with new products. Again, a number of special finish releases have supported the core range of Double Cask and Sherry Cask to gain shelf space and to meet varying consumer tastes.

'Fettercairn' is the fourth single malt brand which was re-launched in 2019. The new packaging combined with the exceptionally refined whisky has enjoyed widespread acclaim and both the rare range (22 year old, 28 year old, 40 year old and 50 year old) and the core 12 year old have enjoyed strong initial sales where listed. The limited edition Warehouse 2 release was a particular success in the year as demand massively exceeded the number of bottles released leading to very quick sell-outs. This brand has huge global potential under its iconic unicorn symbol.

Within Blends, 'Whyte and Mackay' enjoyed another exceptional year in the UK as it continued to gain share across the critical Grocery and Convenience channels. 'John Barr' continues to gain momentum internationally with a particular focus on the US.

In 2021, Whyte and Mackay very tightly managed costs and capital investment to ensure it is spending effectively and within the various restrictions imposed. However, investment in brands did return to some degree as different ways of connecting with consumers were explored. It continues to invest to improve the efficiency and flexibility of its operations and have continued to invest in barrels, to ensure the spirit quality remains at the highest levels, and liquid, to support future sales.

In summary, Whyte and Mackay has continued to trade very successfully despite the global challenges of 2021 and emerged strongly to continue on its excellent long term growth trajectory.

Jerez is known as the world capital of sherry wine. It has been a center of viniculture since winemaking was introduced to Spain by the Phoenicians in 1100 BC. The Moors conquered the region in 711 and introduced distillation which led to the development of brandy and fortified wine.

Sherry became very popular in Great Britain. **Brandy de Jerez** is a brandy that is produced only in Jerez area of Andalusia, Spain. The name brandy is derived from the Dutch word "brandewijn" which means burnt wine while the term "holanda" is derived from Holland where most of exports went. Brandy de Jerez is produced by distilling wine, and generally contains 35-60% alcohol per volume. The creation of brand names for Brandy de Jerez occurred during the nineteenth century on the initiative of Sherry firms who were pioneers in the sale of brands which exist today, not only in Spain but in other countries worldwide.

Founded in the year 1730, Bodegas Fundador is the oldest brandy and sherry company in Spain. Bodegas Fundador started with wine cellars that produced sherry wine for both the Spanish and English Royalties. In 1778, it expanded its vineyards by acquiring the historic Macharnudo Castle of the Macharnudo District in Jerez, home of 'El Majuelo' – a 268-hectare vineyard where the best quality of vines can be found. 'El Majuelo' has a special micro-climate that is the heart and the footstone for 'Fundador Brandy'. 'Fundador Brandy' was born in 1874 when Pedro Domecq aged exceptional quality holandas through the traditional criadera and solera system in sherry-soaked American oak barrels discovering a golden liquid with an incredible aroma. 'Fundador' was the first ever "Brandy de Jerez" and has grown, over the centuries, to be Spain's most recognized and largest export brandy. The versatility and size of Bodegas Fundador encompass a large and varied spectrum of well-known products aside from 'Fundador Brandy'. Bodegas Fundador also produces other brandies such as 'Terry Centenario', Spain's top-selling brandy, and 'Tres Cepas', Guinea's best-selling brandy, as well as 'Harveys', the number 1 sherry in the world.

Taking age-old traditions to contemporary markets worldwide, Bodegas Fundador through its vineyards and cellars in Jerez, Spain and its distillery in Tomelloso, Spain, produce around 2 million nine-liter cases yearly for different markets around the world. In 2005, they were recognized as the best winery of the year, and in 2017 and 2019, the best fortified wine producer of the year, both by the IWSC. The year 2019 has been another highlight year for Bodegas Fundador as it continues to reap awards. 'Fundador Supremo 18YO' was recognized as the "Best Brandy in the World", while 'Harveys Oloroso VORS' garnered the Best Sherry accolade, from IWSC for 2019. Bodegas Fundador has been nominated in 2020 for the best brandy producing winery in the world by the IWSC, the annual wine and spirits competition founded in 1969 by German winemaker Anton Massel.

Bodegas Fundador continues to expand its foothold around the world, as it partners with distributors in key markets such as Italy and Canada. In Spain, 'Terry Centenario' maintain its clear leadership, performing better in the category. 'Terry White Brandy' continues to expand and increased actively in distribution and gaining visibility in the Spanish market, while 'Fundador Supremo' is performing well in Travel Retail. Bodegas Fundador partnered with Casa Pedro Domecq in Mexico, resulting in the successful launch of 'Terry White Brandy'.

Since 2020, despite the difficulties caused by the pandemic around the world, the brandy and sherry brands of Bodegas Fundador have continued to maintain their sales and leadership in some key markets. Covid-19 pandemic changed the alcohol consumption trend specially in territories where social drinking is not allowed. The brandy and sherry categories of Bodegas Fundador are aligned to this new demand space where the consumption at home is in full growth.

The new campaign for 'Terry Centenario' was successfully launched in Spain. This campaign has positioned 'Terry Centenario' as the perfect drink to mix with coffee, putting the brand in the consumer´s mind. 'Terry White Brandy', the new drink to reach awareness and consideration among millennials, continues to expand. According to most Nielsen updated data released in January 2021 (TAM Nov 2020 all channels Volume share), 'Terry Centenario' is the leading brand of the Brandy Category in Spain.

'Harveys' maintains its position as the Best-Selling Sherry worldwide, leading the category and exploring new ways of consumption. UK, USA and Canada markets present a growth for Sherry Category. A new Harveys "Aperitivo" proposition was launched in UK to engage and explore new consumers in the Spritz demand space drinks that are increasing in popularity

'Fundador' is making success in some markets such as UK where the brand was launched in 2020 and continues to perform and rolls out in 2021 in brandy category in the UK. 'Fundador Light' is available now in some occidental markets such as US and Canada. 'Fundador Supremo' continuous to build brand awareness in Asia, USA, and Spanish market through a premiumization communication plan.

In 2020, the International Wine Challenge Competition awarded 'Harveys Very Old Amontillado V.O.R.S.' sherry as the Best Amontillado in the World. As well for the third time, International Wines and Spirit Competition nominated Bodegas Fundador as for the award "World´s best Brandy Producer of the Year.

The years 2021-2022 are key years for the introduction of Fundador Sherry Cask Solera and underpin the new concept Fundador Sherry Cask, in all the relevant markets as well as launch the classic collections ('Solera', 'Doble Madera Reserva' and 'Triple Madera Gran Reserva') in some markets to create a Halo effect.

In a decrease market, 'Presidente' reinforced its leading positioning in Mexico market jumping to 45% market volume share. (Nielsen + Iscam data released Dec 2021,TAM- RY Dec 2021 all channels Volume share). 'Fundador' and 'Terry' are performing well in the Mexican market growing year-on-year from 2020 +10.5% and +29.6% respectively in volume and +11.8% and 30.2% in Net sales value.

Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. The group has more than 70% [80% in 2019] of revenues coming from Spain, Philippines and Mexico, and the rest coming from other European, American and African markets. Strategic growth will be brands-led but will be supported by private label business.

To improve and strengthen its worldwide presence and positioning on the wines and spirits' markets, GES, in 2014, entered into a business collaboration scheme with Gonzalez Byass, with the acquisition by GES of a 50% stake in BLC, with the remaining 50% in the hands of Gonzalez Byass, and later that year with the incorporation of two fully owned subsidiaries of BLC, Alcomasa, focused on the manufacturing of spirits through a distillery in Tomelloso (Ciudad Real) and a bottling center in Jerez de la Frontera, and Viñedos, devoted to the planting and farming of several vineyards in Toledo.

In 2017, once again a business collaboration with Gonzales Byass took place with the formation of a new company joint venture equally owned by GES and Gonzalez Byass, Domecq BLC, who manages the business related to the Pedro Domecq brand portfolio, and three (now two) Mexican subsidiaries called Pedro Domecq S.A. de C.V., Bodega Domecq S.A. de C.V. (absorbed in 2019 by Pedro Domecq S.A. de C.V.,) and Domecq Distribucion de Bebidas SA de CV (known as Gonzalez Byass de Mexico at that time and absorbed by Pedro Domecq, S.A. de C.V. in 2021).

At present, this is the broad range of products that the Emperador Group offers:

PRODUCTS / New Products

The Group manufactures its own brands:

‘**Emperador Brandy**’, the first brandy label, was launched in 1990 in the Philippines and is currently the leading local brandy in the country. In 2010, ‘**Emperador Light**’ was introduced in response to a growing market for alcoholic beverages with lower alcohol content and targeted at younger alcoholic beverage consumers. In March 2013, EDI introduced ‘**Emperador Deluxe Spanish Edition**’, a premium brandy imported from Spain that is created specifically to appeal to the Philippine palate. The sin tax regime on liquor, which started on January 1, 2013, leveled the playing field for imported liquors and provided a prime opportunity to introduce ‘Emperador Deluxe’ to the Philippine market. In June 2019, a lighter variant was introduced, the ‘**Emperador Double Light’** for that ‘*dobleng saya, dobleng tagumpay*’ feeling. This lower alcohol, lower calories smooth fruity drink targets the younger generation of drinkers who are growing more mindful about health and wellness trends. From time to time, Emperador offers innovative products to add excitement in consumers’ drinking. In August 2021, ‘**Emperador Coffee Brandy**’ was launched bringing more fun to coffee and more enjoyment to brandy for that ‘*sarap maka-feel good*’ feeling.

At the 2016 International Review of Spirits, organized by Beverage Testing Institute in Chicago, **Emperador Solera Brandy** won the silver award (highly-recommended), with added special recognition as “Best Buy”, by garnering 89 points while ‘Emperador Light’ received the bronze award (recommended) with 83 points. The “Best Buy” recognition is an added excellence award given only to the spirits or wines that provide uncommon value. ‘Emperador’ is the only Filipino brandy to be included as one of the best brandies in the world with ‘Solera’ and ‘Emperador Light’. In 2019, ‘Emperador Brandy’ won the silver medal in the Distilled San Diego Spirits Competition, while ‘Emperador Light’ won the bronze medal.

The premium and imported lines, ‘**Emperador Deluxe Special Reserve**’ and ‘**Emperador Grand Supreme**’ are retail store exclusives.

‘**Andy Player Whisky**’, a popular drink in the ‘80s, was revived in October 2015. The whisky blend has a unique character, rich aroma and complex taste which include orange marmalade and maple syrup.
‘**The BaR’** was initially launched in 2009. ‘The BaR’ is marketed as a ready-to-serve flavored alcoholic beverage with low alcohol content.

In 2018, ‘**The BaR Premium Gin’**, infused with botanicals from Spain that gives it a delicious burst of flavor not found in local gin products, was launched. This world-class premium gin line comes in three variants: **Pink** with flavors of mixed berries, **Green** infused with lime flavors, and **Premium Dry** infused with imported botanicals. The Bar Premium Gin is not only far better but also different. It is dubbed as ‘the gin for the new generation’.

In August 2020**, ‘The Bar Fruity Mix’** was launched as more young Filipino drinkers appreciate light alcoholic beverages, while recognizing the strong Hallyu (Korean Wave) influence as an opportunity to relate to these young drinkers. ‘The Bar Fruity Mix’ is a fruit-forward and ultra light alcohol that comes in two SO JUicy flavors – Pink Grapefruit and Green Grape.

‘So Nice’ is an ultralight alcohol that gives consumers a refreshing and flavorful drinking experience. This clear, colorless, distilled spirit is available in two variants – green grape and grapefruit. It was launched in November 2020 catering to Filipino youth who prefer a lighter drink at an affordable price.

‘The New York Club No1 Vodka’ is an extremely smooth vodka produced and bottled in the USA. Evoking the vibrancy of New York City’s nightlife, this vodka is so crisp, so clean, so smooth. It is distilled six times from the finest ingredients for that extra smoothness, and filtered to perfection, making a versatile drink for every occasion.

‘**Smirnoff Mule**’, a ready-to-drink blend of Smirnoff Vodka ginger beer, and lime, was launched on April 28, 2015. It is a classic iconic drink that delivers a smooth, full flavored refreshment with a unique ginger taste. It is known as ‘Mule’ because of its mix of premium vodka, ginger beer and lime, creating a ginger kick effect. The “Stubbornly Refreshing” drink is being manufactured and distributed in the Philippines, under license from Diageo North America, Inc.

‘Zabana Single Barrel Reserve Philippine Rum’ is an EDI store exclusive. Since its release, this product was able to garner several awards: Gold Award for the 2016 Cathay Pacific Hong Kong International Wine & Spirit Competition, Gold Award in the 2017 Monde Selection, and Silver recognition in the International Spirits Challenge 2017.

EDI also imports and distributes the Group’s products from the distilleries in Spain and Scotland. In 2015, EDI introduced its Scotch Whisky variants in the local market. It also began distributing ‘Fundador Brandy’, the Philippine best-selling imported premium brandy, in March 2016 and launched locally ‘Tres Cepas Light’ in December 2016. EDI also started distributing ‘Harveys Bristol Cream’ and the newly developed ‘**Fundador Double Light**’ in 2017.

EDI also distributes ‘**Pik-Nik**’ brand shoestring potato snacks and **Ernest and Julio Gallo wines**. The ‘Pik-Nik’ brand is owned by AGI Group.

Scotch whisky is Scotland’s leading indigenous product and is now established as the leading international spirit drink, making it one of Britain’s most important exports. It is a distilled spirit made (distilled and matured) in Scotland using *only* cereals, water and yeast. Most whiskies mature far longer than the legal minimum of three years, and the maturation period varies for different whiskies. The age statement on a bottle reflects the amount of time the youngest whisky in that bottle has spent maturing in a cask.

‘Distiller of the Year (Scotland)’ Whyte and Mackay toasted a remarkable year in 2021.

The award-winning whisky makers’ collection now features 3 Single Malt Scotch brands ranked in the top twenty worldwide, by industry authority The IWSR. Worldwide, Tamnavulin and Jura are the number 1 and number 2 Fastest Growing Single Malt Scotch brands. In the UK - the home of Scotch Whisky - Jura became the Number 1 Single Malt Brand.

The Dalmore continues to enjoy exceptional performance, at the pinnacle of the category. The Dalmore ‘Decades’ featured a once-in-a-lifetime collection of whiskies celebrating whisky making artistry across six decades. The campaign broke records for Sotheby’s Asia, achieving $1.1M at auction. The collection secured prestigious features in Paris, Los Angeles, London, Taipei and Shanghai. The Dalmore ‘Decades’ set a new standard in luxury spirits marketing, with a boutique in Hainan, elite performance on Tmall and Whyte and Mackay’s first Non-Fungible Tokens (NFTs) partnership.

The Dalmore’s Richard Paterson, was awarded as Officer of the Order of the British Empire (OBE) by Queen Elizabeth II celebrating his visionary contribution to the industry over the past five decades. The “Most Excellent Order of the British Empire” is an order of British Chivalry created in 1917 by King George V. Titles in the Order are awarded to members of the public for significant contributions in their field of work (Scotch Whisky Industry).

WMG offers Single Malt and Blended Scotch whiskies, liqueurs and vodkas, under the following key brands:

‘**The Dalmore Single Malt Scotch Whisky**’ sits at the apex of the category in which it competes. It is positioned as a luxury brand. The Dalmore’s powerful stag emblem is built on a heritage that is rooted in the saving of King Alexander III of Scotland from being gored by a raging stag with a single arrow in 1263 by an ancestor of Mackenzie clan. The grateful king granted him the right to bear a stag’s head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag’s head with twelve points to its antlers, signifying ‘royalty’. The Mackenzie family ran the Dalmore distillery from the mid 1800’s until Whyte and Mackay took over. It is considered the most revered single malt whisky in the world. ‘The Dalmore Principal Collection’ consists of six expressions positioned as Accessible (The 12, Port Wood Reserve, The 15, Cigar Malt Reserve, The 18, King Alexander III) and Aspirational (The 25). Positioned at the apex is ‘The Dalmore Constellation Collection’ which is a rare ensemble of unique vintage single malts from the Highland distillery and the Dalmore Decades, a once-in-a-lifetime collection of whiskies. ‘The Dalmore’ is renowned for rare editions that have sold for industry redefining prices, including the most expensive bottle ever sold in a retail store. The rare and aged collection includes The Dalmore 20 Year Old, The Dalmore 21 Year Old, The Dalmore 30 Year Old, The Dalmore 35 Year Old, The Dalmore 40 Year Old, The Dalmore 45 Year Old, The Dalmore 50 Year Old, and The Dalmore 60 Year Old.

‘**The Dalmore Quintessence’** is the first and only single malt whisky in the world with five red wine cask finish. Master Distiller Richard Paterson travelled to California to hand select the five different casks in which this exceptional whisky would be matured; Zinfandel, Pinot Noir, Syrah, Merlot and Cabernet Sauvignon, each bringing their individual nuances to create a totally unique single malt.

‘The Dalmore Port Wood Reserve’ was released in 2018 as an addition to the Core Range.

‘**The Dalmore 12 Year Old Sherry Cask Select**’ is the latest addition to The Dalmore’s award-winning Principal Collection and an elegant evolution of the distillery’s legendary house style. The new offering from the Highland Single Malt maker celebrates the inextricable affinity between The Dalmore and sherry. It is an exquisite union of the finest oak, and a unique blend of rare and aged sherry, born from an enduring passion to create exceptional single malts that honour the sanctity of the cask.

‘**Jura Single Malt Scotch Whisky**’ is a premium Scotch whisky that is considered an accessible single malt whisky. It is produced at the only distillery on the Isle of Jura, a very remote island off the west coast of Scotland. This brand is built upon a captivating island environment and its “A long way from ordinary” banner encapsulates the very special nature of this island single malt.

‘Jura 12 Sherry Cask’ is an Asian exclusive, initially launched in Taiwan. Casks are hand selected from Jerez for the very best Sherry casks. A full finish in our Oloroso Sherry combines well with our Jura Spirit and account for 75% of the balanced flavour of our ‘Jura Sherry Cask’. It is rich, fruity, and vibrant - with notes of chocolate, almond, and ripe plum.

‘Jura 12 Years’ is an Asian exclusive. A modern classic aged 12 years. Reassuringly rich with sherry sweetness. Matured in American white oak ex-bourbon barrels for 12 years and finished in Oloroso Sherry casks from Jerez, Spain. This 12-year old has refined succulent tropical aromas of chocolate, walnut, and citrus fruit.

'**Tamnavulin Single Malt Scotch whisky**' was launched in 2016, initially in the UK. The Tamnavulin Distillery was built in 1966 and was acquired by WMG in 1993. 'Tamnavulin' is the epitome of a Speyside malt; rich, smooth, elegant and refreshing. Tamnavulin is the Gaelic translation for 'Mill on the Hill,' named in part after the 16th century woollen mill which sits on the site of the distillery. This Speyside is double cask. Matured in American Oak Barrels and finished in Amoroso Oloroso Sherry casks for a rich, full-bodied, sweet and mellow taste. EDI started distributing this product in the Philippines in 2018.

'Tamnavulin Single Malt Scotch Whisky Vintage Collection' rare range with expressions from the years 2000, 1979, 1973 and 1970, together with a new Tempranillo finish was launched in 2018 for Global Travel Retail.

'Tamnavulin Sherry Cask Edition' is matured in American Oak Barrels and enhanced by a finesse in three different sherry casks. This classic revelation from the Speyside Valley is marked with notes of vanilla pod, glazed nectarines, and hints of sticky toffee pudding.

'**Fettercairn**' comes from Fettercairn Distillery which was founded in 1824 and acquired by WMG in 1973. The arch and the unicorn are two symbols that are heavily associated with the long history of the Fettercairn Distillery. This distillery has huge potential and over the coming years the range and distribution will be expanded.

'Fettercairn Single Malt' was re-launched in 2018 with a new packaging with the lead expression 12year old supported by rare releases of 28year old, a 40year old, and a 50year old, all four showcasing the iconic unicorn symbol. New expressions of 16 year old and 22 year old were successfully launched in 2020 as we build a full age range portfolio.

'Fettercairn 22 Years Old' (ABV 47%) is matured in first fill American ex-bourbon casks and showcases the signature tropical character of pear and caramelized orange derived from the ingenuous copper cooling ring distillation process unique to Fettercairn, setting it apart from other single malt distilleries by drenching the stills in crystal clear mountain water to ensure only the purest vapours rise to create the new make spirit.

'Whyte and Mackay Blended Scotch Whisky' is produced using a unique triple maturation process that ensures a smoother, richer taste. In 2019, a new innovative product, '**Whyte and Mackay Light**', was launched in the UK to allow consumers to enjoy a great whisky taste whilst consuming lower units of alcohol. At 21.5% ABV, this product is a first in the UK and it received widespread acclaim for quality and for the important messaging it represents. This new lighter spirit drink has been enriched by sweet Sherry casks and freshly emptied Bourbon barrels and tastes great – smooth with a subtle hint of smoke and perfectly enjoyed straight over ice, or with your favorite mixer.

'Woodsman Blended Scotch Whisky' was launched in 2018 as a more contemporary proposition for younger consumers. It was designed to work well with mixers and with its modern bottle design it has attracted new consumers into the Blended Scotch market.

'**Shackleton**' is a new Blended Malt brand launched in 2017. It was inspired by a 1907 whisky which was extracted after 100 years under ice. A conservation team carefully extracted crates of whisky left behind by renowned polar explorer Sir Ernest Shackleton. Whyte and Mackay master blender Richard Paterson carefully selected 20 of the finest highland malts to recreate the antique whisky supplied to the British Antarctic Expedition. It has hints of vanilla, ginger and licorice on the nose, with a taste of demirara sugar, manuka honey and dried pineapples, and a whisper of bonfire smoke in the finish.

John Barr, **Cluny** and **Claymore** are all blended Scotch whiskies, a combination of malt whiskies and grain whiskies from a number of different distilleries.

‘**Glayva**’, a liqueur made from a blend of aged Scotch whiskies, a selected range of spices, Mediterranean tangerines, cinnamon, almonds and honey. It has a deep golden colour and a distinctive flavor.

‘**Vladivar Vodka**’ is a brand of vodka distilled in the UK. It is a Pure Grain, triple distilled, charcoal filtered vodka. Originally made in Warrington by the G & J Greenall distillery, the brand was sold in 1990 to Whyte and Mackay and is today bottled in Scotland.

From ***Bodegas Fundador***, the following iconic brands manufactured and distributed from Spain are under EMP Group beginning March 1, 2016:

‘**Fundador’** is a Brandy de Jerez, the brandy capital of Spain. Fundador means the ‘founder’, as it was the first Spanish brandy to be marketed, this happened in 1874 by Pedro Domecq Loustau. It is sold in over 70 countries worldwide, and the no. 1 imported premium brandy in the Philippines. The brand has an excellent range ending with the high premium brand ‘**Fundador Exclusivo**’ and Sherry Cask Collection – The Fundador Supremo’.

‘Fundador Supremo’ is a Solera Gran Reserva Collection aged in our Sherry Cask, unique in the world and which has belonged to our winery for centuries. A unique creation which represents a true innovation within the category of Brandy de Jerez. The ‘Sherry Cask Collection’ by Fundador Supremo reveals the depth of the most luxurious flavours provided by time in wood, thus creating an Ultra-Premium category Brandy.

The ageing in Sherry Casks, unique in the world and of very high value, which have contained very old Oloroso, Amontillado or Pedro Ximénez, give the brand the exclusivity and originality it deserves.

A huge list of awards from 2016, since the collection was launched, has been successfully delivered year after year. In 2016, ‘Fundador Supremo 15 YO’ got the Best Brandy of the Year by China Wines and Spirits Awards, and a year later, ‘Fundador Supremo 18YO’ got the same recognition. In 2019, IWSC awarded ‘Fundador Supremo 18YO’ as the Best Brandy in the World. San Francisco Wines and Spirits Competition (“SFWSC”) has awarded several times the expressions with Double Gold Medal. After 3 consecutive years of obtaining the Double Gold Medal in SFWSC, ‘Fundador Supremo 18 YO Oloroso’ was awarded with the Platinum Medal at the 2021 SFWSC, the only Brandy de Jerez awarded with a Platinum Medal. This amount of recognition reinforces the quality and the know-how of these particular expressions, confirming how Fundador has become the icon of Spanish brandy in the global market.

‘Fundador Light’ is currently the best-selling ‘Fundador’ in the Philippines, having a balanced and clean aroma with a fragrance of wood seasoned sherry and a smooth light taste of brandy from our cellars in Jerez.

‘Fundador Double Light’ is an exceptional spirit from sherry casks in our cellars in Jerez. It guarantees double smoothness and double satisfaction in every bottle with a lower alcohol by volume of 25.8% compared to 28% of ‘Fundador Light’. It is the ultimate expression of ‘Fundador Light**’** with a different concept. It has more ageing profile and character that is an effect of the double casks.

‘Fundador Double Wood’ is a Brandy de Jerez Solera Reserve, inspired in the brandies originally crafted in the 19th century, where the prolonged aging makes the holandas acquire the most important and unique characteristics of wood.

‘Fundador Triple Wood’ is a Brandy de Jerez Solera Gran Reserve obtained through a very long ageing process that triples the standards of brandy production. A unique expression that reveals the depth of the elements contributed by the wood to a powerful bouquet from the long periods of aging.

’Fundador Sherry Cask’ is a Sherry Cask Solera and Solera Reserva, which is the classic Fundador version’s update. After almost 40 years, its image and liquid were refreshed in 2021 through a simultaneous launch in Spain, UK, Italy, México and USA, whose result is Brandy perfect to drink neat or mix with Cola, a perfect serve elaboration created by Simone Caporale and Marc Álvarez from SIPS Drinkery House (#37 in The World's 50 Best Bars). Aged in Sherry Casks that have previously contained Sherry wine, this Brandy is the combination of experience and innovation that has the credibility to reinvent the Brandy category.

'**Terry Centenario**' is the largest brandy in Spain. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. 'Terry Centenario' is the leading brand of the Brandy Category in Spain, with 25,5% market share, twice the share of the second best-selling in the category (Nielsen MAT 2022)

'**Terry White**', a new expression, a new category, a new Classic "White Brandy" was born in 2017 to renew the brandy category in Spain by shaking the market though a modern concept of a white spirit. Through mixology platform, this disruptive concept was launched to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

'**Tres Cepas'** is a market leader in Equatorial Guinea. In the beginning, Domecq had three brands, Una Cepa (One vine), Dos Cepas (Two vines) and Tres Cepas (Three vines), that were in increasing order of quality and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system. In 1902, the brand Tres Cepas was launched in the market and started to be a successful brand. The year 2016 saw the renaissance of the brand in the Philippines, and a special expression of '**Tres Cepas Light**', with a different concept and bottle, was launched in December at a very affordable introductory price. Tres Cepas Spirit is a delicate selection of wines distilled carefully aged in Bodegas Fundador's wineries in Jerez, smooth with mineral notes and beautiful amber tone. In 2017, **'Tres Cepas VS'** was launched. It is an ultimate expression, as the master blended carefully tasted the oldest soleras and selected barrels with special characters and notes to make a unique blend for this Very Special Tres Cepas.

'Harveys' is the number 1 selling Sherry Wine in the world and the leader in the UK (IWSR 2020). It is a recipient a Double Gold Medal award in CWSA in 2018. The CWSA is the biggest and most prestigious wine and spirits competition in Hong Kong.It holds Royal warrant in UK which distinguishes it as the only sherry wine that can be served to the Queen in Buckingham Palace since 1895. It is also the unique Spanish Company that supplies to the Royal Household. This brand was registered in Bristol by the Harvey family in 1886 and was the first cream Sherry to be marketed. '**Harveys Bristol Cream'** is a unique blend of sherries combining the character and body of aged olorosos with the aroma and finesse of finos and amontillados.

'Harveys Bristol Cream® is a proprietary blend of three sherry types: Fino, Amontillado and Oloroso, all created from the Palomino grape. It is clean and fresh, with spicy overtones. Crisp and elegant with fruity grape flavors, it is loaded with woody and nutty flavors, but remains mellow with velvety smoothness. "Everyday's A Holiday" with Harveys Bristol Cream®, taken alone or with fruit or used as ingredient to desserts and baking.

'Harveys Very Old Amontillado 30-Year Old V.O.R.S' was awarded with a Amontillado Thophy in 2020 by the International Wine Challenge ("IWC"), by bagging the "The Best Wine in the world" in 2016, while **'Harveys V.O.R.S. Palo Cortado'** was awarded by the IWC with a "Trophy Champion 2020 the Sherry". Also in 2019, the IWSC awarded as "The best Sherry in the world" to **'Harveys Rich Old Oloroso Sherry 30 Year Old V.O.R.S**.' and '**Harveys Pedro Ximenez 30 Year Old V.O.R.S.**' obtain the same year a trophy and Gold Medal by the IWC
Harveys launched in 2013 an ultimate expression Signature by Harveys which is a '**12-Year Old Cream Sherry**', this product was awarded the gold medal by the SFWSC in 2018.
'Harveys Aperitivo' is a sherry-infused seasonal *tipple*. Exclusive to the UK, 'Aperitivo' comes in two flavors – Pink and Orange. Harveys Orange is a delicious blend of two grape varieties – Palomino and Muscatel – with an aroma of bitter orange, tangerine and aromatic herbs while Pink is made of three grape varieties – Palomino, Muscatel and Tintilla de Rota (a local rare red wine) – and has a subtle aroma of red fruits and flowers.

'Vermut Marinero by Garvey' was launched in Spain in 2021, entering a new unexplored category. This product proposal is very different from other competitors: a red vermouth with a touch of Atlantic salt, elaborated from the most selected sherry wines and characterized by a smoothness and a flavour resulting from the Palomino Fino grape macerated with seaweed. A product totally unique and 100% suited for the aperitif moment.

From the ***Domecq brands of brandies and wines*** come these Mexican brandies, which are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

'**Presidente**' was the first Mexican brandy, launched in 1958. It is produced from a blend of the best grapes of the Hermosillo region of Mexico.

'**Don Pedro**' has been more than 50 years in the market, launched during the 1960s. Its name celebrates the company's founder, Don Pedro Domecq.

'**Azteca De Oro'** has been more than 36 years in the market. These brands are also distributed in USA. In Brazil, 'Domecq Brandy' is a strong brand which covers all market in Brazil.

Vendors may sell the products at higher or lower prices than EDI's suggested retail prices, depending on outlet margin requirements and their operating costs. The Government does not regulate the price of alcoholic beverages in the Philippines. However, manufacturers of alcoholic beverages in the Philippines are required to pay an excise tax on alcohol production based on the percentage of alcohol contained in the beverage and net retail price.

MARKETING, SALES AND DISTRIBUTION

The Group's products are distributed in at least 102 countries globally. Promotion strategy depends upon the brand and considers price, communication, and promotional activities.

EDI products are marketed, sold and distributed in the Philippines through its extensive nationwide distribution network that provides it with a distinct competitive advantage. In particular, EDI's grassroots selling and marketing network covers the plethora of hole-in-the-wall or mom-&-pop stores in the country. Marketing has also expanded outside the traditional platforms to reach into the digital space platform. EDI local products are now available in at least 61 countries outside the Philippines.

Bodegas Fundador operates as a global brandy and sherry company. The global brandy and wine business is further fortified by the Domecq trademarks that fall under Spain and Mexico and have commercial reach to South America, particularly Brazil and Colombia, and USA. The group has more than 79% [74% in 2020] of revenues coming from Spain, Philippines and Mexico, and the rest coming from other European, American and African markets.

Whyte and Mackay's overriding objective is to operate as a global branded drinks company which delivers sustainable rates of growth and returns that increase overall shareholder value. The Group operates in the UK and increasingly in international markets including the Travel Retail sector. International markets account for 50% [44% in 2020] of sales revenues. About 48% [51% in 2020] of brand revenues come from UK and other European countries and about 37% [36% in 2020] from Asia and Pacific markets, with the balance coming from Americas, Middle East and Africa. Whyte and Mackay continues to invest across the business for future growth. It maintains a strong level of Strategic Marketing support across its expanding brand portfolio and increased its commercial resources in key disciplines and geographies. Moreover, Whyte and Mackay invested in the assets of the business to improve efficiency and flexibility and has continued to invest in barrels, ensuring its spirit quality remains at the highest levels

The Covid-19 pandemic that started early in 2020, and continuing up to date of this report, and the associated lockdown measures, which include widespread closures of on-trade and Travel Retail markets and the localized liquor bans, caused the shift of focus to home consumption, promoting retail and online sales.

The Company attributes its leading position to: (i) strong brand equity gained through brand building; (ii) targeted marketing; and (iii) local distribution network and, now a global reach.

Brand Equity

The Company believes that branding is a critical factor in a consumer's choice of beverage. Active brand promotion and advertising are essential tools to build image and market share, and establish consumer brand loyalty. EDI continually increases its market share by promoting its brands as distinct and unique with the objective to convey its unique and enduring message to promote its image and products. Marketing strategies focus on emphasizing 'Emperador Brandy''s premium value image to consumers as well as the taglines: "*Sa Totoong Tagumpay*" ("*To true success*"), "*Gawin Mong Light" ("Make It Light"),* "*Tagumpay Araw-araw*" (*"Reward Every Day"),"Doble Swabe, Doble Sarap" ("Double the Smoothness" and Double the Character")* and *"Sarap maka-Feel Good" ("Good Vibes").* EDI markets its brandies as a drink for the celebration of life successes though values of diligence, perseverance and responsibility. Its labeling includes a lion and a bullfighter wherein the lion symbolizes power and success while the bullfighter symbolizes grace and superiority. Emperador Deluxe carries the imagery of luxury and class. It is marketed as an affordable luxury for everyday consumption.

In 2018, Emperador Light celebrated its success with the 'Galing ng Pilipino' thematic campaign that paid tribute to the enduring spirit of every Filipino and the qualities that make the Filipino truly a cut above the rest: *Magaling. Ibang Klase ang Talino. May sipag na angat sa iba*. The campaign was anchored on an original song entitled "*Ating Tagumpay*," and endorsed by one of the country's biggest celebrities. The song encouraged Filipinos to celebrate everyday milestones and to continue doing great things, the lyrics of which were even posted and has taken over EDSA Billboards during its launch. The campaign ran up to mid-2019.

In 2020 which was a time with so much uncertainty, the formidable 'Emperador Light' has stepped up and took a proactive stance utilizing purposeful platforms to spark hope and positivity and encourage everyone to celebrate life, that life will always continue to give us everyday moments—no matter how small or simple they may be—that are worth celebrating. As the lockdown eased,a jingle-based thematic campaign "*Mag-Cecelebrate Tayo Muli"* was released on television, radio airwaves and online platforms. The powerful and inspiring part of the song goes "*Ilang selebrayon na ang ating nalampasan. Pero heto tayo nagkakaisa pa rin, panatag ang loob na ito'y lilipas din. Magcecelebrate din tayo ng sama-sama".* This Emperador spirit of hope and good cheer went viral online as more people from social media were inspired to create their cover song of the jingle while many were enamored by the hopeful message of the campaign.

'Emperador Light' plays an active role digitally in amplifying WHO and DOH advisories on safety-precautions, social distancing and proper hygiene through creative posts and contents on Facebook tagged as #BeatCovid19 and #TagumpayNatinTo throughout the quarantine. Dr. Tan leads the pack with his MASK-Tagumpay social challenge tagged as #RockWithMasks and #WeHealAsOne calling everyone to wear-mask, practice social distancing and stay-at-home. 'Emperador Light' continues to uplift the human spirit amidst these tough times as more encouraging online posts via #BalitangTagumpay that spread good news, breakthroughs and positive vibes were put in place. The brand through its popular song "*Ating Tagumpay*" released a video honoring the courage and heroism of all frontliners in medical, police and military, delivery personnel and from other fields during this health crisis. It also pays tribute to the selfless sacrifice and commitment of these modern-day-heroes during the celebration of National Heroes Day. 'Emperador Light' continues to spread encouragement online as well as on-ground as it also extends free disinfectant alcohols and face shields through consumer promotions, a way to help manage the outbreak in the communities.

Towards the end of 2020, Emperador kept up in ensuring consumers' health and safety with the launch of a notable campaign "*Ingat-Angat, Drink Safely*" in collaboration with the government's Inter-Agency Task Force on the Management of Emerging Infectious Diseases (IATF-EID). This online video was a reminder to celebrate the holidays while ensuring strict safety standards on drinking safely and responsibly. With the reopening of the economy, this campaign is also geared for rebuilding consumer confidence and economic recovery with health and safety still as a priority. EDI continued to echo the same message for 2021.

The versatility and size of Bodegas Fundador encompasses a large and varied spectrum of well-known products, allowing it to take age old tradition to contemporary markets. 'Fundador', which means "Founder", is the first and original Spanish brandy. It is aged through the Criadera and Solera

System in American Oak casks, previously seasoned with sherry and distilled alcohol. Legend tells that Pedro Domecq Lustau received an order of 500 barrels containing “Holanda”. At the moment of the payment, the order was not attended and the “Holandas” were stored back in barrels that had previously contained sherry. After more than five years, it was discovered that the liquid’s color had changed into a golden amber one and that it had gained in aroma due to the time spent in the barrels that had previously contained sherry. Out of this chance, and after improving the distillation and aging processes, the first Spanish brandy ‘FUNDADOR’ was born in 1874.

‘Terry Centenario’ is most important Spanish brandy, a symbolic legacy of its heritage. Terry Bodegas and Brandies currently enjoy great prestige and recognition at both an international and national level. With their yellow mesh and Carthusian horses emblem, ‘Terry Centenario’ and ‘Terry 1900’ are unmistakable symbols of the most traditional Brandy producers in the Jerez triangle. Centenario means centenary, and it evokes the change to the twentieth century when the Terry family started producing brandies in its bodegas in Puerto de Santa María. It is a premium and distinguished brand with the iconic net and the unique logo of the Terry Horse. A new expression and a new Classic White Brandy is created in ‘Terry White’, to renew the brandy category in Spain by shaking the market though a modern concept of a white spirit. Through mixology platform, ‘Terry White’ is launched in this disruptive concept to a fashionable position for a spirit drink for a future halo of Brandy de Jerez.

‘Tres Cepas’ is a particular brandy that was known as “One Vine” (“una cepa”), “Two Vines” (“dos cepas”) and “Three Vines” (“tres cepas”) that were increasing in quality, character and age. It is a premium brand result of a special selection of wines distilled aged in sherry oak casks by the traditional Criadera and Solera system.

‘Harveys’ is one of the largest wineries in Jerez and ‘Harveys Bristol Cream’ is its most famous brand worldwide. ‘Harveys’ was founded in 1796 in Bristol (England) by the merchant William Perry, who stored wines mainly imported from Spain and Portugal in some ancient cellars dating from the 13th century. In 1822 John Harvey joined the company as an apprentice and took control; to give it its current name; in 1871. Harveys Bristol Cream is the result of a meticulous selection comprised of 30 wines aged in American oak casks using the traditional system of soleras and criaderas.

It is the most sold brand of Jerez wine in the world, available in more than 70 countries and a market leader in the United Kingdom, USA and Canada. It is also the unique Spanish company supplying to Her Majesty The Queen Elizabeth II of England since 1895.

Very Old Rare Sherry (VORS) are the pinnacle of the sherry range; the most luxurious expressions, certified by Jerez’s Regulating Council to be over 30 years old, a distinction only given to Amontillado, Palo Cortado, and Pedro Ximénez.

Domecq brands are marketed by associating them with Mexican identity and emphasizing them with social history.

The key brands in Whyte and Mackay are well defined. The Dalmore Single Malt Scotch Whisky is a brand of supreme quality that is positioned at the apex of the category in which it competes. Truly a luxury brand, The Dalmore’s stag iconography is built on a heritage that is rooted in the saving of King Alexander III of Scotland from a raging stag in 1263 by an ancestor of the Mackenzie clan. The grateful king granted him the right to bear a stag’s head in his coat of arms and so every bottle of The Dalmore is adorned with this noble emblem: a stag’s head with twelve points to its antlers, signifying ‘royalty’.

For the past 180 years, The Dalmore has been a masterpiece in the making. Now, the brand celebrates the illustrious moments in its continuing history as it unveiled a once-in-a-lifetime selection of six exceptional single malt whiskies that tell the story of The Dalmore’s relentless pursuit of excellence through six decades—The Dalmore Decades. The Dalmore Decades No.6 Collection was auctioned by Sotheby’s in Hong Kong last October 2021 and was sold for a record-breaking amount of 1.12 million USD especially setting the pace for the luxury spirits category. Donation from the global auction at Sotheby’s of the unique one-of-a-kind collection of six rare Single Malts will be made to V&A Dundee as part of a four-year partnership with the arts powerhouse celebrating design, creativity, and vision.

Jura Single Malt Scotch Whisky' is a premium Scotch whisky that is smooth, bright, and lovely – just like the islanders who made it. Jura is reflective of the community that crafts exceptional whisky. It is "*more than a whisky*" - the banner that encapsulates the very special nature of this island single malt.

In 2021, Jura Whisky pledged support to the 28th Jura Music Festival through sponsorship. [Jura Music Festival is the annual celebration of traditional Scots music which has been taking place on the island of Jura since 1994. It is a charitable organization and in line with its 'constitution' the Festival seeks to provide opportunities for young people to learn and improve their music based skill and help them refine and develop those skills in the future.] The 2021 Jura Music Festival was very different from previous years and every effort ensured that it is brought to life and is much more than a festival. There were opportunities to meet members of the Jura community and discover more about Jura Distillery and its remarkable whiskies.

'Tamnavulin Single Malt Scotch whisky' is the epitome of a Speyside malt; rich, smooth, elegant and refreshing with a sherry finish. Tamnavulin is the Gaelic translation for 'Mill on the Hill,' named in part after the 16th century woollen mill which sits on the site of the distillery.

'Fettercairn' is a highland malt with the main brand symbol being the unicorn. This brand was re-launched in 2018 with new packaging and a new range of ages.

Fettercairn Distillery unveiled an exciting new project in 2021 to replant an ancient forest as it sets its sights on producing its own single estate Scottish oak matured malt whiskies. With over 13,000 sessile Quercus petraea and Quercus robur oak saplings planted next to the Distillery, the Fettercairn Forest is part of a wider commitment by Whyte & Mackay to develop a sustainable future for responsibly sourced Scottish oak for each Distillery. The Distillery has already laid down whiskies in Scottish Oak and plans to release the first commercially available Fettercairn Scottish Oak bottling this year. It is committed to establishing a series of new whiskies over the coming decades.

The 'Whyte & Mackay Blended Scotch whisky' brand has had new packaging introduced and launched a new communication campaign to reinforce its unique Triple Maturation process that delivers a smoother, richer taste which have both been well received.

Targeted Marketing

To maximize market penetration, EDI supports both traditional advertising and marketing as well as proprietary market research tools. It uses multiple consumer research agencies and methodologies to assess consumer insight, trend, behavior and preferences, and markets its products accordingly. The brands are also marketed through an integrated 360-degree marketing campaign including the traditional above-the-line media, such as television and radio commercials, print and digital advertisements, including social media initiatives for Facebook and Twitter, below-the-line promotions, such as influencers, local events, tastings, fairs, and sponsorships. In addition, management supports creativity and innovation in product marketing by encouraging managers to take ownership of strategic geographic areas. Its creative consumer research has qualitative and quantitative aspects and includes face-to-face interviews and information gathering exercises with consumers at local neighborhood events and gatherings.

The Scotch single malts are marketed internationally designed to reinforce the brands' core positioning, talking to a well-defined consumer target in each market.

Globally, the portfolio quickly adapted to the pandemic by shifting marketing activities online and developing series of campaigns focusing on engaging and connecting with consumers in the digital space. The brands held a series of online tastings, virtual distillery tours, and partnerships with e-commerce websites.

The flagship brands of Bodegas Fundador: 'Fundador', 'Tres Cepas' and 'Terry' brandies are marketed internationally using a combination of digital communication and activation, as well as more traditional ways of retail activations and marketing on site. Communication is driven to focus on the key positioning of the brands and the well-defined target consumers. On the other hand, 'Harveys' is marketed internationally adapting the range of products to the characteristics of each national market, using a combination of digital and traditional marketing approaches, focusing on the different core positioning of each range, that have specific target consumers.

Sales and Distribution Network

The Company has an extensive sales and distribution network which is one of its key strengths that will continue to drive its future growth. Products are sold through general trade, modern trade, on-premise, self-owned stores and online platforms.

EDI has a nationwide distribution network operated through sales offices and distribution outlets strategically located in the country, which supply national and regional customers, hypermarkets, supermarkets, wholesalers, traders, grocery outlets, convenient stores, and local neighborhood small sari-sari, stores. It continually seeks ways to expand the reach of its distribution network, especially in the fast-growing regions of Mindanao and the Visayas. It employs its own sales and distribution force and vehicles fleet for direct delivery service. It uses direct sales vehicles such as cash vans to cover sari-sari stores across the country. Cash vans sell the brands directly to these small retailers on a cash-only basis, where the average transaction is for two cases. Other accounts get credit terms which vary from the standard 30 days to 60 days for key accounts.

The Company believes that the day-to-day interaction its sales team has with its trade partners is essential to maintaining product availability as well as access to its consumers.

EDI builds its on-premise sales operations to expand its market to hotels and restaurant businesses in the Philippines, given the expansion of its pouring brands and world class brands. Considering the shift in purchasing behavior during the COVID-19 pandemic, EDI also made its products available in different e-commerce channels such as Lazada, Shopee and Panda Mart, to name a few.

The Company has a standard volume-based pricing model that is applied evenly across all customer segments and discounts are offered on large volume transactions.

Emperador local brands have established international distribution to at least 61 countries by end-2021.

The WMG business has a strong, international Route to Market. In UK, a dedicated sales team covers all trade channels and customers. It also has a dedicated Global Travel Retail team which manages its brands in a channel that is critical for single malt whisky equity building and sales. In other markets Whyte and Mackay has established a network of distribution partners that represent the brands in each territory. The goal is to develop long term partnerships with a strong local distributor in every market, with selection based on strength and commitment in the channels offering the greatest opportunity in each market. In 2016, Whyte and Mackay appointed E&J Gallo as their exclusive importer into the USA for certain key brands.

The Dalmore opened its first flagship store in the Philippines in Uptown Bonifacio, an exclusive retail store that houses some of the rarest and most expensive whisky collection in the Philippines. The Keeper’s Den, a by-invite only lounge within the store, is also open to its VVIPs to enjoy their ‘Dalmore’ bottles along with their guests. As of end 2020 and 2021, there are sixteen (16) retail stores in the Philippines. The Dalmore also extended its flagship store and opened the Cigar Lounge. The Dalmore Cigar Lounge curates the ‘Dalmore’ classics: the King Alexander III (the only single malt in the world with six different finishes — spirits matured in ex-bourbon casks, Matusalem oloroso sherry butts, Madeira barrels, Marsala casks, Port pipes and Cabernet Sauvignon wine barriques); the Quintessence (with five wine finishes: Zinfandel, Merlot, Cabernet Sauvignon, Syrah and Pinot Noir); and The Dalmore 25. One can pair The Dalmore Cigar Malt Reserve with Cuban cigars (Cohiba Robusto, Cohiba Esplendidos, Hoyo de Monterrey Epicure No. 1, Montecristo No. 2, Partagas Serie E No. 2, and Romeo Y Julieta Short Churchill) which are also available at the lounge.

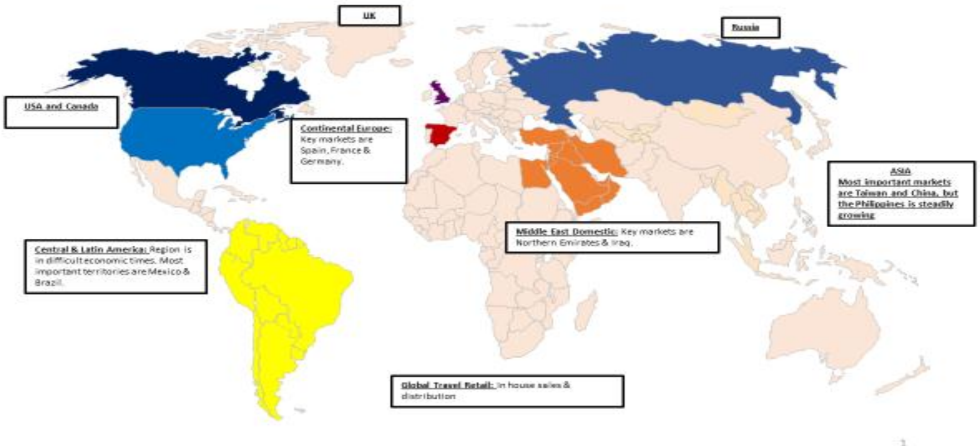
Bodegas Fundador has a small team that sells to distributors around the world. It partners with the best players in the distribution market, having long term agreements with country and regional wine and spirit distributors in place.

In 2016, EDI took over the distribution of Fundador in the Philippines, while Whyte and Mackay took over the distribution in UK and Canada. This combination assures a deep sell-out market presence around the world.

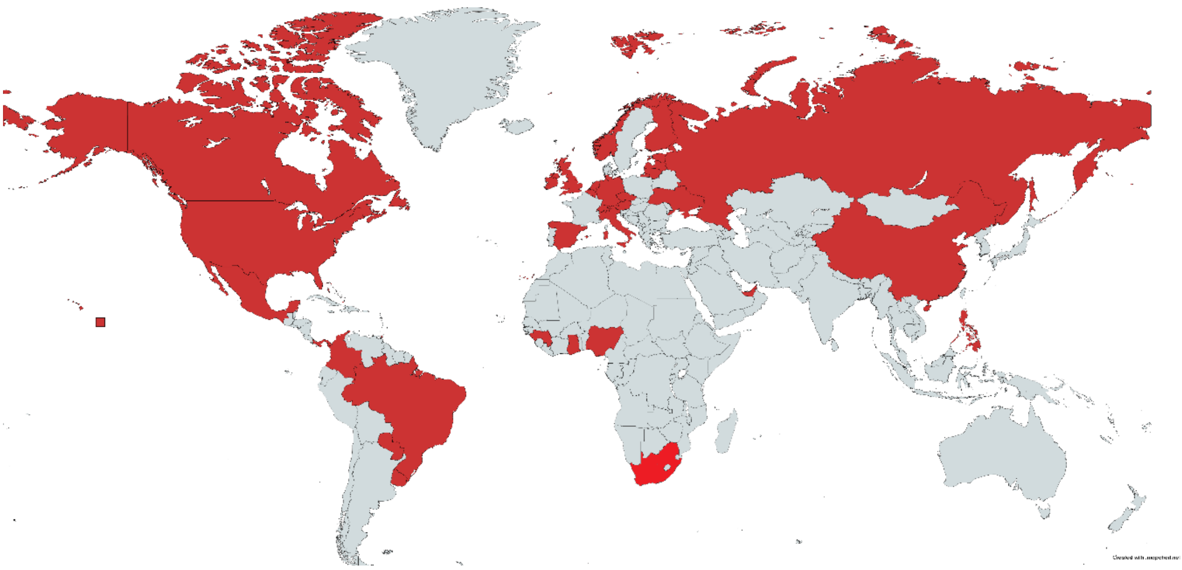
In 2018, the first Fundador Café was created in the Philippines which is located at Venice Grand Canal at McKinley Hill. It offers hot and cold drinks and blended ones infused with Fundador products and sweets with Harvey Bristol Cream variances.

In January 2022, Asia's first-ever brandy museum opened its doors in Iloilo City. It is an immersive museum where visitors will have a unique journey of senses through a faithful recreation of the Fundador bodega in Spain. The tour is capped at the museum cafe where guests can enjoy the barista's take on popular beverages spiked with Emperador Coffee Brandy.

The map below shows WMG global reach



The areas in red in map that follows show the markets where Bodegas Fundador is present:



COMPETITION

The Group competes against established spirits companies. The principal competitive factors with respect to the Company's products include brand equity, product range and quality, price, ability to source raw materials, distribution capabilities and responsiveness to consumer preferences, with varying emphasis on these factors depending on the market and the product. Our ability to strengthen the selling power and premium image of our brands and differentiate ourselves from our competitors affects our sales and profit margins. The Group believes it has a track record of proven strength on these areas.

The main competitors in the Philippine brandy market mainly comprise of 'Primera Brandy' manufactured by Ginebra San Miguel, Inc. (GSMI) and 'Alfonso Brandy' imported/distributed by Montosco Inc. With respect to gin, rum and other alcohol products, it primarily competes with other local gin and rum companies that also produce ready-to-serve alcoholic beverages as well as imported labels. The whisky segment in the Philippines is not well tapped at present, and the Company aims to revive this segment.

The Company believes that its products are strongly positioned within their respective markets, as measured by market share and brand recognition. The Company believes its 'Emperador' brand is a status brand in the Philippines, and is associated with a certain level of success and sophistication that its potential customers aspire to. The Company believes that its range of well-established and highly recognized brands present significant barriers to new competitors, and are particularly important to its ability to both attract and maintain consumers.

The Fundador brands face strong competition in the Spanish market and internationally in the brandy and sherry businesses, among which are Osborne and Torres. The management monitors the market and the strategies of the competitors to safeguard the overall competitive position.

WMG, on the other hand, competes in the UK market and internationally. Competitors use brand strength together with price and product range to compete. The major Scotch whisky brand owners are Diageo, Pernod Ricard, William Grant, Edrington and Bacardi who are all materially larger than WMG. Nevertheless, WMG can compete as it has differentiated brands in a fragmented Malt whisky market and its Blended Scotch brands are competitively priced. WMG management monitors market prices on an on-going basis and takes steps to safeguard the overall competitive position.

SOURCES AND AVAILABILITY OF RAW MATERIALS

The principal raw materials for the manufacture of the alcoholic beverage products are grapes from the Group's vineyards and from various suppliers, wine, grain and malts, distilled neutral spirit, brandy distillates, and water. It also requires a regular supply of glass bottles and packaging materials. Raw materials are sourced from subsidiaries and third-party suppliers. All of the water for blending in our Philippine operations is sourced from two deep wells located in the Santa Rosa, Laguna manufacturing facility. The facilities in Laguna are located on top of one of the best fresh water supplies in the Philippines. There is also a filtration system for the water it uses at its Laguna facilities.

EDI sources its bottles from AWGI, which produces a majority of the new glass bottles while the rest are imported or sourced using recycled returned bottles. EDI sources final packing materials such as carton boxes and closures from at least three different suppliers. AWGI canvasses suppliers twice a year to seek the most competitive prices for its raw materials. While terms for different suppliers vary, AWGI generally orders raw materials to meet its projected supply requirements for one year and prices are subject to review on a quarterly basis. For imported raw materials, new purchase orders for supplies are generally sought two months prior to the expiration of existing purchase orders. For raw materials sourced in the Philippines, orders are finalized one month before existing orders terminate. At least three suppliers are maintained for major raw materials. In addition, major raw materials' suppliers typically maintain a warehouse in close proximity to the plant to cover possible delays in shipments and to prevent delivery interruptions.

For production facilities in Scotland, the UK is the major source of cereals and dry goods such as bottles, labels, closures and cartons while casks are sourced from USA and from Spain.

For production facilities in Spain, grapes come from owned vineyards and from third parties as needed. For Mexico, grapes are sourced from various suppliers and *aguardientes* from Spain, Chile, Argentina and Australia.
The Company has not experienced and does not anticipate any significant difficulty in obtaining adequate supplies of raw materials and dry goods at satisfactory prices under its supply arrangements. AWGI is able to manufacture enough glass bottles to meet the Company's requirements.

Whyte and Mackay and Bodegas Fundador have long-term relationships with their suppliers to meet the current business requirements.

Financial Statements

The audited consolidated financial statements, together with Statement of Management's Responsibility and Auditors' Report, and supplementary schedules are attached and filed herewith.

The consolidated financial statements have been prepared in compliance with the Philippine Financial Reporting Standards ('PFRS), 'on the historical cost basis except for the measurement of certain financial assets and liabilities. The preparation of the consolidated financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and related notes. The estimation and judgments are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results may ultimately vary from those estimates.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section must be read in conjunction with the audited financial statements of the Group, including the related notes thereto.

KEY PERFORMANCE INDICATORS

				% change yoy	
In Million Pesos	**2021**	**2020**	**2019**	2021	2020
Revenues and other income	₱ 55,936	₱ 52,834	₱ 51,565	5.9	2.5
Net profit ["NP"]*	₱ 10,148	₱ 8,037	₱ 6,832	26.3	17.6
Net profit to owners ["NPO"]*	₱ 9,971	₱ 7,967	₱ 6,725	25.2	18.5
NP pre-adj [NP Normalized]*	₱ 10,821	₱ 8,037	₱ 7,105	34.6	13.1
NPO Normalized*	₱ 10,643	₱ 7,967	₱ 6,998	33.6	13.9
Total assets	₱ 128,516	₱ 122,452	₱ 126,047	5.0	-2.9
Total current assets	₱ 64,945	₱ 61,961	₱ 63,845	4.8	-2.9
Quick assets	₱ 29,683	₱ 29,628	₱ 31,461	0.2	-5.8
Total current liabilities	₱ 23,523	₱ 25,808	₱ 28,445	-8.8	-9.3
GPR %	36.5	31.1	33.7		
NPR %	18.1	15.2	13.2		
NPOR %	17.8	15.1	13.0		
ROA %	7.9	6.6	5.4		
Current ratio	2.8x	2.4x	2.2x		
Quick ratio	1.3x	1.1x	1.1x		

In **2021, there was a P672M non-cash consolidation adjustment that has to be taken up for financial reporting purposes, triggered by the increase in UK corporate tax rates (effective April 1, 2023). It pertains principally to intangible assets; does not affect the stand-alone operating results; and will not get paid in the far future unless the UK business is liquidated or sold. In **2019**, there was a P272M one-time loss due to impairment of certain Spanish trademarks. NP/NPO before this adjustment may interchangeably be referred to as "**Normalized**" in our discussion.*

- Revenue growth – measures the percentage change in revenues over a designated period of time
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Gross profit margin ("GPR" or "GPM") – computed as percentage of gross profit [which is sales less cost of sales] to sales – gives indication of pricing, cost structure and production efficiency.
- Net profit rate ("NPR" or "NPM") – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs.
- Return on asets [or capital employed] ("ROA") – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

RESULTS OF OPERATIONS

The challenges brought about by the COVID-19 pandemic that started in March 2020 has had significant impact on global economy as pandemic restrictions weaken economic conditions in many markets. The Group has navigated through these challenges by managing its costs and expenditures; maintaining supply of its products and capitalizing on off-premise and online sales channels while on-premise and Travel Retail were closed or limited due to lockdowns, travel restrictions and liquor bans.

Overall, despite the unprecedented conditions, our business has remained resilient as our operating results in 2020 and 2021 have shown.

The Group is presented into two segments: Scotch Whisky (representing the UK operations) and Brandy (representing the Philippine and` Spanish operations, including the Fundador and Domecq operations starting March 2016 and September 2017, respectively). BLC is a joint venture which is accounted for under the equity method and reported under the Brandy Segment.

In Million Pesos	**2021**	2020	2019	YoY 2021	YoY %	YoY 2020	YoY %
Revenues and other income	**55,936**	52,834	51,565	3,102	5.9%	1,269	2.5%
Brandy	**37,232**	36,891	37,627	341	0.9%	(736)	(2.0%)
Whisky	**18,704**	15,943	13,938	2,761	17.3%	2,005	14.4%
Gross profit ["GP"]	**20,037**	15,997	16,926	4,040	25.3%	(929)	(5.5%)
Brandy	**12,637**	10,229	11,339	2,409	23.5%	(1,111)	(9.8%)
Whisky	**7,400**	5,768	5,587	1,631	28.3%	182	3.3%
NP before tax	**12,895**	9,436	8,480	3,459	36.7%	956	11.3%
Brandy	**8,894**	6,777	6,242	2,117	31.2%	535	8.6%
Whisky	**4,001**	2,659	2,238	1,342	50.5%	420	18.8%
Tax expense	**2,747**	1,399	1,648	1,348	96.3%	(248)	(15.1%)
Brandy	**1,314**	992	1,377	321	32.4%	(384)	(27.9%)
Whisky	**1,433**	407	271	1,026	252.4%	136	50.2%
NP	**10,148**	8,037	6,832	2,112	26.3%	1,204	17.6%
Brandy	**7,580**	5,785	4,865	1,796	31.0%	920	18.9%
Whisky	**2,568**	2,252	1,967	316	14.0%	284	14.5%
NP to owners ["NPO"]	**9,971**	7,967	6,725	2,004	25.2%	1,242	18.5%
Brandy	**7,403**	5,715	4,758	1,688	29.5%	957	20.1%
Whisky	**2,568**	2,252	1,967	316	14.0%	284	14.5%
NP Normalized	**10,821**	8,037	7,105	2,784	34.6%	932	13.1%
Brandy	**7,580**	5,785	5,138	1,796	31.0%	647	12.6%
Whisky	**3,240**	2,252	1,967	989	43.9%	284	14.5%
NPO Normalized	**10,643**	7,967	6,998	2,676	33.6%	969	13.9%
Brandy	**7,403**	5,716	5,031	1,688	29.5%	685	13.6%
Whisky	**3,240**	2,252	1,967	989	43.9%	284	14.5%
EBITDA	**15,225**	11,552	10,807	3,673	31.8%	745	6.9%
Brandy	**10,713**	8,473	8,141	2,241	26.4%	331	4.1%

In Million Pesos	**2021**	2020	2019	YoY 2021	YoY %	YoY 2020	YoY %
Whisky	**4,512**	3,079	2,666	1,432	46.5%	414	15.5%
GPR	**36.53%**	31.12%	33.68%				
Brandy	**34.08%**	28.25%	30.45%				
Whisky	**39.87%**	36.12%	39.78%				
NPR	**18.14%**	15.21%	13.25%				
Brandy	**19.97%**	15.38%	12.67%				
Whisky	**13.68%**	14.06%	13.87%				
NPOR	**17.83%**	15.08%	13.04%				
Brandy	**19.50%**	15.20%	12.39%				
Whisky	**13.68%**	14.06%	13.87%				
NPR Normalized	**19.34%**	15.21%	13.78%				
Brandy	**19.97%**	15.38%	13.37%				
Whisky	**17.26%**	14.06%	13.87%				
NPOR Normalized	**19.03%**	15.08%	13.57%				
Brandy	**19.50%**	15.20%	13.10%				
Whisky	**17.26%**	14.06%	13.87%				
EBITDA margin	**27.22%**	21.86%	20.96%				
Brandy	**28.22%**	22.53%	21.19%				
Whisky	**24.04%**	19.23%	18.80%				

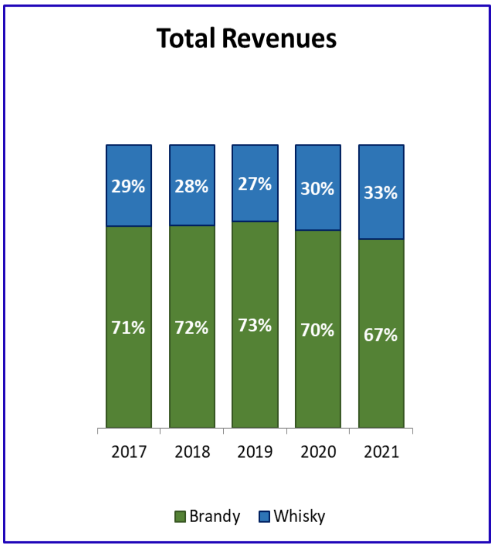
Notes: Numbers may not add up due to rounding. [1]Segment Revenues are from external customers only. [2]GPR is GP over Sales.

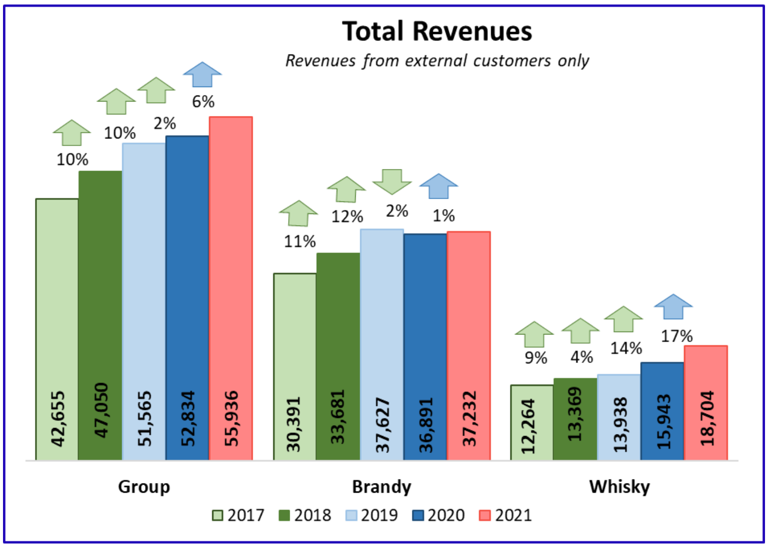
Both segments showed sturdy results with Scotch Whisky segment gaining traction as it took up 1/3 of the revenue pie for the year 2021.

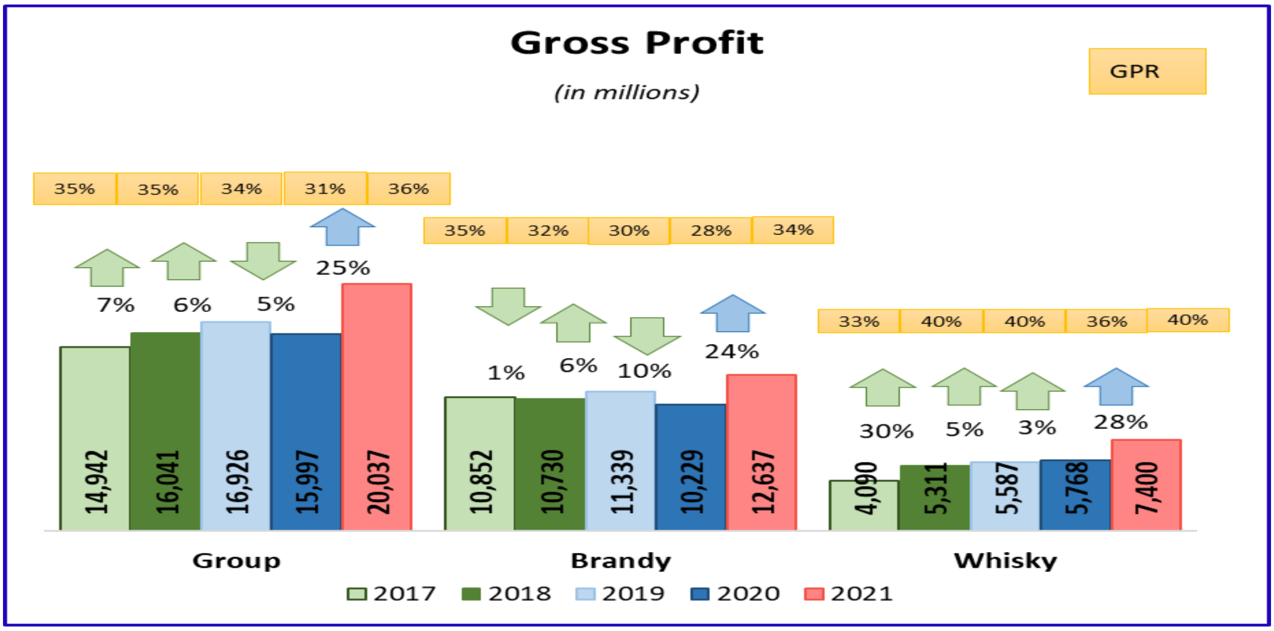
Brandy Segment							
In Million Pesos	2021	2020	2019	YoY 2021	YoY %	YoY 2020	YoY %
REVENUES AND OTHER INCOME							
External customers	37,232	36,891	37,627	341	0.9%	(736)	(2.0%)
Intersegment	730	714	786	16	2.3%	(72)	(9.2%)
Total	37,962	37,605	38,413	358	1.0%	(808)	(2.1%)
Gross Profit ["GP"]	12,637	10,229	11,339	2,409	23.5%	(1,111)	(9.8%)
Other operating expenses	3,621	4,432	5,635	(811)	(18.3%)	(1,203)	(21.4%)
Selling and distribution expense	2,546	3,321	3,649	(775)	(23.3%)	(328)	(9.0%)
General and administrative expense	1,075	1,111	1,986	(36)	(3.2%)	(875)	(44.1%)
Interest and other charges	1,005	413	633	593	143.6%	(220)	(34.8%)
NP before tax	8,894	6,777	6,242	2,117	31.2%	535	8.6%
Tax expense	1,314	992	1,377	321	32.4%	(384)	(27.9%)
NP	7,580	5,785	4,865	1,796	31.0%	920	18.9%
NPO	7,403	5,715	4,758	1,688	29.5%	957	20.1%
NPO Normalized	7,403	5,716	5,031	1,688	29.5%	685	13.6%
EBITDA	10,713	8,473	8,141	2,241	26.4%	331	4.1%
GPR	34.08%	28.25%	30.45%				
NPOR	19.50%	15.20%	12.39%				
NPOR Normalized	19.50%	15.20%	13.10%				
EBITDA Margin	28.22%	22.53%	21.19%				

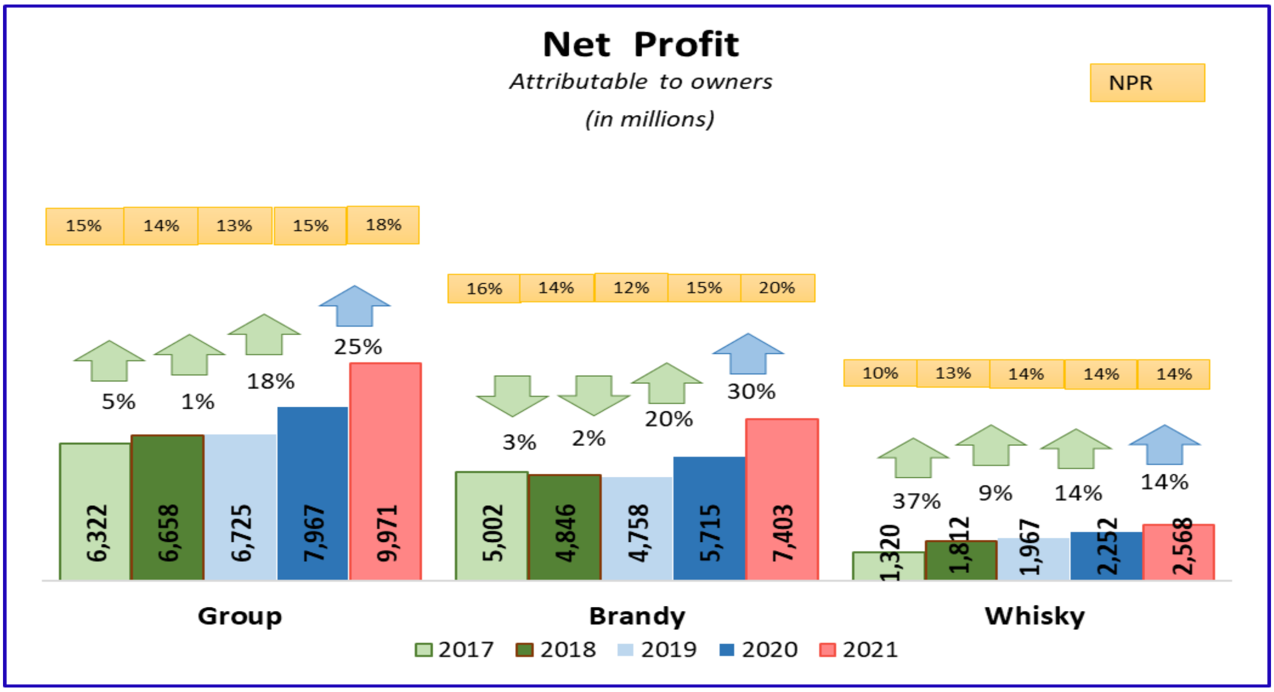
Scotch Whisky Segment							
In Million Pesos	2021	2020	2019	YoY 2021	YoY %	YoY 2020	YoY %
REVENUES AND OTHER INCOME							
External customers	18,704	15,943	13,938	2,761	17.3%	2,005	14.4%
Intersegment	64	70	241	(6)	(8.5%)	(171)	(70.8%)

Total	18,768	16,013	14,179	2,755	17.2%	1,834	12.9%
Gross Profit ["GP"]	7,400	5,768	5,587	1,631	28.3%	182	3.3%
Other operating expense	3,425	2,939	3,310	485	16.5%	(371)	(11.2%)
Selling and distribution expense	2,294	1,942	2,372	352	18.1%	(430)	(18.1%)
General and administrative expense	1,131	997	938	133	13.4%	59	6.3%
Interest and other charges	181	215	173	(35)	(16.0%)	43	24.9%
NP before tax	4,001	2,659	2,238	1,342	50.5%	420	18.8%
Tax expense	1,433	407	271	1,026	252.4%	136	50.2%
NP	2,568	2,252	1,967	316	14.0%	284	14.5%
NPO	2,568	2,252	1,967	316	14.0%	284	14.5%
NPO Normalized	3,240	2,252	1,967	989	43.9%	284	14.5%
EBITDA	4,512	3,079	2,666	1,432	46.5%	414	15.5%
GPR	39.87%	36.12%	39.78%				
NPOR	13.68%	14.06%	13.87%				
NPOR Normalized	17.26%	14.06%	13.87%				
EBITDA Margin	24.04%	19.23%	18.80%				


Total Revenues
29%
28%
27%
30%
33%
71%
72%
73%
70%
67%
2017
2018
2019
2020
2021
Brandy
Whisky


Total Revenues
Revenues from external customers only
10%
10%
2%
6%
42,655
47,050
51,565
52,834
55,936
11%
12%
2%
1%
30,391
33,681
37,627
36,891
37,232
9%
4%
14%
17%
12,264
13,369
13,938
15,943
18,704
Group
Brandy
Whisky
2017
2018
2019
2020
2021


Gross Profit
(in millions)
GPR
35%
35%
34%
31%
36%
35%
32%
30%
28%
34%
33%
40%
40%
36%
40%
7%
6%
5%
25%
14,942
16,041
16,926
15,997
20,037
1%
6%
10%
24%
10,852
10,730
11,339
10,229
12,637
30%
5%
3%
28%
4,090
5,311
5,587
5,768
7,400
Group
Brandy
Whisky
2017
2018
2019
2020
2021


Net Profit
Attributable to owners
(in millions)
NPR
15%
14%
13%
15%
18%
16%
14%
12%
15%
20%
10%
13%
14%
14%
14%
5%
1%
18%
25%
6,322
6,658
6,725
7,967
9,971
3%
2%
20%
30%
5,002
4,846
4,758
5,715
7,403
37%
9%
14%
14%
1,320
1,812
1,967
2,252
2,568
Group
Brandy
Whisky
2017
2018
2019
2020
2021

Year Ended December 31, 2021 Compared With Year Ended December 31, 2020

The Group performed better in 2021 amidst a still volatile environment[5], anchored on the strength of its diversified portfolio and international operations.

Net profit for the year surged 26% year-on-year to a record-high of P10.1 billion, as revenues and other income jumped 6% year-on-year to P55.9 billion. Net profit to owners accelerated to P10.0 billion, up 25% year-on-year. Gross profit rate (“GPR”) improved to 36% from 31% a year ago, and net profit rate (“NPR”) and net profit to owners rate (“NPOR”) higher at 18% this year as compared to 15% a year ago. *Normalized* net profit [i.e. P0.7 billion non-cash consolidation tax adjustment in 2021 added back] soared 35% to P10.8 billion, of which P 10.6 billion was attributable to owners, up 34% year-on-year.

The **Brandy segment** realized net profit of P7.6 billion during the year, up 31% year-on-year, as it turned over P37.2 billion revenues and other income from external customers, up 1% year-on-year. Brandy sales grew year-on-year at both the Philippine and international markets, particularly in Mexico, Spain and USA where restriction on on-trade business have loosened up. ‘Emperador’, ‘Fundador’, ‘Presidente’, and ‘Terry’ remained as the top-selling brandy brands, with sales increases registered during the year. Sales of ‘Harveys Bristol Cream’ also rose as it sold well in UK. Gross profit expanded 24% year-on-year to P12.6 billion with GPR improving to 34% from 28% of a year ago as more of high-margin products were sold in the current year. The higher GP and lower operating costs lifted both NP and NPO to P7.6 billion and P7.4 billion, respectively, with NPR and NPOR of 20% in the current year as compared to 15% a year ago.

The **Scotch Whisky segment** ended the year with P18.7 billion revenues and other income from external customers, a 17% jump year-on-year, with net profit [also its net profit to owners] growing at 14% year-on-year to P2.6 billion. Adding back a non-cash deferred tax expense, *normalized* net profit amounted to P3.2 billion which is up 44% from a year ago, buoyed by its single malt products. Single malts ‘Dalmore’, ‘Jura’, ‘Tamnavulin’ and ‘Fettercairn’ continued to post double-digit year-on-year growths in net net sales. There were large increases in Asia, UK, Europe, USA, Travel Retail, and practically all regions as economies began to bounce back against the pandemic although some countries were re-imposing restrictions in response to new COVID variants. UK off-trade and e-commerce continued to grow as demands remained high. Gross profit expanded 28% year-on-year to P7.4 billion with GPR improving to 40% from 36% last year as sales grew faster than cost of goods sold due mainly to product sales mix (sales of high-priced/ high-margin products increased). As markets opened up and sales grew, operating expenses increased. The segment ended with NPR of 14% and normalized NPR of 17% as compared to 14% of last year.

Revenues and Other Income
Total revenues and other income grew 6% (+P3.1 billion) year-on-year to P55.9 billion in 2021 as compared to P52.8 billion in 2020 as external revenues from Scotch Whisky segment and from Brandy segment grew by 17% (+P2.8 billion) and 1% (+P0.3 billion), respectively. ‘Emperador’, ‘Fundador’ and ‘El Presidente’ remained to be the Group’s top selling Philippine, Spanish and Mexican brands, respectively while single malts ‘The Dalmore’, ‘Jura’ and ‘Tamnavulin’ were the Group’s top selling Scotch Whisky brands during the current year.

Other income dipped 24%(-P0.3 billion) to P1.1 billion from P1.4 billion a year ago due to lower share in net income of BLC, lower foreign exchange gains and lower interest income during the year.

Costs and Expenses
Total costs and expenses remained stable at P43.0 billion this year from P43.4 billion a year ago, down 0.8% (-P0.4 billion) year-on-year, as Scotch Whisky business’ costs and expenses, including intersegment purchases, expanded 11% (+P1.4 billion) and those of Brandy business contracted 6% (-P1.8 billion).

[5] *The COVID-19 pandemic, as declared by WHO on March 11, 2020, is continuing globally. Several variants are sprouting and causing spikes in certain areas globally. However, death tolls are not as high as before because many people are vaccinated and boosted already.*

Cost of Goods Sold
Costs slid 2% (-P0.6 billion), to P34.8 billion from P35.4 billion a year ago due to product sales mix (sale of high-priced/high-margin products).

Gross Profit
Gross profit rates on consolidated level improved to 36% in 2021 as compared to 31% in 2020. This is largely attributed to sales growth (+7%) outpacing cost of goods sold (-2%), which is further attributed to sales product mix. The GPRs of the Brandy and Scotch Whisky segments were respectively posted at 34% and 40% in 2021 as compared to 28% and 36% in 2020.

Other operating expenses
Other operating expenses shrank 4% (-P0.3 billion) to P7.0 billion from P7.4 billion because of optimized spending in the current lockdown situation and travel restrictions, especially in the Philippines. Advertising and promotions (-P0.1 billion), freight and handling (-P0.1 billion), and other services (-P0.1 billion) were down year-on-year. Salaries and employee benefits, on the other hand, went up (+P0.1 billion) year-on-year due to increased business activity from a year ago.

Selling and distribution expenses decreased 8% (-P0.4 billion) from a year ago. Brandy segment optimized its expenditures reflective of the current situation, and had spent 23% less (-P0.8 billion) year-on-year, particularly on Emperador's advertising and promotions, freight and handling, representation and merchandising service fees. On the other hand, Scotch Whisky segment had resumed its expenditures and spent 18% more (+P0.4 billion), particularly on strategic and promotional marketing and freight and handling in the light of its growing sales.

General and administrative expenses increased 5% (+P0.1 billion) from a year ago. Brandy segment's expenses remained stable while Scotch Whisky segment's expenses grew on its salaries and employee benefits from a year ago.

Interest and Other charges
Interest and other charges increased 89% (+P0.6 billion) to P1.2 billion from P0.6 billion due to higher interest expense and unrealized foreign exchange losses. *Interest expense* increased 43% (+P0.2billion) due to higher variable interest on ELS (due to 3 dividend declarations) during the year while *Other charges* increased 5times (+P0.3 billion) from unrealized foreign exchange losses.

Profit before Tax
As a result of the foregoing, profit before tax improved 37% to P12.9 billion from P9.4 billion a year ago.

Tax Expense
Tax expense went up 96% (+P1.3 billion) to P2.7 billion from P1.4 billion a year ago due to higher taxable income attributed to robust sales and the take-up of P0.7 billion deferred tax adjustment on intangible assets at consolidation level, which was triggered by the increase in corporation tax in UK (effective April 1, 2023)(that received Royal Assent in June 2021). The said tax adjustment is a non-cash item, does not affect UK stand-alone operating results and will never be paid in the far future unless the UK business is sold or liquidated.

Net Profit
As a result of the foregoing, net profit soared 26% (+P2.1 billion) to P10.1 billion from P8.0 billion from a year ago. Net profit to owners jumped 25% to P10.0 billion from P8.0 billion last year. Excluding non-cash deferred tax expense, *normalized* net profit leaped 35% to P10.8 billion and *normalized* net profit to owners jumped 34% to P10.6 billion.

EBITDA
EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, went up 32% (+P3.7 billion) to P15.2 billion from P11.6 billion a year ago, showing respective margins of 27% and 22%.

Year Ended December 31, 2020 Compared With Year Ended December 31, 2019

The year 2020 was marked by the challenges attributed to COVID-19 pandemic that prompted key changes in consumer attitudes and revolutionized the market landscape. The outbreak of COVID-19, a novel strain of coronavirus, spread fast worldwide. What was declared as a '*public health emergency of international concern*' in January soon became a *pandemic* in March [WHO's declaration made on March 11], as it had reached 114 countries and territories, including the Philippines, Spain and UK where the Group operates. The pandemic has affected 222 countries and territories and only fourteen countries and territories have no reported cases of COVID-19 as of January 31, 2021. The governments across the world responded immediately and implemented extensive measures at varying degrees, such as travel bans/restrictions, lockdowns, home isolation (stay-at-home orders), physical distancing (including in work places), limited gathering and closing of non-essential businesses (all types of recreational venues and most public places included). Almost the whole country was under lockdown from the second half of March 2020, which paralyzed all non-essential business activities, and liquor bans were imposed by most localities. Restrictions have started to ease through a four-phase program from mid-May, as the governments tried to balance economic and health concerns. Our local operations have resumed in accordance with government directives, amidst localized lockdowns and liquor bans across the country. Spain, UK and Mexico have localized lockdowns and substantially closed on-trade business, yet our plants keep operating. These stay-at-home occasions plus the health awareness concerns prompted key changes that pivot to off-trade and e-commerce channels. Safety health protocols of wearing face mask (plus face shield in the Philippines), maintaining social distance and frequent hand washing/disinfection stayed on as a must-do-everyday routine [and continuing as of the date of this report]. It is in this general background that the Group operated in 2020.

The Group exhibited strong results during the year 2020 amidst the pandemic challenges. Net profit to owners soared 18% year-on-year to a record-high of P8.0 billion while revenues went up 2% year-on-year to P52.8 billion, attesting to the strength of the Group's diversified portfolio and global operations. While on-trade and global travel retail had been affected by the lockdowns and dry law implementation, the Group took advantage of the buoyant off-trade and e-commerce channels as well as new open markets to increase sales. Emperador was able to navigate through the challenges, adapting to the new consumption trends and streamlining efficiencies. Gross profit margin remained healthy at 31% while net profit to owners margin was higher at 15% as compared to 13% in 2019.

The **Brandy segmen**t realized a 20% soar in net profit to owners to P5.7 billion in 2020 from P4.8 billion in 2019 as it turned over P36.9 billion revenues from external customers, a 2% dip year-on-year. The business was affected by the two-month hard lockdown from mid-March up to mid-May, when local production and distribution were completely suspended in compliance with government directive, and the liquor bans imposed in most localities. While Bodegas Fundador was able to continue its regular production and distribution in Jerez, on-trade sales was affected but off-trade and e-commerce were strong and international market resilient. When borders began opening up in June, sales picked up in Europe, Asia and Americas. 'Fundador Light' and 'Fundador Double Light' were made available in North America. 'Terry Centenario' remained as the fastest growing brandy and market leader in Spain cornering about one-fourth of the market. 'Tres Cepas' expanded market share in Guinea and Cameroon. 'Emperador' garnered a leading 37% share of the market volume of the top three local manufacturers in the Philippines. The segment's gross profit margin slightly moved to 28% due to product mix and spike of cost inputs from abroad. The segment's net profit to owners' rate improved to 15% as the group observed prudence in its operating expenditures.

The **Scotch Whisky segment** ended the year 2020 with P16.0 billion revenues to external customers, a 14% surge year-on-year, with net profit to owners growing at the same 14% pace year-on-year to P2.3 billion. Business in UK accelerated in 2020 as consumers sought out our brands in the off-trade and e-commerce channels while on-trade was effectively shut March-July and restrictions reimposed (so that not all premises were open) from November. Single malts 'Jura' and 'Tamnavulin' captured the first and fifth positions of fastest-growing malt brands in UK while blended 'Whyte & Mackay' captured the fastest-growing blended whisky brand, as their sales soared to double-digit growths in UK. Similarly, sales of 'Harveys' had increased in UK. As markets opened up, exports to Asia picked up from second quarter continuing through the rest of the year with large orders for 'Dalmore' and 'Fettercairn'. While markets from Europe, Latin America, Africa and Middle

East had been affected by the varying stages and degrees of lockdown, good growths were seen in North America and developing markets for 'Dalmore', 'Jura' and 'Tamnavulin', and in Europe for 'Dalmore', 'Tamnavulin' and 'Fettercairn'. Global Travel Retail was the most challenged channel as most airports have remained closed and restricted. The segment's gross profit margin was registered at 36% primarily due to shift in product mix. Tight control on strategic marketing and other operating expenses (normally associated with on-trade and Travel Retail) boosted net profit and net profit rates.

Revenues
Total revenues grew 2% year-on-year to record-high P52.8 billion in 2020 as compared to P51.6 billion in 2019 as Scotch Whisky segment's external revenues grew 14% and Brandy's dipped 2%. The Group's on-premise channel had been affected by the lockdowns and liquor bans while off-premise and e-commerce channels flourished. 'Emperador', 'Terry' and 'El Presidente' remained to be the Group's top selling Philippine, Spanish and Mexican brandy brands, respectively. Single malts 'The Dalmore', 'Jura' and 'Tamnavulin' were the Group's top selling Scotch Whisky brands.

Other income went up 10% to P1.4 billion from P1.3 billion in 2019 due to higher scrap sales, gain on sale of securities and unrealized foreign exchange gains recorded for this year.

Costs and Expenses
Total costs and expenses remained stable at P43.4 billion in 2020 from P43.1 billion in 2019, up 0.7% year-on-year, as Scotch Whisky business' costs and expenses, including intersegment purchases, expanded 12% (P1.4 billion) and those of Brandy business contracted 4% (-P1.3 billion).

Cost of Goods Sold
Costs increased 6%, which was faster than sales growth due to product mix and spike of cost inputs from abroad.

Gross Profit
Gross profit rates ("GPR") on consolidated level remained healthy at 31% in 2020 and 34% in 2019. The slight swing was attributed to product mix, spike of cost inputs abroad and promotional bundling, especially towards the last quarter of the year in time for the Christmas season. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 28% and 36% in 2020 as compared to 30% and 40% in 2019.

Other operating expenses
Other operating expenses decelerated 18% (-P1.6 billion) to P7.4 billion from P8.9 billion, mainly from reduced advertising and promotions as brand and marketing support were controlled; depreciation and amortization, due to right-of-use assets; professional fees, largely relating to loan refinancing and contracted services; and travel and transportation, due to lockdown and travel bans.

Interest and Other charges
Interest expense went down 30% (-P0.2 billion) due to principal amortizations paid during the year 2020. Other charges went up slightly (+P0.05 billion) to P0.08 billion due to foreign exchange losses realized during the year.

Profit before Tax
As a result of the foregoing, profit before tax improved 11% to P9.4 billion from P8.5 billion.

Tax Expense
Tax expense decreased 15% (-P0.2 billion) to P1.4 billion from P1.6 billion due to lower taxable income and temporary differences for deferred tax.

Net Profit
As a result of the foregoing, net profit soared 18% (P1.2 billion) to P8.0 billion from P6.8 billion in 2019. Net profit to owners jumped 18% as well to P8.0 billion from P6.7 billion last year.

EBITDA
EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization amounted to P11.6 billion and P10.8 billion for 2020 and 2019, respectively, showing margins of 22% and 21% in respective years.

Year Ended December 31, 2019 Compared With Year Ended December 31, 2018

The Group continued to deliver positive growths in 2019. The Group reported P51.6 billion revenues, up 10% year-on-year. Excluding a one-time loss of P0.3 billion in 2019, which was due to impairment of certain trademarks, net profit reached P7.1 billion, of which P7.0 billion was attributable to owners, up 4% and 5% year-on-year, respectively.

Revenues
Total revenues reached P51.6 billion in 2019 as compared to P47.0 billion in 2018, rising 10% year-on-year as both the Brandy and Scotch Whisky segments registered growths.

The **Brandy segment** turned over revenues from external customers higher by 12% year-on-year, thereby increasing its share in EMP revenue pie to 73%. ‘Emperador’, ‘Fundador’, and ‘Presidente’ remained to be the segment’s top-selling Philippine, Spanish and Mexican brandy brands, respectively, followed by Spain’s ‘Terry’ and ‘Tres Cepas’ and Mexico’s ‘Don Pedro’. On the local front, ‘Emperador Brandy’ remains the nationwide leader, particularly in key metro cities, amid fierce competition among local brands. Emperador introduced a lighter brandy, ‘Emperador Double Light’ in July 2019 and a bundle pairing ‘Apple of My Light’ in August 2019. The ‘Apple of My Light’ is the second pairing of ‘Emperador Light’ with ‘Club Mix’, this time with the Apple Tea Cordial variant. The first pairing bundle called ‘Lime Light’ pairs ‘Emperador Light’ with ‘Club Mix Lime Cordial’, which came out in August 2018 is still being offered at present. The offshore brandies were seen growing in the Philippines, Spain, Mexico, Guinea and USA.

The **Scotch Whisky segment** turned over revenues to external customers higher by 4% year-on-year. The business was growing not only in UK but also in other parts of the world, especially in Asia, Greater Europe, USA, Canada, France/Germany, Latin America and Africa. Most of these territories showed double-digit growths which all together accounted for a big chunk of the segment’s revenues. The single malts continued to attract sales. The blended malts further boosted sales.

Other income went up 85% to P1.3 billion from P0.7 billion a year ago due to higher interest income, scrap sales, gain on sale of securities, unrealized foreign exchange gains, and share in net profit of BLC recorded for this year.

Costs and Expenses
Total costs and expenses amounted to P43.1 billion in 2019 from P38.6 billion a year ago, up 12% year-on-year primarily from the Brandy business’ costs and expenses which, including intersegment purchases, increased 14% year-on-year while those of Scotch Whisky business expanded 4%.

Cost of Goods Sold
Costs increased 10%, which was at almost same pace as sales. The slight difference was attributed to product mix and packaging for the new and re/packaged products this year.

Gross Profit
Gross profit margins (GPM) on consolidated level remained healthy at 34% in 2019 and 35% in 2018. The slight swing was attributed to product mix and promotional bundling, especially towards the last quarter of the year in time for the Christmas season. The GPMs of the Brandy and Scotch Whisky segments were respectively posted at 30% and 40% in 2019 as compared to 32% and 40% in 2018.

Other operating expenses
Other operating expenses went up 20% to P8.9 billion from P7.5 billion, mainly due to advertising and promotions as brand and marketing support; depreciation and amortization, due to new capital additions and right-of-use assets; professional fees, largely relating to loan refinancing and contracted services; and the impairment loss on certain Spanish trademarks.

Interest Expense and Other charges
Interest expense shrank 5% to P781 million from P819 million due to lower interest rate of the refinanced loan in 2019, which was offset partially by the finance cost under PFRS 16 this year. Other charges almost doubled to P24 million from P12 million a year ago mainly from loss on disposal of property.

Profit before Tax
As a result of the foregoing, profit before tax inched 0.5% to P8.5 billion from P8.4 billion a year ago.

Tax Expense
Tax expense inched 2% to stay at P1.6 billion level, due to higher final tax on interest income.

Net Profit
As a result of the foregoing, net profit remained stable at P6.8 billion. Excluding the one-time loss, net profit jumped 4% to P7.1 billion and the portion attributable to owners rose 5% to P7.0 billion.

EBITDA
EBITDA, which is computed as profit before interest expense, tax, depreciation and amortization, amounted to P10.8 billion and P10.3 billion for 2019 and 2018, respectively, showing margins of 21% and 22% in respective years.

FINANCIAL CONDITION

December 31, 2021 and 2020

Total assets amounted to P128.5 billion as at December 31, 2021, up 5% (+P6.1 billion) from P122.5 billion as at December 31, 2020. The Group is strongly liquid with current assets exceeding current liabilities 2.8 times by the end of the current year.

Cash and cash equivalents increased 23% (+P1.8 billion) mainly from higher net cash from operating activities than net cash used in financing and investing activities, driven by the increase in net profit and in trade and other payables.

Trade and other receivables decreased 8% (-P1.7 billion) due to collection from trade customers (-P1.0B) and collection of advances to related parties (-P2.2 billion) while advances to suppliers accelerated due to increased production inventory requirements (+P1.1 billion).

Financial assets at fair value through profit or loss of P0.05 billion at the beginning of the year slipped 94% due to mark-to market valuation of the marketable securities held for trading to P0.003 billion by the end of the year.

Inventories expanded 10% (+P3.1 billion) primarily from the continuous laying of Scotch whisky liquids for ageing (under work-in-process) and advanced production to ensure continuity of dispatch.

Prepayments and other current assets fell 9% (-P0.1 billion) due mostly to timing of prepayments for overhead and general expenses (-P0.3 billion), taxes (+P0.1 billion) and deferred input vat (+P0.1billion) at the end of 2021.

Investment in a joint venture increased 6% (+P0.2 billion) from share in net income of BLC and translation adjustment during the year.

Deferred tax assets decreased 8% (-P0.01 billion) due to movements of timing differences.

Property, plant and equipment went up 5% (+P1.4 billion) brought about by land acquisitions (+P0.6 billion) which were reclassified from Advances to suppliers during the year (see Note 23.10 to the Consolidated Financial Statements) and capital expenditures mainly for buildings (+P0.7 billion) and machinery and equipment (+P0.3 billion). Capital expenditures were regularly made to expand operations and efficiency as well as upgrade and improve manufacturing facilities and equipment.

Other non-current assets went down 40% (-P0.5 billion) due to reclassification of Advances to suppliers to Land account (-P0.6 billion) as transfers of ownership title were finalized during the year, offset by the increase in rental deposits (+P0.04 billion).

Retirement benefit assets (obligations) made an upswing 354% (+P1.3 billion) to P0.9 billion from P0.4 billion liability at the beginning of the year, as fair value of retirement plan assets exceeds the present value of the obligation.

Current Interest-bearing loans went down 36% (-P1.9 billion) and the non-current portion by 15% (-P3. 7 billion), for combined decrease of P5.5 billion, from net repayment of bank loans.

Trade and other payables increased 17% (+P2.6 billion), mainly due to timing of purchases for production (+P2.3 billion).

Equity-linked debt securities amounting to P3.4 billion was derecognized and presented as Deposit on Future Stock Subscription since the Holder exercised its right to Tranche 2 conversion.

Lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. The current and non-current portions amounted to P0.2 billion and P0.9 billion, respectively, at end of 2021, up 18% (+P0.03 billion) and down 31% (-P0.4 billion), respectively, due to payments and reclassifications of current portion during the year. [See Notes 9.3 and 2.16(a) to the Consolidated Financial Statements]

Income tax payable escalated 23% (+P0.4 billion) primarily from higher income taxes by the Group at current year-end which is further attributed to higher taxable profit.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went up 81% (+P0.2 billion) mainly due to increase in dilapidations provision coming from contingent liability. [See Notes 17, 2.14 and 3.2(k) to the Consolidated Financial Statements]

Deferred tax liabilities increased 54% (P1.2 billion) due to movements of timing differences, largely from retirement benefit, brand valuation and fair value adjustments in UK.

Equity attributable to owners of the parent company increased by 17% (+P11.1 billion) mainly from net profit (+P10.0 billion) realized during the year as reduced by dividends declared (-P5.1 billion) and net treasury shares acquired (-P1.0 billion) during the year as well as translation gains (+P2.9 billion) and the recognition of the equity component of the equity-linked securities presented under Deposit on Future Stock Subscription (+P3.4 billion). The Group was given a period until May 15, 2022 to issue the Tranche 2 shares.

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's buyback program. The account also included shares held by a subsidiary.

Share options pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 32% (+P45 million) was a result of recognition of additional share options expense during the year both from existing and additional employees granted under the employee share option plan during the year.

Revaluation reserves gained P0.8 billion due to actuarial gain on retirement benefit obligations booked by WMG.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest increased 28% (+P0.2 billion) mainly from net profit share (+P0.2 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

December 31, 2020 and 2019

Total assets amounted to P122.5 billion as at December 31, 2020, 3% lower than P126.0 billion as of December 31, 2019, which is primarily coming from trade and other receivables, prepayments and other current assets, and property, plant and equipment accounts. The Group is strongly liquid with current assets exceeding current liabilities 2.4 times by the end of the current year.

Cash and cash equivalents were depleted 2% or by P0.2 billion mainly from net cash used in financing and investing activities that exceeded net cash from operating activities, mainly attributed to payments for dividends, treasury shares and loans.

Trade and other receivables decreased 7% of P1.7 billion due to collection from trade customers and deliveries from suppliers where advances were previously made.

Financial assets at fair value through profit or loss of P52 million at the end of the current year pertained to instruments acquired during the current year.

Prepayments and other current assets fell 27% or P0.5 billion due mostly to timing of prepayments such as lower general prepayments, deferred input vat and prepaid taxes at the end of 2020.

Investments in a joint venture increased 9% or P0.3 billion from share in net income of BLC and translation adjustment during the year.

Property, plant and equipment contracted 9% or P2.6 billion primarily from additional depreciation and amortization and reclassification of assets as held for sale. There was little construction activity due to lockdown restrictions during the year. There was also a remeasurement of right-of-use assets (‘ROUA’) that reduced carrying amount of the ROUA and lease liabilities during the current year. [See Notes 9 and 13]

Deferred tax assets increased 136% or P0.08 billion, attributable to timing differences from local companies mainly on their lease liabilities in excess of their right-of-use assets.

Non-current assets held for sale of P1.0 billion pertained to land and building intended for sale in the following year. These were reclassified from Property, Plant and Equipment. [See Notes 3.1(g) and 13]

Retirement benefit assets reported at end-2019 (P0.2 billion) reversed to retirement benefit obligation at end-2020 (P0.4 billion) 264% or P0.6 billion, from actuarial liability booked in the current year by UK.

Other non-current assets went up 27% or P0.3 billion from advances to suppliers, specifically the payment made on the purchase of a parcel of land (see note 23.10).

Current Interest-bearing loans went down 20% or P1.4 billion and the non-current portion by 1% or P0.2 billion, for combined decrease of P1.6 billion, from net repayment of bank loans and effect of translation adjustment of foreign loans.

Trade and other payables dipped 10% or P1.8 billion, mainly from settlement of trade payables representing obligations to various suppliers of raw materials such as alcohol, molasses, flavorings and other supplies; offset by increase in accruals incurred by the group at years-end.

Equity-linked debt securities went down to P3.4 billion from P5.3 billion a year ago (current and non-current) due to conversion of P1.8 billion into common shares in February 2020 by the Holder. The P3.4 billion balance will mature in December 2021.

Current and non-current lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. These amounted to P0.1 billion and P1.3 billion, respectively, at end of the current year, down 43% (P0.1 billion) and 25% (P0.4 billion) due to payments made during the year. [See Notes 9.3 and 2.16(a) to the Consolidated Financial Statements]

Dividends payable pertained to unpaid dividends at beginning of the year, presented net of final withholding tax, which were payable and paid on January 20, 2020. There was no similar obligation at end-2020.

Financial liabilities at fair value through profit or loss of P0.01 billion at beginning of the year matured at various points during the current year. There was no similar obligation at end-2020.

Income tax payable dropped 12% or P0.2 billion primarily from lower unpaid income taxes by the Group at current year-end.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went up 35% or P0.06 billion mainly due to increase in dilapidations provision and onerous lease provision arising from adjustment in assumptions attributable to covid-19. [See Notes 17, 2.14 and 3.2(k) to the Consolidated Financial Statements]

Equity attributable to owners of the parent company increased by 4% or P2.8 bllion mainly from net profit (P8.0 billion) realized during the year as reduced by accumulated translation loss adjustments (P2.4 billion), dividends declared (P1.8 billion), revaluation reserves (P0.8 billion) and net treasury shares (P0.3 billion) during the year.

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's ongoing buyback program. The account also included shares held by a subsidiary.

Share options pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 24% or P27 million was a result of recognition of additional share options for the year with a corresponding debit to Investments in EDI account.

Revaluation reserves plummeted by P0.8 billion due to actuarial gain on retirement benefit obligations booked by WMG.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end.

Non-controlling interest decreased 13% or P0.1 billion mainly from accumulated translation loss (P0.2 billion) that exceeded net profit share (P0.1 billion) realized by minority owners in DBLC, a foreign subsidiary consolidated by end-2017 and in Boozy, a local company consolidated starting in 2018.

December 31, 2019 and 2018

Total assets amounted to P126.0 billion as at December 31, 2019, a 7% jump from P117.8 billion as of December 31, 2018. The Group is strongly liquid with current assets exceeding current liabilities 2.2 times by the end of the year.

Cash and cash equivalents swelled 24% or by P1.5 billion mainly from operations.

Trade and other receivables increased by 28% or P4.8 billion, primarily due to higher sales in the lead up to Christmas holidays and advances to suppliers and related party.

Financial assets at fair value through profit or loss of P1.2 billion at beginning of the year were disposed of in the second quarter at a gain of P16.4 million.

Inventories expanded 7% or P2.1 billion, from continued fillings of Scotch whisky and Spanish brandy and cased stocks of new products.

Prepayments and other current assets surged 45% or P0.5 billion due to general prepayments, input vat and prepaid excise tax. These are mostly due to timing of prepayments.

Investments in a joint venture decreased 8% or P0.2 billion from dividend return and translation adjustment.

Property, plant and equipment expanded 6% or P1.7 billion primarily from set-up of right of use assets which has net carrying value of P1.6 billion at year-end [see Notes 9.2 and 2.2(a)(iv) to the Consolidated Financial Statements], and capital additions during the year.

Retirement benefit obligations reversed 298% or P0.3 billion, from actuarial gains booked in the interim period by UK resulting in retirement benefit assets of P0.2 billion at year-end 2019 from liability of P0.1 billion at year-end 2018.

The current interest-bearing loans increased 16% or P0.9 billion while non-current portion decreased 11% or P3.0 billion, for combined net decrease of P2.1 billion, from net repayment of bank loans and translation adjustment.

Trade and other payables went up 28% or P3. 8 billion, mainly from trade payables representing obligations to various suppliers of raw materials such as alcohol, molasses, flavorings and other supplies; and accruals incurred by the group.

Equity-linked debt securities totaled P5.3 billion at year-end, split into its current and non-current portions of P1.8 billion and P3.4 billion. The current portion was subsequently converted into common shares in February 2020.

Current and non-current lease liabilities were accounts brought about by the adoption of PFRS 16-Leases beginning January 1, 2019. These amounted to P0.3 billion and P1.7 billion, respectively, at end of the year.

Dividends payable pertained to unpaid dividends at year-end, presented net of final withholding tax, which were subsequently paid on January 20, 2020.

Financial liabilities at fair value through profit or loss went down 79% or P34 million due to maturities at various points.

Income tax payable escalated 50% or P0.6 billion primarily from higher unpaid income taxes by the Group at current year-end which is further attributed to higher taxable profit.

Provisions refer to the amounts provided by WMG for leased properties located in Scotland. Provisions went down by 69% or P0.4 billion mainly due the fall in onerous lease provision upon adoption of accounting change under IFRS 16 starting January 1, 2019

Deferred tax liabilities are attributed to the UK group. These are net of deferred tax assets of EDI and AWGI.

Equity attributable to owners of the parent company increased by 6% or P3.3 billion mainly from net profit realized during the year as reduced by accumulated translation adjustments and treasury shares during the year.

Accumulated translation adjustments refer to the difference resulting in the translation of the foreign subsidiaries' financial statements to Philippine pesos. Monetary assets and liabilities are translated at the closing rate and income and expenses at average exchange rates. The accumulated balance of the account is reflective of the depreciation in the value of Philippine peso and/or foreign currencies.

Treasury shares pertain to the acquisition cost of the shares that have been brought back from the market pursuant to the Company's ongoing buyback program. Acquisitions during the year totaled P1.6 billion.

Share options pertain to the options granted to qualified employees of the Group pursuant to an approved employee share option plan. The increment of 32% or P27 million was a result of recognition of additional share options for the year with a corresponding debit to Investments in EDI account.

Revaluation reserves shoot up by P90 million due to actuarial gain on retirement benefit obligations booked by WMG.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg which comprise of net wealth tax reserve and capital reserve at year-end. In 2019 and 2018, grant received by GES in Spain were added as part of this account.

Non-controlling interest pertains to the minority interest in DBLC, a subsidiary consolidated by end-2017 and in Boozylife Inc., a local company consolidated starting in 2018.

LIQUIDITY AND CAPITAL RESOURCES

The Group sourced funds principally from operations and loans and borrowings. The Company expects to meet its working capital requirements for the ensuing year primarily from available funds at year-end plus cash flows from operations. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financings, depending on its financing needs and market conditions.

PROSPECTS FOR THE FUTURE

The Group's renowned brandy and whisky products sold all over the world are the catalyst for continued growth and put the Group in best position, with its high-quality aged inventory, for premiumisation and innovation opportunities, as well as to adapt to trends and consumer appetite.

OTHER MATTERS

Except for what have been noted:

There were no other known material events subsequent to the end of the year that would have a material impact in the current year being reported.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems. The Group is not in default or breach of any note, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation. There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, 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. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

Market Price and Dividends on Common Shares

The common shares of the Company are traded on the Philippine Stock Exchange ("PSE") under the symbol of EMP. The Company's common stock was first listed on the PSE on December 19, 2011. The closing price of the said shares on **25 April 2022, the latest practicable trading date is Php19.02.**

The following table sets out, for the periods indicated, the high and low sales price for the Company's common shares as reported on the PSE:

Year		First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2020	High	9.50	8.50	10.98	10.14
	Low	6.00	7.60	7.80	9.75
2021	High	10.90	12.82	18.88	21.00
	Low	9.81	9.14	11.70	17.54
2022	High	25.05			
	Low	12.20			

Shareholders

As of March 31, 2022, the Company had 33 shareholders of record holding 15,736,471,238 common shares. The Top 20 shareholders of the Company as of March 31, 2022 are as follows:

	SHAREHOLDER	NO. OF SHARES SUBSCRIBED	TYPE OF SHARES	% OF OWNERSHIP
1	Alliance Global Group, Inc.	13,308,570,600[6]	Common	84.57
2	PCD Nominee Corporation (Non-Filipino)	1,780,802,080	Common	11.32
3	PCD Nominee Corporation (Filipino)	646,844,381[7]	Common	4.11
4	John T. Lao	60,000	Common	-nil-
5	Eric U. Lim	40,000	Common	-nil-
6	Marjorie Anne Lim Lee	30,000	Common	-nil-
7	Edwin U. Lim	30,000	Common	-nil-
8	Lelen Valderrama	30,000	Common	-nil-
9	Lelen Valderrama ITF Yasmin Ayn A. Valderrama	30,000	Common	-nil-
10	Lelen Valderrama ITF Yadin Ayn A. Valderrama	30,000	Common	-nil-
11	Lelen Valderrama ITF Gerent Arn A. Valderrama	30,000	Common	-nil-
12	Dondi Ron R. Limgenco	1,111	Common	-nil-
13	Frederick D. Go	1,000	Common	-nil-
14	Stephen G. Soliven	1,000	Common	-nil-
15	Demetrio D. Mateo	500	Common	-nil-
16	Christine F. Herrera	100	Common	-nil-
17	Julius Victor Emmanuel D. Sanvictores	100	Common	-nil-
18	Joseph A. Sy &/or Evangeline T. Sy	100	Common	-nil-
19	Jesus San Luis Valencia	100	Common	-nil-
20	Bartholomew Dybuncio Young	100	Common	-nil-

[6] AGI beneficially owns 158,667,400 lodged with PCD Nominee Corporation (Filipino)
[7] Excludes 158,667,400 owned by AGI

	Others	66	Common	-nil-
	TOTAL	15,736,471,238	Common	100.00%

Dividend Policy

Under Philippine law, a corporation can only declare dividends to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends. If declared by the corporation's board of directors, a corporation may pay dividends in cash, by the distribution of property, by the issuance of shares or by a combination of the three, as the board of directors shall determine and subject to the approval of the SEC, as may be required by law. A cash dividend declaration does not require any further approval from shareholders. Stock dividends may be declared and paid with the approval of shareholders representing at least two-thirds of the issued and outstanding stock voting at a shareholders' meeting duly called for the purpose. The board of directors may not declare dividends which will impair its capital.

For the two most recent years, the Company declared a cash dividend per share of P0.11 on August 5, 2020, P0.12 on January 4, 2021, P0.09 on March 8, 2021 and P0.11 on August 2, 2021.

The Company may declare dividends when there are unrestricted earnings available, but any such declaration will take into consideration a number of factors including restrictions that may be imposed by current and prospective financial covenants, projected levels of operating results of its businesses/subsidiaries, working capital needs and long-term capital expenditures of its businesses/subsidiaries; and regulatory requirements on dividend payments, among others. Pursuant to the provision in the Corporation Code of the Philippines, the Company can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired.

The Company has declared approximately 40% of the preceding year's consolidated net profit as dividends in the past three years.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

On February 5, 2020, the Company issued 253,275,862 shares from its treasury shares to Arran, as conversion of P1,836,250,000.00 portion of the ELS. (See Note 15 to the Consolidated Financial Statements)

Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

P&A issued an unqualified opinion on the consolidated financial statements. There are no disagreements with them on any matter of accounting principles or practices, financial statement disclosures, and auditing scope or procedure which, if not resolved would have caused the auditors to make reference thereto in its reports.

Discussion on Section 49 of the Revised Corporation Code

In compliance with Section 49 of the Revised Corporation Code, a copy of the Minutes of the previous annual stockholders' meeting is attached herein as Annex "B".

The attendance of the directors at the meetings of the Board of Directors for the year 2021 is as follows:

Name	No. of Meetings held during the year	No. of Meetings Attended	%
Andrew L. Tan	15	15	100%
Winston S. Co	15	15	100%
Katherine L. Tan	15	15	100%
Kendrick Andrew L. Tan	15	15	100%
Kevin Andrew L. Tan	15	15	100%
Enrique M. Soriano III	15	15	100%
Alejo L. Villanueva, Jr.[i]	15	8	53%
Jesli A. Lapus[ii]	15	7	47%

i. Term expired on May 17, 2021.
ii. Elected during the Annual Stockholders' Meeting on May 17, 2021.

The Company adopts a policy of full disclosure with regard to related party transactions. All terms and conditions of related party transactions are reported to the Board of Directors. The Company ensures that the transactions are entered on terms comparable to those available from unrelated third parties. Disclosure of relationship or association is required to be made before entering into transaction. No participation in the approval of the transaction. None of the Corporation's directors and officers have entered into self-dealing and related party transactions with or involving the Corporation in 2021.

Discussion on Compliance with Leading Practice on Corporate Governance

The Company remains focused on ensuring the adoption of systems and practices of good corporate governance in enhancing value for its shareholders.

The Company's By-laws require it to have two independent directors in its Board of Directors while the Manual requires that there must be at least two (2) independent directors voting in the Audit Committee, Corporate Governance Committee, Board Risk Oversight Committee, and Related Party Transaction Committee. To date, the Company has elected two independent directors, Enrique M. Soriano III and Jesli A. Lapus.

To measure the level of compliance with its Revised Manual of Corporate Governance, the Company has established an evaluation system consisting of a self-rating assessment and performance system by management and submission of certifications on the Company's compliance with the provisions of the Manual. Furthermore, to ensure adherence to the adopted leading practices on good corporate governance, the Company has designated a Compliance Officer reporting directly to the Chairman of the Board.

There are no material deviations to date from the Corporation's Revised Manual of Corporate Governance. The Board adopted policies for corporate governance pursuant to the SEC Memorandum Circular No. 19, Series of 2016 on the Code of Corporate Governance for Publicly-Listed Companies.

The Company undertakes to provide without charge to a stockholder a copy of the Annual Report on SEC Form 17-A upon written request addressed to Ms. Dina D. Inting, Corporate Information Officer, at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City, Metro Manila, Philippines.

ANNEX "A"

EMPERADOR INC.

Procedures and Requirements for Voting and Participation in the 2022 Annual Stockholders' Meeting

To protect the safety of its stockholders during the COVID-19 pandemic, Emperador Inc. (the "Company") will dispense with the physical attendance of its stockholders for the 2022 Annual Stockholders' Meeting (ASM). Instead, the Company will conduct the 2022 ASM scheduled on 16 May 2022 at 9:00 in the morning, by remote communication and will conduct electronic voting *in absentia*.

Only stockholders of record as of 11 April 2022 are entitled to participate and vote in the 2022 ASM.

The Company has adopted the following procedures and requirements to enable its stockholders to participate and vote in the 2022 ASM.

I. ONLINE REGISTRATION STEPS AND REQUIREMENTS

A. Stockholders may register from 9:00 AM of 25 April 2022 until 5:00 PM of 06 May 2022 to signify his/her/its intention to participate in the 2022 ASM by remote communication. The registration steps and requirements are available the Company's website: https://www.emperadorbrandy.com/asm2022.

B. To register, stockholders shall submit the following requirements to the Office of the Corporate Secretary via email at corporatesecretary@emperadorinc.com.

B.1 For Individual Stockholders –

(i) Scanned copy of stock certificate issued in the name of the individual stockholder;
(ii) Valid email address and active contact number;
(iii) Scanned copy of valid government-issued identification card; and
(iv) Recent photo of stockholder.

B.2 For Stockholders with Joint Accounts –

(i) Authorization letter signed by all stockholders indicating the name of the person authorized to cast the votes;
(ii) Scanned copy of stock certificate issued in the name of the joint stockholders;
(iii) Valid email address and active contact number of the authorized stockholder;
(iv) Scanned copy of valid government-issued identification card of the authorized stockholder; and
(v) Recent photo of the authorized stockholder.

B.3 For Stockholders under PCD Participant/Brokers Account or holding 'Scripless Shares'-

(i) Stockholders should coordinate with their broker and request for the full account name and reference number or account number they provided the Company;
(ii) Broker's Certification on the stockholder's number of shareholdings;
(iii) Valid email address and active contact number of the stockholder;
(iv) Scanned copy of valid government-issued identification card of stockholder; and
(v) Recent photo of stockholder.

B.4 For Corporate Stockholders –

(i) Secretary's Certificate attesting to the authority of the representative to vote the shares on behalf of the corporate stockholder;
(ii) Scanned copy of stock certificate issued in the name of the corporate stockholder;
(iii) Valid email address and active contact number of authorized representative;
(iv) Valid government-issued identification card of authorized representative; and
(v) Recent photo of stockholder.

C. The documents submitted will then be verified by the Office of the Corporate Secretary. The validation process will be completed by the Company no later than three (3) business days from the stockholder's receipt of an email from the Company acknowledging receipt of the stockholder's registration documents. Once validated, the stockholder will receive an email that his/her/its account has been verified and shall provide instructions for the stockholder's access to the Company's electronic voting and to access the ASM livestreaming link.

II. ELECTRONIC VOTING IN ABSENTIA

A. Duly registered stockholders have the option to vote for the matters contained in the agenda for the 2022 ASM through electronic voting *in absentia*. The deadline for registration is 5:00 PM of **06 May 2022**. Beyond this date, stockholders may no longer avail of the option to electronically vote *in absentia.*

B. After verification, the Company shall send a ballot to the registered stockholder through his/her/its e-mail address which shall contain all the agenda items for approval as indicated in the Notice of Meeting and the registered stockholder may vote as follows:

(1) For items other than Election of Directors, the registered stockholder has the option to vote: In Favor of, Against, or Abstain. The vote is considered cast for all the registered stockholder's shares.

(2) For the Election of Directors, the registered stockholder may vote for all nominees, not vote for any of the nominees, or vote for some nominees only, in such number of shares as preferred by the stockholder, provided that the total number of votes cast shall not exceed the number of shares owned, multiplied by the number of directors to be elected. The total number of votes the stockholder is allowed to cast shall be based on the number of shares he/she or it owns.

(3) Once voting on the agenda items is finished, the stockholder can proceed to submit the accomplished ballot via email to corporatesecretary@emperadorinc.com.

(4) After the ballot has been submitted, the stockholder may no longer change his/her vote. The stockholder will receive a confirmation email that his/her/its vote has been recorded.

C. Thereafter, the Office of the Corporate Secretary, through election inspectors appointed for the meeting, shall tabulate all valid and confirmed votes cast through electronic voting, together with the votes through proxies, subject to validation by representatives of the Company's external auditors.

D. Registered stockholders shall have until 5:00 PM of **06 May 2022** to cast their votes *in absentia.* Stockholders will not be allowed to cast votes during the livestream of the 2022 ASM.

III. VOTING BY PROXY

A. For individual stockholders holding certificated shares of the Company – Download the proxy form that is available at https://www.emperadorbrandy.com/asm2022.

B. For stockholders holding 'scripless' shares, or shares held under a PCD Participant/Broker – Download the proxy form that is available at https://www.emperadorbrandy.com/asm2022. Stockholders are advised to coordinate with their brokers first for the execution of this type of proxy.

C. For corporate stockholders - Download the proxy form that is available at https://www.emperadorbrandy.com/asm2022 . A copy of the duly signed and notarized Secretary's Certificate must be submitted together with the proxy form. For reference, a sample Secretary's Certificate is also available at https://www.emperadorbrandy.com/asm2022.

D. General Instructions on Voting by Proxy:

(1) Download and fill up the appropriate proxy form. Follow the instructions on how to cumulate or allocate votes in the election of directors.

(2) Send the scanned copy of the duly executed proxy form via email to corporatesecretary@emperadorinc.com or submit the original proxy form to the Office of the Corporate Secretary at 7th Floor, 1880 Eastwood Ave., Eastwood City CyberPark, E. Rodriguez Jr. Ave., Bagumbayan, Quezon City.

(3) Deadline for the submission of proxies is at 5:00 PM of **06 May 2022**.

(4) Validation of proxies will be on **09 May 2022**.

(5) If a stockholder avails of the option to cast his/her vote electronically *in absentia* and also issues proxy votes with differing instructions, the duly accomplished ballots sent through e-mail shall replace the proxy votes issued by the stockholder.

IV. PARTICIPATION BY REMOTE COMMUNICATION

A. Only duly registered stockholders will be included in determining the existence of a quorum.

B. Duly registered stockholders may send their questions and/or comments prior to the ASM through email at corporatesecretary@emperadorinc.com. The deadline for submitting questions shall be at 5:00 PM of 06 May 2022.

C. The proceedings during the 2022 ASM will be recorded.

For any clarifications, please contact the Office of the Corporate Secretary via email at corporatesecretary@emperadorinc.com.

MINUTES OF THE ANNUAL MEETING OF STOCKHOLDERS
OF EMPERADOR INC.
held on 17 May 2017
Conducted virtually via https://www.emperadorbrandy.com/asm2021/

I. CALL TO ORDER

The President, Mr. Winston S. Co, acted as Presiding Officer and called the Annual Stockholders' Meeting (the "Annual Meeting") to order at 9:13 a.m. The Corporate Secretary, Atty. Anna Michelle T. Llovido, recorded the proceedings of the Annual Meeting.

II. CERTIFICATION OF NOTICE AND QUORUM

The Corporate Secretary certified that all stockholders as of April 16, 2021, the record date of the Annual Meeting, have been notified pursuant to the Corporation's By-Laws and applicable Securities and Exchange Commission (SEC) Circulars. Copies of the Notice of the Annual Meeting, the Agenda, and the Definitive Information Statement were made available through the Corporation's website and the Philippine Stock Exchange (PSE) Electronic Disclosure Generation Technology or PSE EDGE. Notices of the Annual Meeting were also published in The Philippine Star and The Manila Times on April 25 and 26, 2021, both in print and online. She further certified that there existed a quorum for the transaction of business for the Annual Meeting, there being present in person or represented by proxy, stockholders holding 94.13% of the entire subscribed and outstanding capital stock of the Corporation.

The Corporate Secretary stated that only stockholders who have successfully registered may participate in the Annual Meeting. Moreover, she explained the Procedures for Registration, Voting and Participation in the Annual Meeting which were contained in the Definitive Information Statement and implemented as follows: (i) stockholders signifying their intention to participate by remote communication have registered by submitting the requirements by email to the Corporate Secretary; (ii) stockholders who have registered have sent their questions and/or comments prior to the Annual Meeting through email at corporatesecretary@emperadorinc.com until 5:00 p.m. of May 07, 2021, which would be taken up after the election of directors; (iii) the resolutions proposed to be adopted at the Annual Meeting will be shown on the screen; (iv) stockholders who have duly registered to participate by remote communication have casted their votes by proxy or in absentia by sending their accomplished ballots by email to the Corporate Secretary until 5:00 p.m. of May 07, 2021; and (v) the Office of the Corporate Secretary has tabulated all valid and confirmed votes cast through electronic voting, together with the votes through proxies, and the voting results will be announced during the Annual Meeting and reflected in the minutes of the meeting.

III. APPROVAL OF MINUTES OF THE PREVIOUS ANNUAL MEETING OF STOCKHOLDERS HELD ON 20 AUGUST 2020

The Presiding Officer informed the stockholders that the next item on the agenda is the reading and approval of the Minutes of the Annual Meeting of the Stockholders held on August 20, 2020, and informed the stockholders that the copy of the Minutes of the 2020 Annual Meeting have been made available through the Corporation's website.

The Corporate Secretary announced that 100% of the voting shares represented in the Annual Meeting have voted in favor of the approval of the Minutes. Therefore, the Presiding Officer declared that the following resolution has been approved:

> ***"RESOLVED, to approve the Minutes of the Annual Stockholders' Meeting held on 20 August 2020."***

IV. REPORT OF MANAGEMENT

The Presiding Officer then turned the floor over to the Chairman, Dr. Andrew L. Tan, who delivered the following message:

Good morning, ladies and gentlemen.

Our dear stockholders,

2020 was a very challenging year. The global pandemic has caused massive disruption in our lives, business, and the economy. From the very beginning, we were clear on our corporate and social responsibilities. We have to do our part to keep people safe and keep the business resilient.

As part of the community, we were among the first to take an active role in responding to protect the people. Your company donated one million liters of disinfectant alcohol, donated personal protective equipment (PPEs) to the front liners, and supported feeding programs, among other activities, as part of a group-wide response led by our parent company Alliance Global Group, Inc. (AGI).

The past year required tremendous efforts and sacrifices from everyone in the Emperador organization across the world. We were able to fulfill our social obligations and, at the same time, successfully navigate the business through the challenges. Indeed, Emperador has been resilient, bouncing back from every challenge thrown its way in an otherwise difficult year.

The company has responded well to the crisis. Thanks to our global presence in 100 countries, the company is in a unique position to overcome the tribulations of 2020. The company achieved an all-time high net profit performance of PHP8 billion, an 18% increase year-on-year from both the whisky and brandy segments, with revenues posting a 2% growth amid the challenges, which translates to PHP52.8 billion.

We attribute this performance to the strength and success of our Emperador brands, with Scotch whisky powerhouse Whyte and Mackay experiencing robust growth across its malt and blended products. In 2020, three of our single malt whiskies joined the list of Top 25 Global Single Malt brands. Our whisky brands are growing in Europe, the United Kingdom, United States, Canada, and Asia.

Fundador brandy continues to enjoy success in their key markets, adapting to the consumption trends of 2020. Fundador continues to build a stronger brand presence in the Asian, North American, Latin American, and Spanish markets.

In the Philippines, our local brands, led by Emperador brandy, demonstrates the strength of its brand loyalty and tenacity, finishing the year with stunning results despite the challenges brought upon by the liquor tax hike, lockdowns and travel restrictions, closing of commercial establishments, and liquor bans in many parts of the Philippines.

Indeed, 2020 was an extraordinary year. I would like to express my deepest gratitude to our stakeholders, employees, and partners for their continued trust and support. At Emperador, we have done our duty and thrived amid the uncertainty and rapidly shifting landscape of 2020. With will and imagination, we have accomplished much. The company has emerged stronger and better.

A whole new world awaits on the horizon. We will strive to keep the momentum of growth forging forward. Our focus will be on global expansion. The future will be brighter than today.

Thank you.

After the Chairman's Message, the Presiding Officer turned over the floor to Mr. Kenneth Nerecina, Investor Relations Director, for a presentation of the highlights for 2020 of the Corporation.

V. APPOINTMENT OF INDEPENDENT AUDITORS

The Presiding Officer informed the stockholders that the Board of Directors, upon recommendation of the Audit Committee, has approved the engagement of Punongbayan and Araullo as independent auditors of the Corporation for the audit of the Corporation's financial statements for the year ending December 31, 2021, and that this is now being submitted for approval by the stockholders.

The Corporate Secretary certified that 100% of the voting shares represented in the Annual Meeting have voted in favor of the engagement of Punongbayan and Araullo as independent auditors for the fiscal year ending December 31, 2021. Therefore, the Presiding Officer declared that the following resolution has been approved:

"RESOLVED, to approve the appointment of PunongBayan & Araullo as the independent auditor of the Corporation for the audit of the Corporation's financial statements for the year ending 31 December 2021."

VI. RATIFICATION OF ACTS AND RESOLUTIONS OF THE BOARD OF DIRECTORS, BOARD COMMITTEES, AND OFFICERS

The Presiding Officer informed the stockholders that the next item on the agenda is the ratification of all acts and resolutions of the Board of Directors, Board Committees and Management of the Corporation since the annual stockholders' meeting on August 20, 2020 until May 16, 2021.

The Corporate Secretary certified that 99.99% of the voting shares represented in the Annual Meeting have voted in favor of the ratification of all acts and resolutions of the Board of Directors, Board Committees and Management of the Corporation since the annual stockholders' meeting on August 20, 2020 until May 16, 2021. Therefore, the Presiding Officer declared that the following resolution has been approved:

"RESOLVED, to ratify each and every act and resolution taken since the annual stockholders' meeting on 20 August 2020 until 16 May 2021 (the "Period"), of the Board of Directors (the "Board"), the Board Committees exercising powers delegated by the Board, and each and every act, during the Period, of the Management of the Corporation performed in accordance with the resolutions of the Board, the Board Committees as well as with the By-laws of the Corporation."

VII. ELECTION OF DIRECTORS

The Presiding Officer informed the stockholders that, for the current year 2021, the Corporation will be electing seven directors, at least two of whom shall be independent directors, pursuant to the Securities and Regulation Code and the Corporation's Revised Manual of Corporate Governance.

Ms. Marianne Roca, on behalf of the Corporate Governance Committee, and in accordance with the Corporation's By-Laws and the Revised Manual of Corporate Governance, presented the Final List of Nominees for election as members of the Board of Directors, as follows: Andrew L. Tan, Winston S. Co, Katherine L. Tan, Kendrick Andrew L. Tan, and Kevin Andrew L. Tan as regular directors, and Jesli A. Lapus and Enrique M. Soriano III as the independent directors. Ms. Roca likewise reported that the nominees for election as directors of the Corporation possess all the qualifications and none of the disqualifications to hold office as directors of the Corporation.

The Corporate Secretary certified that each of the nominees have garnered at least 99.77% of the voting shares represented in the Annual Meeting. Therefore, the Presiding Officer declared that the following resolution has been approved:

"RESOLVED, to elect the following as directors of the Corporation to serve as such beginning today until their successors are elected and qualified:

1. ***Andrew L. Tan***
2. ***Winston S. Co***

3. Katherine L. Tan
4. Kendrick Andrew L. Tan
5. Kevin Andrew L. Tan
6. Jesli A. Lapus – Independent Director
7. Enrique M. Soriano III – Independent Director.”

VIII. OTHER MATTERS

The Presiding Officer proceeded with the discussion of the questions raised by the stockholders via email prior to the Annual Meeting. Below is a summary of the questions and the answers that were given:

Q (Kevin Cosca): What new consumer trends is Emperador seeing as a result of the pandemic and how is Emperador adapting to changes in consumer behavior?

A (President): Thank you, Kevin, for this very intelligent question. What we are seeing is that consumers react differently by region. What we are seeing is that countries in the West particularly in North America and in Europe, there is an up consumption on liquor because it is perceived as an essential product. Therefore, our sales in this particular area are doing exceedingly well. In U.K., we grew more than 30% and in the U.S. we grew more than 20%. China as well is doing exceedingly well – we more than doubled ourselves. However, in the Philippines, we do experience some liquor restrictions in certain areas over extended period of time. So as a company with global presence, we react differently to the environment, to consumer preferences, and trends. We believe that as a company, we are able to capitalize on opportunities that have been presented to us. But what we are seeing in general is that the e-commerce has played and will continue to play a critical role as the economy moves forward. So the answer would be, we are reacting, maximizing the potential and opportunity for each market depending on the consumer movement and preferences.

Q (Antonette Guilange): What is your outlook this year and do you see your international business still growing faster and stronger than the brandy business in the Philippines?

A (President): We live in challenging times. We never expected to experience a crisis like this in our lifetime. But we all share this experience today. Thank you, Antonette, for this interesting question. We have grown last year by 18% versus 2019 amidst the global pandemic. Some segment of our market is impacted like travel retail and on-trade, but our e-commerce and off-trade businesses perform quite well and as I said, you know, there are certain parts of the world that we are doing exceedingly well, and adapting well, I would say. In the Philippines, we are adapting very well and our business across the world is growing and as you have seen from the financial presentation earlier, we had a record year in 2020. We continue to push ahead, but we believe that the pandemic is going to ease with the global vaccination that is happening. We expect, hopefully, this year to be better than the last. We are doing our extreme best.

Q (Desiree Barredo): What are your CAPEX plans this year?

A (President): Thank you, Desiree for the question. Last year, at the height of the pandemic, we held back our capital expenditure. We spent roughly around 1 billion pesos in CAPEX. But as I said earlier, we expect the pandemic to ease with the global vaccination program that is happening, so we expect people to be travelling again, by 2022, economic activities to return to some sort of normalcy. So we have decided this year to invest ahead, so that our growth plan can be sustained. This year, we are looking at 1.5 billion pesos CAPEX.

Q (Kevin Kyle Hao): Which of your liquor products are you most excited about this year and in the next two years?

A (President): Thank you, Kevin, for that question. Globally, we are excited about our single malt products and as of last year, we have three single malt brands that belong to the top 25 single malts in the world. Our single malt whiskies are doing exceedingly well. On the brandies side, our Fundador Brandy is growing in the US, UK, and in Canada. The Fundador is growing in a lot of places. In the Philippines, our Emperador Brandy continues to be the dominant brandy brand. We are excited in our portfolio because our portfolio carries a lot of iconic brands. In the Philippines, it is Emperador and Fundador. Globally, it will be our single malt whisky and Fundador also. There is no one particular brand that we are excited about. We are excited about our range of prestigious and iconic brands that is available across the world. Thank you. I hope I answered your question.

IX. ADJOURNMENT

The Presiding Officer inquired if there were any other matter in the agenda. The Corporate Secretary replied there were none. Thus, the Annual Meeting was adjourned at 9:49 a.m.

CERTIFIED CORRECT:

(SGD.) ANNA MICHELLE T. LLOVIDO
Corporate Secretary

NOTED:

(SGD.)ANDREW L. TAN
Chairman

P&A Grant Thornton

FOR SEC FILING

Consolidated Financial Statements and Independent Auditors' Report

Emperador Inc. and Subsidiaries

December 31, 2021, 2020 and 2019

EMPERADOR INC.
7F 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez Jr. Avenue,
Bagumbayan 1110, Quezon City, Philippines Tel: 8709-2038 to 41 Fax: 8709-1966

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of ***Emperador Inc. and Subsidiaries*** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, 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 consolidated financial statements, management is responsible for assessing 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 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 consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, have audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audits.

ANDREW L. TAN
Chairman of the Board

WINSTON S. CO
President/ Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this , affiants exhibiting to me their Passport/ SSS No., as follows:

Names	PassportNo./ SSS No./ DL No	Date	Place of Issue
Andrew L. Tan	P9281984A	Oct 24, 2018 to Oct 23,2028	Manila
Winston S. Co	N01-80-016240	valid until Jan. 31, 2023	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Book No. 2
Series of 2022

ATTY. MARK EBENEZER A. BERNARDO
NOTARY PUBLIC ROLL NO. 74096
Notary Public for Makati City until December 31, 2022
Notarial Commission No. M-02
Roll No. 74096
IBP Number: 169485 01/03/2022, PPLM
PTR No. 8851839 01/03/2022, Makati City
MCLE Compliance No. (Admitted to the Bar in 2020) VII-0011480, until 4/14/25

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

Report of Independent Auditors

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

Opinion

We have audited the consolidated financial statements of Emperador Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

(a) Impairment Assessment of Goodwill and Trademarks with Indefinite Useful Lives

Description of the Matter

Under Philippine Accounting Standard 36, *Impairment of Assets,* the Group is required to annually test the carrying amounts of its goodwill and trademarks with indefinite useful lives for impairment. As of December 31, 2021, goodwill amounted to P9.4 billion, while the trademarks with indefinite useful lives amounted to P20.0 billion. We considered the impairment of these assets as a key audit matter because the amounts of goodwill and trademarks are material to the consolidated financial statements. In addition, management's impairment assessment process involved significant judgement and high estimation uncertainty based on the assumptions used. The significant assumptions include the determination of the discount rate, growth rate and cash flow projections used in determining the value-in-use of the trademarks and goodwill and the cash-generating units over which the goodwill was allocated. The assumptions used by management are generally affected by expected future market and economic conditions.

The Group's policy on impairment assessment of goodwill and trademarks with indefinite useful lives is more fully described in Note 2 to the consolidated financial statements; the estimation uncertainty on impairment of non-financial assets, including trademarks and goodwill with indefinite useful lives, is presented in Note 3 to the consolidated financial statements; while their corresponding carrying amounts are presented in Note 10 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the goodwill and trademarks with indefinite useful lives included, among others, the following:

- Evaluated the appropriateness and reasonableness of methodology and assumptions used in determining the value-in-use of cash-generating units attributable to the trademarks and goodwill, which include the discount rate, growth rate and the cash flow projections, by comparing them to external and historical data, with assistance from our Firm's valuation specialists;

- Tested the calculation of valuation model for mathematical accuracy and validated the appropriateness and reliability of inputs and amounts used; and,

- Performed independent sensitivity analysis of the projections and discount rate using the valuation model used to determine whether a reasonably possible change in assumptions could cause the carrying amount of cash generating units to exceed the recoverable amount.

(b) Revenue Recognition

Description of the Matter

Revenue is one of the key performance measures used to assess business performance. There is a risk that the amount of revenues presented in the consolidated financial statements is higher than what was actually earned by the Group. Revenue from sales in 2021 amounted to P54.8 billion and represented 98% of the Group's total revenues during the same year. Revenue from sales is recognized when control over the goods has been transferred at a point in time to the customer, i.e., generally when the customer has acknowledged receipt of the goods.

In our view, revenue recognition is significant to our audit because the amount is material to the consolidated financial statements. It also involves voluminous transactions at any given period of time, requires proper observation of cut-off procedures and testing of validity of transactions, and directly impacts the Group's profitability.

The Group's disclosures about its revenues and related receivables, and revenue recognition policies are included in Notes 2, 6 and 18.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to revenue recognition included, among others, the following:

- Tested the design and operating effectiveness of the Group's processes and controls over revenue recognition, approval and documentation, including the implemented information technology general and application controls over automated systems that record the revenue transaction;

- Evaluated the appropriateness of the Group's revenue recognition policy in accordance with the requirements of PFRS 15, *Revenue from Contracts with Customers*;

- Tested, on a sample basis, sales invoices, delivery receipts and cash receipts of sales transactions throughout the current reporting period to determine whether sale of goods is valid and existing;

- Confirmed trade receivables using positive confirmation, on a sample basis, and performed alternative procedures for non-responding customers, such as, examination of evidence of subsequent collections, or corresponding sales invoices and proof of deliveries;

- Tested sales invoices and delivery receipts immediately prior and subsequent to the current period to determine whether the related sales transactions are recognized in the proper reporting period; and,

- Performed substantive analytical review procedures over revenues such as, but not limited to, yearly and monthly analyses of sales per product/brand and location, and sales mix composition based on our expectations and following up variances from our expectations; and, verified that the underlying data used in the analyses are valid.

(c) Existence and Valuation of Inventories

Description of the Matter

Inventories as of December 31, 2021 amounts to P34.0 billion, which represent 26% of the Group's total assets as of that date. The valuation of inventories is at the lower of cost or net realizable value (NRV). The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes and the costs necessary to complete and make a sale. Due to the significance of the volume of transactions and the balance of the carrying amount of inventories, and the high level of judgment in estimating its NRV, we considered the existence and valuation of inventories as significant to our audit.

The Group's disclosures on accounting policy, estimation uncertainty on determination of NRV of inventories, and Inventories account are presented in Notes 2, 3, and 8, respectively, to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to the existence and valuation of inventories included, among others, the following:

On existence of inventories:

- Observed physical inventory count procedures, obtained relevant cut-off information and copy of count control documents, and verified inventory movements during the intervening periods between the actual count date and reporting date to further test the quantities of inventory items as of the end of the reporting date; and,

- Performed substantive analytical review procedures over inventory-related ratios such as, but not limited to, inventory turnover and current period's components of inventories; and, verified that the underlying data used in the analyses are valid.

On valuation of inventories:

- Tested the design and operating effectiveness of processes and controls over inventory costing, reconciliation, data entry and review, including the implemented information technology general and application controls over automated systems that record the inventory transaction;

- Evaluated the appropriateness of the method used by management for inventory costing and valuation of the lower of cost or NRV and assessed the consistency of their application from period to period;

- Performed, on a sample basis, a price test of inventory items by examining supporting documents such as, but not limited to, purchase contracts, invoices and relevant importation documents, and by verifying movements affecting the inventory costing;

- Performed detailed analysis of the Group's standard costing of inventories through analytical review procedures of actual costs during the current period against the budgeted standard, and tested significant actual costs, on a sample basis, by agreeing with contracts and invoices; and,

- Evaluated the appropriateness and sufficiency of the amount of allowance for inventory write-down by testing the reasonableness of key assumptions used on the expected realization of inventories.

(d) Consolidation Process

Description of the Matter

The Group's consolidated financial statements comprise the financial statements of Emperador Inc. and its subsidiaries, as discussed in Note 1 to the consolidated financial statements, after the elimination of material intercompany transactions. The Group's consolidation process is significant to the audit because of its complexity. It also involves translation of foreign currency denominated financial statements of certain subsidiaries into the Group's functional and presentation currency, and identifying and eliminating several intercompany transactions and balances, to properly reflect the consolidated financial position of the Group and its consolidated financial performance and consolidated cash flows in accordance with PFRS.

The Group's policies on the basis of consolidation and translation of foreign currency denominated financial statements of foreign subsidiaries are more fully described in Note 2 to the consolidated financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement arising from the consolidation process included, among others, the following:

- Obtained an understanding of the Group structure and its consolidation policy and process, including restructuring done during the year and the procedures for identifying intercompany transactions and reconciling intercompany balances;

- Tested the mathematical accuracy of the consolidation done by management and verifying financial information used in the consolidation based on the audited financial statements of the components of the Group and evaluating the consistency of the accounting policies applied by the entities within the Group;

- Tested the accuracy and appropriateness of intercompany elimination entries, the translation of the financial statements of foreign subsidiaries of the Group, and other significant consolidation adjustments;

- Performed analytical procedures at the consolidated level; and,

- Evaluated the sufficiency and adequacy of disclosures in the Group's consolidated financial statements in accordance with PFRS.

(e) Conduct of Remote Audit

Description of the Matter

As disclosed in Note 1 of the consolidated financial statements, the Group, particularly those entities operating in the Philippines, Spain and United Kingdom where the Group has significant operations, has been significantly exposed to the risks brought about by a novel strain of coronavirus (COVID-19). This COVID-19 has rapidly spread worldwide which causes governments across the world to implement community quarantine and social distancing measures and restrictions. This prompted management and the audit team to have most of the audit conducted remotely.

The change in working conditions is relevant and significant to our audit since it creates an increased risk of misstatement due to less in-person access to the Group's management and personnel, and lack of access to certain physical records and original documents. Given the changes in how the audit was performed, the audit requires exercising enhanced professional skepticism.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of performing a significant portion of the audit remotely included the following:

- Considered the nature of the engagement and the engagement team's knowledge of the entity and its environment when determining whether it is possible to perform a significant portion, if not all, of the engagement remotely;

- Intensified the application of PSA requirements, especially in respect of providing proper supervision and review;

- Obtained information through electronic means, which included sending and receiving of confirmation letters electronically, obtaining calculations in electronic form to check the mathematical accuracy, scanning of hard-copy items for review and using real-time inspection technology such as video and screen-sharing;

- Determined the reliability of audit evidence provided electronically using enhanced professional skepticism and techniques designed to reinforce the skills of assistants in evaluating audit evidence obtained electronically;

- Performed inquiries through video conference call in order to more effectively assess the facial expressions and body language of people being interviewed as well as to make the interaction more effective;

- Reviewed workpapers of component auditors remotely through share screening and constant and regular communication to clarify certain matters;

- Examined critical hard copy documents (e.g., contracts, billing invoices, purchase invoices and official receipts) physically in response to the risk in revenues, receivables, inventories and costs, which are considered to be significant; and,

- Adhered to and applied strictly the Firm's reinforced and enhanced quality control process.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2021 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 do not and 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 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the 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 Mr. Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-22-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 22, 2022

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	5	P 9,333,783,438	P 7,561,169,140
Trade and other receivables - net	6	20,345,854,801	22,013,800,294
Financial assets at fair value through profit or loss	7	3,294,192	52,551,232
Inventories - net	8	34,013,144,005	30,959,999,370
Prepayments and other current assets	11.1	1,249,119,654	1,373,977,625
Total Current Assets		64,945,196,090	61,961,497,661
NON-CURRENT ASSETS			
Property, plant and equipment - net	9	27,866,668,685	26,435,845,480
Intangible assets - net	10	29,438,539,142	28,365,766,133
Investment in a joint venture	12	3,482,644,617	3,293,862,431
Retirement benefit asset - net	21	914,000,495	-
Deferred tax assets - net	22	133,659,465	144,894,759
Other non-current assets - net	11.2	773,927,777	1,288,545,176
Total Non-current Assets		62,609,440,181	59,528,913,979
NON-CURRENT ASSETS HELD FOR SALE	13	961,740,550	961,740,595
TOTAL ASSETS		P 128,516,376,821	P 122,452,152,235
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest-bearing loans	14	P 3,411,082,346	P 5,288,395,845
Trade and other payables	16	17,888,331,330	15,256,516,254
Equity-linked debt securities	15	-	3,443,750,000
Lease liabilities	9.3	205,206,504	173,763,731
Income tax payable		2,018,777,418	1,645,950,536
Total Current Liabilities		23,523,397,598	25,808,376,366
NON-CURRENT LIABILITIES			
Interest-bearing loans	14	21,430,348,300	25,091,948,760
Lease liabilities	9.3	887,743,550	1,289,130,534
Provisions	17	404,419,596	222,999,552
Retirement benefit obligation - net	21	-	359,528,946
Deferred tax liabilities - net	22	3,552,232,410	2,315,851,761
Total Non-current Liabilities		26,274,743,856	29,279,459,553
Total Liabilities		49,798,141,454	55,087,835,919
EQUITY	24		
Equity attributable to owners of the parent company		77,718,065,873	66,585,804,689
Non-controlling interest		1,000,169,494	778,511,627
Total Equity		78,718,235,367	67,364,316,316
TOTAL LIABILITIES AND EQUITY		P 128,516,376,821	P 122,452,152,235

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

.	Notes	2021	2020	2019
REVENUES AND OTHER INCOME	18	**P 55,936,272,323**	P 52,834,305,306	P 51,565,480,173
COSTS AND EXPENSES				
Costs of goods sold	19	**34,808,570,656**	35,398,674,605	33,334,124,597
Selling and distribution expenses	20	**4,840,055,978**	5,263,040,976	6,021,050,010
General and administrative expenses	6, 20	**2,205,657,298**	2,108,245,409	2,924,385,791
Interest expense	9.5, 14, 15, 21	**782,713,575**	548,979,806	781,494,014
Other charges	9.1	**404,097,703**	79,638,897	24,455,158
		43,041,095,210	43,398,579,693	43,085,509,570
PROFIT BEFORE TAX		**12,895,177,113**	9,435,725,613	8,479,970,603
TAX EXPENSE	22	**2,746,817,808**	1,399,085,656	1,647,434,352
NET PROFIT		**10,148,359,305**	8,036,639,957	6,832,536,251
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will be reclassified subsequently to profit or loss				
Translation gain (loss)		**2,983,857,367**	(2,541,071,944)	(1,251,530,761)
Items that will not be reclassified subsquently to profit or loss				
Net actuarial gain (loss) on retirement benefit plan	21	**1,027,464,256**	(799,604,759)	176,881,507
Tax expense on remeasurement of retirement benefit plan	22	**(262,686,166)**	(51,531,692)	(87,253,112)
		764,778,090	(851,136,451)	89,628,395
		3,748,635,457	(3,392,208,395)	(1,161,902,366)
TOTAL COMPREHENSIVE INCOME		**P 13,896,994,762**	P 4,644,431,562	P 5,670,633,885
Net profit attributable to:				
Owners of the parent company		**P 9,971,065,303**	P 7,967,261,504	P 6,725,536,563
Non-controlling interest		**177,294,002**	69,378,453	106,999,688
		P 10,148,359,305	P 8,036,639,957	P 6,832,536,251
Total comprehensive income (loss) attributable to:				
Owners of the parent company		**P 13,675,336,895**	P 4,755,451,905	P 5,664,076,401
Non-controlling interest		**221,657,867**	(111,020,343)	6,557,484
		P 13,896,994,762	P 4,644,431,562	P 5,670,633,885
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company - Basic and Diluted	25	**P 0.63**	P 0.50	P 0.42

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Attributable to Owners of the Parent Company														
	Capital Stock (see Note 24.1)	Additional Paid-in Capital (see Note 24.1)	Deposit on Future Stock Subscription - ELS	Treasury Shares (see Note 24.2)	Conversion Options Outstanding (see Notes 3 and 15)	Share Options Outstanding (see Note 24.4)	Accumulated Translation Adjustments (see Note 2)	Revaluation Reserves (see Note 2)	Other Reserves (see Note 2)	Retained Earnings: Appropriated (see Note 24.5)	Retained Earnings: Unappropriated (see Note 24.5)	Retained Earnings: Total	Total	Non-controlling Interest (see Note 24.6)	Total Equity
Balance at January 1, 2021	P 16,242,391,176	P 23,106,377,832	P -	(P 3,745,584,182)	P 88,498,401	P 138,841,593	(P 6,068,016,235)	(P 924,611,866)	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316
Movements during the year	-	-	-	-	-	-	-	-	27,407,776	-	-	-	27,407,776	-	27,407,776
Issuances during the year	-	-	-	-	-	44,927,978	-	-	-	-	-	-	44,927,978	-	44,927,978
Transfer to DFFS-ELS	-	-	3,443,750,000	-	-	-	-	-	-	-	-	-	3,443,750,000	-	3,443,750,000
Acquisition of treasury shares during the year	-	-	-	(1,002,129,721)	-	-	-	-	-	-	-	-	(1,002,129,721)	-	(1,002,129,721)
Total comprehensive income for the year	-	-	-	-	-	-	2,939,493,502	764,778,090	-	-	9,971,065,303	9,971,065,303	13,675,336,895	221,657,867	13,896,994,762
Reversal of appropriation	-	-	-	-	-	-	-	-	-	(800,000,000)	800,000,000	-	-	-	-
Appropriation during the year	-	-	-	-	-	-	-	-	-	1,200,000,000	(1,200,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(5,057,031,744)	(5,057,031,744)	(5,057,031,744)	-	(5,057,031,744)
Balance at December 31, 2021	**P 16,242,391,176**	**P 23,106,377,832**	**P 3,443,750,000**	**(P 4,747,713,903)**	**P 88,498,401**	**P 183,769,571**	**(P 3,128,522,733)**	**(P 159,833,776)**	**P 142,402,572**	**P 1,200,000,000**	**P 41,346,946,733**	**P 42,546,946,733**	**P 77,718,065,873**	**P 1,000,169,494**	**P 78,718,235,367**
Balance at January 1, 2020	P 16,242,391,176	P 23,058,724,847	P -	(P 3,487,839,412)	P 136,151,386	P 111,883,425	(P 3,707,343,087)	(P 73,475,415)	P 120,364,326	P 800,000,000	P 30,616,668,304	P 31,416,668,304	P 63,817,525,550	P 899,231,970	P 64,716,757,520
Issuances during the year	-	47,652,985	-	1,836,250,000	(47,652,985)	26,958,168							1,863,208,168		1,863,208,168
Movements during the year	-	-	-	-	-	-	-	-	(5,369,530)	-	-	-	(5,369,530)	(9,700,000)	(15,069,530)
Acquisition of treasury shares during the year	-	-	-	(2,093,994,770)	-	-	-	-	-	-	-	-	(2,093,994,770)	-	(2,093,994,770)
Total comprehensive loss for the year	-	-	-	-	-	-	(2,360,673,148)	(851,136,451)	-	-	7,967,261,504	7,967,261,504	4,755,451,905	(111,020,343)	4,644,431,562
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(1,751,016,634)	(1,751,016,634)	(1,751,016,634)	-	(1,751,016,634)
Balance at December 31, 2020	P 16,242,391,176	P 23,106,377,832	P -	(P 3,745,584,182)	P 88,498,401	P 138,841,593	(P 6,068,016,235)	(P 924,611,866)	P 114,994,796	P 800,000,000	P 36,832,913,174	P 37,632,913,174	P 66,585,804,689	P 778,511,627	P 67,364,316,316
Balance at January 1, 2019	P 16,242,391,176	P 23,058,724,847	P -	(P 1,849,768,100)	P 136,151,386	P 84,925,255	(P 2,556,254,530)	(P 163,103,810)	P 15,792,199	P 600,000,000	P 24,879,090,010	P 25,479,090,010	P 60,447,948,433	P 892,674,486	P 61,340,622,919
Movements during the year	-	-	-	-	-	-	-	-	104,572,127	-	-	-	104,572,127	-	104,572,127
Issuances during the year	-	-	-	-	-	26,958,170	-	-	-	-	-	-	26,958,170	-	26,958,170
Acquisition of treasury shares during the year	-	-	-	(1,638,071,312)	-	-	-	-	-	-	-	-	(1,638,071,312)	-	(1,638,071,312)
Total comprehensive loss for the year	-	-	-	-	-	-	(1,151,088,557)	89,628,395	-	-	6,725,536,563	6,725,536,563	5,664,076,401	6,557,484	5,670,633,885
Appropriation during the year	-	-	-	-	-	-	-	-	-	200,000,000	(200,000,000)	-	-	-	-
Cash dividends declared during the year	-	-	-	-	-	-	-	-	-	-	(787,958,269)	(787,958,269)	(787,958,269)	-	(787,958,269)
Balance at December 31, 2019	P 16,242,391,176	P 23,058,724,847	P -	(P 3,487,839,412)	P 136,151,386	P 111,883,425	(P 3,707,343,087)	(P 73,475,415)	P 120,364,326	P 800,000,000	P 30,616,668,304	P 31,416,668,304	P 63,817,525,550	P 899,231,970	P 64,716,757,520

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 12,895,177,113**	P 9,435,725,613	P 8,479,970,603
Adjustments for:				
Depreciation and amortization	19, 20	**1,545,528,317**	1,565,710,426	1,544,043,919
Interest expense	9, 14, 15, 21	**782,713,575**	548,979,806	781,494,014
Share in net profit of a joint venture	12	**(161,824,100)**	(185,108,059)	(239,168,070)
Interest income	5, 7, 18	**(86,442,812)**	(183,009,956)	(345,272,714)
Impairment losses on inventories	8, 19	**58,114,232**	44,775,076	8,321,687
Share option benefits expense	24	**44,927,978**	26,958,168	26,958,170
Provisions	17	**38,060,790**	56,331,220	-
Impairment losses on trade and other receivables	6	**11,561,171**	109,087,408	12,453,267
Amortization of trademarks	10	**1,615,391**	1,615,391	1,615,391
Loss (gain) on sale of property, plant and equipment	9	**(108,820)**	(139,000)	5,832,899
Impairment losses on trademarks	10	**-**	-	272,402,000
Operating profit before working capital changes		**15,129,322,835**	11,420,926,093	10,548,651,166
Decrease (increase) in trade and other receivables		**1,543,684,078**	1,066,338,675	(4,675,574,908)
Decrease (increase) in financial instruments at fair value through profit or loss		**62,713,243**	(86,578,013)	1,174,321,007
Increase in inventories		**(2,001,700,341)**	(1,301,858,714)	(1,429,246,615)
Decrease (increase) in prepayments and other current assets		**264,770,607**	656,312,114	(642,474,819)
Decrease (increase) in other non-current assets		**(69,354,771)**	(301,999,867)	55,606,199
Increase (decrease) in trade and other payables		**3,046,172,296**	(2,069,683,156)	3,939,851,258
Decrease in retirement benefit obligation		**(256,644,163)**	(241,119,114)	(168,073,470)
Cash generated from operations		**17,718,963,784**	9,142,338,018	8,803,059,818
Cash paid for income taxes		**(1,304,546,457)**	(1,590,213,311)	(650,265,112)
Net Cash From Operating Activities		**16,414,417,327**	7,552,124,707	8,152,794,706
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	9	**(1,738,787,193)**	(1,013,759,803)	(2,867,267,563)
Interest received	5, 7	**84,440,144**	173,304,315	243,885,422
Proceeds from sale of property, plant and equipment	9	**58,050,463**	107,483,016	356,289,983
Dividends received from a joint venture	12	**-**	-	282,499,965
Net Cash Used in Investing Activities		**(1,596,296,586)**	(732,972,472)	(1,984,592,193)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of interest-bearing loans	14	**(6,732,937,709)**	(2,741,784,226)	(3,226,111,642)
Dividends paid	24	**(5,057,031,744)**	(2,530,247,949)	-
Proceeds from interest-bearing loans	14	**1,194,023,750**	1,182,290,245	1,151,150,000
Acquisition of treasury shares	24	**(1,002,129,721)**	(2,093,994,770)	(1,638,071,312)
Interest paid	31	**(846,195,552)**	(597,970,866)	(705,636,523)
Repayments of lease liabilities	9	**(601,235,467)**	(216,881,185)	(237,157,272)
Net Cash Used in Financing Activities		**(13,045,506,443)**	(6,998,588,751)	(4,655,826,749)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**1,772,614,298**	(179,436,516)	1,512,375,764
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**7,561,169,140**	7,740,605,656	6,228,229,892
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 9,333,783,438**	P 7,561,169,140	P 7,740,605,656

Supplemental information on non-cash investing and financing activities is fully disclosed in Note 31 to the consolidated financial statements.

See Notes to Consolidated Financial Statements.

EMPERADOR INC. AND SUBSIDIARIES
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Emperador Inc. ("EMP" or "the Parent Company") was incorporated in the Philippines and registered with the Securities and Exchange Commission ("SEC") on November 26, 2001. It presently operates as a holding company of a global conglomerate in the distilled spirits and other alcoholic beverages business.

EMP is a subsidiary of Alliance Global Group, Inc. ("AGI" or "the Ultimate Parent Company"), a publicly-listed domestic holding company with diversified investments in real estate development, food and beverage, quick-service restaurants, and tourism-entertainment and gaming businesses.

The registered principal office of EMP is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where the registered office of AGI is also presently located.

The common shares of EMP and AGI were first listed for trading in the Philippine Stock Exchange (PSE) on December 19, 2011 and April 19, 1999, respectively.

1.1 Subsidiaries

EMP holds beneficial equity ownership in entities operating in an integrated business of manufacturing, bottling and distributing distilled spirits and other alcoholic beverages from the Philippines and Europe (collectively referred to herein as "the Group"), as follows:

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2021	2020
EDI and subsidiaries (EDI Group)			
Emperador Distillers, Inc. ("EDI")	(a)	**100%**	100%
Anglo Watsons Glass, Inc. ("AWGI")	(b)	**100%**	100%
Alcazar De Bana Holdings Company, Inc. ("Alcazar De Bana")	(c)	**100%**	100%
Progreen Agricorp Inc. ("Progreen")	(c)	**100%**	100%
South Point Science Park Inc. ("SSPI")	(c)	**100%**	100%
The Bar Beverage, Inc.		**100%**	100%
Tradewind Estates, Inc. ("TEI")	(d)	**100%**	100%
Boozylife Inc. ("Boozylife")	(d)	**62%**	62%
Cocos Vodka Distillers Philippines, Inc.		**100%**	100%
Zabana Rum Company, Inc.		**100%**	100%

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership 2021	2020
EIL and offshore subsidiaries and joint venture:			
Emperador International Ltd. ("EIL")	(e)	**100%**	100%
Emperador Holdings (GB) Limited ("EGB")	(f)	**100%**	100%
Emperador UK Limited ("EUK")	(f)	**100%**	100%
Whyte and Mackay Group Limited ("WMG")	(g), 10	**100%**	100%
Whyte and Mackay Global Limited ("WMGL")	(g), (h)	**100%**	100%
Whyte and Mackay Limited ("WML")	(i)	**100%**	100%
Whyte and Mackay Warehousing Limited ("WMWL")	(j)	**100%**	100%
Emperador Asia Pte. Ltd. ("EA")	(k)	**100%**	100%
Grupo Emperador Spain, S.A. ("GES")	(l), 10	**100%**	100%
Bodega San Bruno, S.L. ("BSB")	(m)	**100%**	100%
Bodegas Fundador, S.L.U. ("BFS")	(l), (n), (o)	**100%**	100%
Grupo Emperador Gestion S.L. ("GEG")	(m)	**100%**	100%
Stillman Spirits, S.L. ("Stillman")	(s)	**100%**	100%
Domecq Bodega Las Copas, S.L. ("DBLC")	(p), 10	**50%**	50%
Bodegas Las Copas, S.L. ("BLC")	(q)	**50%**	50%
Complejo Bodeguero San Patricio SLU ("CBSP")	(n), (r), (o), 10	**-**	-
Emperador Europe Sarl ("EES")	(t)	**100%**	100%

Explanatory notes:

(a) EDI and its subsidiaries are engaged in businesses related to the main business of EDI in the Philippines. EDI became a wholly owned subsidiary on August 28, 2013 when EMP acquired it from AGI as a condition to AGI's subscription to EMP shares (see Note 24.1). EDI was incorporated in the Philippines on June 6, 2003 to primarily engage in the manufacturing and trading of brandy, wine or other similar alcoholic beverage products. EDI's brands include Emperador brandy, The BaR flavored alcoholic beverage, Andy Player whisky, So Nice and Smirnoff Mule (under license),. EDI also imports and sells the products of EIL's offshore subsidiaries.

EDI's registered office, which is also its principal place of business, is located at 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City, where its subsidiaries, except Boozylife and Alcazar De Bana and subsidiaries, also have their registered offices and principal places of business.

(b) AWGI is a domestic corporation presently engaged in flint glass container manufacturing and primarily supplies EDI's bottle requirements.

(c) Alcazar De Bana is a domestic holding entity and presently holds 100% ownership interest in Progreen, a domestic corporation engaged in the business of alcohol and alcohol-related products, who in turn holds 100% ownership interest in SSPI, a domestic corporation engaged in management and maintenance of office, commercial, industrial and institutional developments in a certain science park.

Alcazar De Bana's registered office and principal place of business is located at 26th Floor, Alliance Global Tower 4, 36th Street cor. 11th Avenue Uptown Bonifacio, Taguig City.

(d) TEI is a domestic corporation presently engaged in leasing its land and manufacturing complex in Sta. Rosa, Laguna. In 2018, TEI acquired 51% ownership in Boozylife for a total consideration of P45.0 million. The acquired identifiable net assets are not material to the Group's consolidated financial statements. In January 2020, TEI increased its ownership to 62% [see Notes 3.1(e) and 24.6].

(e) EIL is a foreign entity incorporated in the British Virgin Islands. EIL is presently the parent company of the Group's offshore subsidiaries. EIL is effectively a wholly owned subsidiary of EMP through EMP's 84% direct ownership and EDI's 16% direct ownership.

EIL's registered office is at the offices of Portcullis TrustNet (BVI) Limited, which is currently located at Portcullis Trust Net Chambers, 4th Floor Skelton Building, 3076 Drake's Highway, Road Town, Tortola, British Virgin Islands.

(f) EGB is a foreign entity incorporated in the UK to operate as an investment holding entity. It is the ultimate UK parent undertaking and controlling entity. It holds 100% ownership interest over EUK which in turn holds 100% ownership interest over WMG [see Note 1.1(g)].

In 2019, EGB changed its registered office from 20-22 Bedford Road, London, United Kingdom to Suite 1, 3rd Floor, 11-12 St. James Square, London SW1Y 4LB.

(g) WMG is a foreign entity incorporated in the UK on August 7, 2001 and presently operating as an investment holding entity. WMG and its subsidiaries (collectively referred to as "WMG Group") are all engaged in businesses related to the main business of production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. On September 5, 2019, the Group's Board of Directors ("BOD") approved WMG's restructuring by transferring its 100% direct ownership in WML and WMWL to its newly-incorporated wholly owned subsidiary, WMGL, through share exchange agreement [(see Note 1.1(h)]. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.13(b)]. As a result of the restructuring, WMGL now holds 100% ownership in WML and WMWL while WMG holds 100% ownership in WMGL. EUK acquired WMG from United Spirits (Great Britain) Limited on a deal signed on May 9, 2014 and closed on October 31, 2014 for a total cash consideration of P30.3 billion.

WMG Group's registered office is located at St. Vincent Plaza, 319 St. Vincent Street, Glasgow, Scotland.

(h) WMGL is a foreign holding company established in 2018 in the UK to effect WMG Group's restructuring in 2019 [see Note 1.1(g)].

(i) WML is a foreign entity incorporated in the UK to carry out the production, marketing and distribution of Scotch whisky, vodka, liqueurs and other alcoholic drinks. WML holds 100% ownership interest in 41 dormant companies, all incorporated in the UK, and one active company, Whyte and Mackay Americas LLC, which handles the distribution of Whyte and Mackay brands within the United States of America.

(j) WMWL is a foreign entity incorporated in the UK to carry out warehousing for WML and third party customers.

(k) EA is a foreign entity incorporated in Singapore on July 10, 2013 as a limited private company with principal activity as a wholesaler of liquor, food and beverages, and tobacco. It holds 100% ownership interest in GES [see Note 1.1(l)].

EA's registered office is located at 1 Scotts Road, 19-06 Shaw Centre, Singapore.

(l) GES is a foreign entity incorporated on September 28, 2011 as a small limited liability company and subsequently changed to a large liability company on February 5, 2014. GES carries out activities related to the production of wines, fortified wines, brandies, and all types of alcoholic drinks, as well as the purchase, ownership and operations of any type of land, particularly, vineyards.

On November 27, 2015, GES reached a definitive agreement with Beam Suntory Spain, S.L. to purchase its Spanish brandy and sherry business (the Fundador Business Unit) in Jerez de la Frontera (Jerez), the brandy capital of Spain. GES assigned its rights and obligations under the agreement to its direct wholly owned subsidiary, BFS, on January 28, 2016. The purchase was subsequently completed on February 29, 2016 for a total cash consideration of P14.7 billion (see Note 10).

GES's registered office, which is also its principal place of business, is located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain. GES currently holds direct interests in BSB, BFS, GEG, DBLC, Stillman, and BLC which were established in Spain with activities similar or related to its main business.

(m) Subsidiaries with registered office and principal place of business located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain.

(n) Subsidiaries with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain.

(o) BFS has a wholly owned subsidiary, Harvey's Cellars S.L.U. (changed name from Destilados de la Mancha S.L. on February 12, 2021). On January 1, 2020, CBSP, existing subsidiary of GES, was merged with BFS through merger by absorption wherein the latter is the absorbent or surviving entity [see Note 1.1(r)]. The Group accounted for this business combination under common control using pooling-of-interests method [see Note 2.13(b)].

(p) DBLC is a foreign entity incorporated in Spain in later part of 2017 to operate as an investment holding entity with registered office located at Manuel Calle Maria González 12, Jerez de la Frontera, Cadiz, Spain. It presently holds 100% ownership interest in Mexican entities namely: Pedro Domecq S.A. de C.V. ("Pedro Domecq") and Domecq Distribucion De Bebidas S.A. de C.V. ("DDDB"), with registered office at Calle Presa Pabellón, 38, Mexico DF.

The acquisition of Domecq brand portfolio and its related assets in Mexico ("Domecq Acquisition") was signed by Pernod Ricard with BLC on December 1, 2016 and completed on March 30, 2017 by BLC and its two incorporated Mexican subsidiaries. The acquisition is treated as an asset acquisition [see Notes 2.13(c), 3.1(e) and 24.6]. Pedro Domecq and Bodega Domecq S.A. de C.V. ("Bodega Domecq") are foreign entities created by BLC on March 15, 2017 in relation to the Domecq Acquisition. These entities, together with DDDB, existing subsidiary of BLC, were subsequently transferred to DBLC effectively on September 1, 2017 through spin-off acquisition.

On June 30, 2019, Bodega Domecq was merged by absorption with Pedro Domecq wherein the latter is the absorbent or surviving entity. The Group accounted for this business combination under common control using pooling-of-interests method. On December 15, 2021, Pedro Domecq merged with DDDB with the former as the surviving entity. [See Note 2.13(b)].

(q) Jointly controlled entity with registered office located at Torre Espacio – Paseo de la Castellana n° 259 D Planta 28, Madrid, Spain and principal place of business located in Jerez de la Frontera, Cadiz, Spain (see Note 12). BLC presently holds 100% ownership interests in Alcoholera dela Mancha Vinícola, S.L. and Vinedos del Rio Tajo S.L., which are both established in Spain with activities similar and related to the main businesses of GES and BLC.

(r) CBSP acquired from the previous owners (collectively referred to as "Grupo Garvey") certain tangible assets in Spain, including trademarks of well-known brands ("Garvey Acquisition") on January 19, 2017. The Garvey Acquisition is treated as an asset acquisition [see Notes 2.13(c) and 3.1(e)]. In 2020, CBSP was merged with BFS [see Note 1.1(o)].

(s) Stillman is a foreign entity established in Spain on March 20, 2019. Stillman is responsible for carrying the business of GES in the UK, following UK's exit from the European Union.

(t) EES is a foreign entity incorporated in Luxembourg as a private limited liability company, primarily to operate as an investment holding entity.

EES' registered office is located at L-1449 Luxembourg, 18, Rue de l'Eau.

1.2 Continuing Impact of COVID-19 Pandemic on the Group's Business

The Group and other businesses in the world have been significantly exposed to the challenges brought about by the COVID-19 pandemic. Initially concentrated in China in December 2019, the outbreak became a Public Health Emergency of International Concern in January 2020 and declared as a pandemic by the World Health Organization ("WHO") on March 11, 2020. The pandemic which put the Philippines in a state of calamity is still sweeping globally as of date of this report and has been confirmed in almost every country and territory around the world, including the Philippines, United Kingdom (UK) and Spain where the Group has significant operations. Immediately, governments across the world have implemented safety protocols, stay-at-home orders and varying stages and degrees of lockdowns (called community quarantines in the Philippines) in order to control the movement of and close interaction among people and to protect their borders/localities.

In 2021 and 2020, the Group has taken the following measures to mitigate the adverse effects of the COVID-19 pandemic to the Group's business:

- resumed business operations in accordance with the government directives and safety protocols amidst the localized lockdown measures which include non-essential business suspension, limited public transportation and public gathering restrictions;

- implemented work-from-home and rotation shifts based on nature of work;
- observed and laid out the required physical distancing in the premises and put in place no-contact-greeting and no-visitors-allowed policies;
- provided transport service and health and safety guards (face masks and face shields, alcohol/sanitizers, vitamin C and personal protective equipment) for those who report to work;
- implemented cost-saving measures which resulted in lower operating costs and expenses to manage the Group's cash flows;
- conducted most of business activities on digital platforms, including meetings, marketing campaigns and online selling; and,
- maximized business opportunities with the opening up of borders for travel across the regions in Europe, United States of America and Asia and the relaxing in-country social lockdowns and restrictions.

Management believes the Group was able to effectively manage its business operation amidst the changes and challenges brought about by the pandemic. Consequently, the Group was able to generate P55.9 billion revenues in 2021, which is 6% and 8% higher as compared to 2020 and 2019, respectively, and P10.1 billion net profit, which is 26% and 49% higher than in 2020 and 2019, respectively. In addition, the Group has higher return on assets of 8% and current ratio of 2.8x than in prior year. Management projects that the Group would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. It has not determined a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

1.3 Approval of the Consolidated Financial Statements

The consolidated financial statements of the Group as of and for the year ended December 31, 2021 (including the comparative consolidated financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Company's BOD on April 22, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards ("PFRS"). PFRS are adopted by the Financial Reporting Standards Council ("FRSC") from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard ("PAS") 1, *Presentation of Financial Statements*. The Group presents all items of income, expenses and other comprehensive income or loss in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to such third consolidated statement of financial position are not required to be disclosed. The Group presented only one comparative period as none of these situations are applicable.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Parent Company's functional currency (see Note 2.17). Functional currency is the currency of the primary economic environment in which the Parent Company operates.

2.2 Adoption of Amended Standards

(a) Effective in 2021 that are Relevant to the Group

The Group adopted for the first time the following amendments to existing standards, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

PFRS 9, PFRS 7, and PFRS 16 (Amendments)	:	Interest Rate Benchmark Reform Phase 2 Financial Instruments, Financial Instruments: Disclosures, and Leases
PFRS 16 (Amendments)	:	Leases – COVID-19-Related Rent Concessions beyond June 30, 2021

Discussed in the succeeding page are the relevant information about these pronouncements.

(i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instrument: Disclosures*, and PFRS 16 (Amendments), *Leases – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments had no significant impact to the Group's consolidated financial statements.

(ii) The Group opted to early adopt the application of the amendments to PFRS 16, *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendments extend for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The application of these amendments had no significant impact to the Group's consolidated financial statements.

(b) Effective Subsequent to 2021 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)

(iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective from January 1, 2022)

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Group:

a. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*

b. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

(v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Ventures* (effective date deferred indefinitely)

2.3 Basis of Consolidation

The Group's consolidated financial statements comprise the accounts of EMP, and its subsidiaries as enumerated in Note 1.1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full on consolidation. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as that of the Parent Company, using consistent accounting principles. Financial statements of a certain entity in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries, investment in a joint venture, and transactions with non-controlling interest ("NCI") as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and (iii) it has the ability to affect those returns through its power over the entity. The acquisition method is applied to account for acquired business subsidiaries [see Notes 2.13(a) and 3.1(e)]. Subsidiaries are consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

(b) Investment in a Joint Venture

A jointly controlled entity is a corporation, partnership, or other entity in which two or more venturers have an interest, under a contractual arrangement that establishes joint control over the entity. Each venturer usually contributes cash or other resources to the jointly controlled entity. Those contributions are included in the accounting records of the venturer and recognized in the venturer's financial statements as an investment in the jointly controlled entity.

Investment in a joint venture is initially recognized at cost and subsequently accounted for using the equity method (see Note 12).

Acquired investment in the jointly controlled entity is subject to the purchase method. The purchase method involves the recognition of the jointly controlled entity's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the venturer's share of the identifiable net assets of the joint venture at the date of acquisition. Any goodwill or fair value adjustment attributable to the venturer's share in the joint venture is included in the amount recognized as investment in a joint venture.

All subsequent changes to the ownership interest in the equity of the joint venture are recognized in the venturer's carrying amount of the investments. Changes resulting from the profit or loss generated by the joint venture are credited or charged against Equity share in net profit of joint venture, which is presented as part of Revenues and Other Income or Costs and Expenses section (under Other Charges account) in the consolidated statement of comprehensive income.

Impairment loss is provided when there is objective evidence that the investment in a joint venture will not be recovered (see Note 2.18).

Changes resulting from other comprehensive income of the jointly controlled entity or items recognized directly in the jointly controlled entity's equity are recognized in other comprehensive income or equity of the venturer, as applicable. However, when the venturer's share of losses in a joint venture equals or exceeds its interest in the associate, including any other unsecured receivables, the venturer does not recognize further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity. If the jointly controlled entity subsequently reports profits, the venturer resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the jointly controlled entity are accounted for as a reduction of the carrying value of the investment.

(c) Transactions with Non-controlling Interest

The Group's transactions with NCI that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to NCI result in gains and losses for the Group that are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds interests in various subsidiaries and in a joint venture as presented in Notes 1 and 12, respectively.

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's strategic executive committee, its chief operating decision-maker. The strategic executive committee is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's product lines, which represent the main products provided by the Group. Each of these operating segments is managed separately as each of these product lines requires different processes and other resources as well as marketing approaches. All intersegment transfers are carried out at arm's length prices.

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

2.5 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation.* All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Group commits to purchase or sell the asset).

Interest income is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The effective interest rate is applied to the gross carrying amount of the financial assets, except for those that are subsequently identified as credit-impaired where the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis.

For financial assets that were credit-impaired on initial recognition (purchased or originated), interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves.

Dividend income is recognized when the Group's right to receive dividends is established, it is probable that economic benefits associated with the dividends will flow to the Group, and the amount of dividend can be measured reliably.

Interest and dividend earned on these investments are presented as Other income in the Revenues and Other Income section in the consolidated statement of comprehensive income.

(a) Classification and Measurement of Financial Assets

The classification and measurement of financial assets is driven by the Group's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows.

Financial assets, other than those designated and effective as hedging instruments, are initially measured at fair value and then subsequently measured either at amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"), depending on the classification determined at initial recognition. The initial measurement includes transaction costs, except for those at FVTPL in which the related transaction costs are recognized in profit or loss.

(i) Financial Assets at Amortized Cost

Financial assets are classified at amortized cost if both of the following conditions are met:

- Business model test: the asset is held within the Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- Cash flow characteristics test: the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Except for trade and other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss ("ECL").

The Group's financial assets at amortized cost are presented in the consolidated statement of financial position as Cash and Cash Equivalents (see Note 5), Trade and Other Receivables [except Advances to suppliers (see Note 2.7) and Advances to officers and employees] (see Note 6), and Property mortgage receivable and Refundable security deposits [presented as part of Other Non-current Assets (see Note 11.2)].

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Financial assets at amortized cost are included in current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

(ii) Financial Assets at Fair Value

Financial assets are classified at FVOCI if both of the following conditions are met:

- Business model test: asset is held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling the financial asset ("hold to collect and sell"); and,

- Cash flow characteristics test: SPPI on the principal amount outstanding.

Financial assets are classified at FVTPL if they do not meet the conditions for measurement at amortized cost or FVOCI; instead, these are held within a business model whose objective is to realize changes in fair values through the sale of the assets. These include financial assets that are held for trading, which are acquired for the purpose of selling or repurchasing in the near term; designated upon initial recognition as FVTPL; or mandatorily required to be measured at fair value. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts, to manage its risks associated with fluctuations in foreign currency. Derivative assets and derivative liabilities arise from foreign exchange margins trading spot and forward contracts entered into by the Group. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative [see Note 2.11(a)]. The term of these forward contracts is usually one month to one year.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to consolidated profit or loss for the period.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Changes in fair value, including foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and reported as part of Revaluation Reserves account in Equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Revaluation Reserves is transferred to profit or loss.

Financial assets at FVTPL are measured at fair value with fair value gains or losses recognized as part of Other income in the Revenues and Other Income section or Other Charges in Costs and Expenses section in the consolidated profit of loss. The fair values of these financial assets are determined by reference to active market transactions or by the use of a valuation technique where no active market exists.

(b) Impairment of Financial Assets

At the end of each reporting period, the Group assesses impairment using ECL model on a forward-looking basis associated with its financial assets carried at amortized cost. The carrying amount of the financial asset at amortized cost would be reduced either directly or through the use of an allowance account. Recognition of credit losses is no longer dependent on the identification of a credit loss event. Instead, a broader range of information is considered in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectibility of the future cash flows of the financial assets. The Group considers all reasonable and supportable information that is available without undue cost or effort, as well as observable market information about the credit risk of the particular financial instrument or similar financial instruments.

Since the Group's financial assets measured at amortized cost have no significant financing component, the Group applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all trade receivables using provision matrix approach and loss rates approach, as the case may be. The lifetime ECL is estimated based on the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Group uses its historical experience, external indicators and forward-looking information. The Group also assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due [see Notes 3.1(b) and 27.2].

For the other financial assets measured at amortized cost, the Group applies the low credit risk simplification and measures the ECL on the financial assets based on the credit losses expected to result from default events that are possible within the next 12 months, unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on lifetime ECL.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. The key elements used in the calculation of ECL are as follows:

- *Probability of Default* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss Given Default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Group would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at Default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation which pertains to its amortized cost.

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(d) Reclassification of Financial Assets

The Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. A change in the objective of the Group's business model will take effect only at the beginning of the next reporting period following the change in the business model.

- From amortized cost to FVTPL: Fair value is measured at reclassification date, with the difference between the amortized cost and fair value recognized as gain or loss in profit or loss.

- From amortized cost to FVOCI: Fair value is measured at reclassification date, with the difference between the amortized cost and the fair value recognized as gain or loss in other comprehensive income ("OCI"). The effective interest rate and the measurement of ECL remain the same.

- From FVTPL to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The effective interest rate is determined on the basis of the fair value at reclassification date, which is now treated as the date of initial recognition.

- From FVTPL to FVOCI: The financial asset continues to be measured at fair value.

- From FVOCI to amortized cost: Fair value at the reclassification date becomes its new gross carrying amount. The cumulative gain or loss previously recognized in OCI is removed from equity and adjusted against the fair value of the financial asset at reclassification date. As a result, the measurement at reclassification date is as if the financial asset had always been measured at amortized cost. This adjustment affects OCI but does not affect profit or loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of ECL remain the same.

- From FVOCI to FVTPL: The financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in OCI is reclassified to profit or loss as a reclassification adjustment at reclassification date.

There were no reclassifications of financial assets in 2021 and 2020.

2.6 Inventories

Inventories (see Note 8) are valued at the lower of cost and net realizable value ("NRV"). Cost is determined using the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation), based on normal operating capacity. The cost of raw materials includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV of finished goods is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials is the current replacement cost [see Note 3.2(c)].

2.7 Other Assets

Other assets (see Note 11) pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), these assets are classified as non-current assets.

Advances to suppliers that will be applied as payment for purchase of inventories or services to be rendered in the future are classified and presented under the Trade and Other Receivables account. On the other hand, advances to suppliers that will be applied as payment for purchase of items under property and equipment are classified and presented under the Other Non-current Assets account. These classification and presentation are based on the eventual realization of the asset to which it was advanced for.

2.8 Property, Plant and Equipment

Property, plant and equipment (see Note 9) are carried at acquisition cost and, except for land, less accumulated depreciation, amortization and any impairment losses (see Note 2.18). As no definite useful life for land can be determined, the related carrying amount (which is cost less any impairment losses) is not depreciated.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.21). Expenditures for additions, major improvements and renewals are capitalized, while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows [see Note 3.2(d)]:

Buildings and improvements	25 to 50 years
Land improvements	10 years
Machinery and equipment (including tools and other equipment)	2 to 20 years
Transportation equipment	3 to 10 years
Office furniture and fixtures	3 to 10 years

Moulds and dies are depreciated using their expected usage for the period. The total usage during the period multiplied by rate results to depreciation expense for the period. The rate is computed by dividing cost by estimated cases to be produced.

Right-of-use assets are depreciated over the term of the lease ranging from two to seven years.

Leasehold improvements are amortized over the estimated useful life of the improvements of 5 to 10 years or the lease term, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction, applicable borrowing costs (see Note 2.21) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.18).

The residual values, estimated useful lives and methods of depreciation and amortization of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and any impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the consolidated statement of comprehensive income in the year the item is derecognized.

2.9 Intangible Assets

Intangible assets include trademarks and goodwill, which are accounted for under the cost model (see Note 10). The cost of the trademarks is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs for trademarks with definite lives are amortized on a straight-line basis over their estimated useful lives of ten years. Capitalized costs for trademarks with indefinite useful lives are not amortized. The useful lives are reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment. Changes in the useful life assessment from indefinite to definite, if any, are accounted for as change in accounting estimate. In addition, trademarks and goodwill are subject to impairment testing as described in Note 2.18.

When an intangible asset, such as trademarks, is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in consolidated profit or loss.

2.10 Non-current Assets Held for Sale

Non-current assets held for sale pertain to land and building previously classified as property, plant and equipment that the Group intends to sell within one year, except when delay is caused by events or circumstances beyond the Group's control, from the date of reclassification as held for sale.

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset.

Non-current assets held for sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain from any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or re-measurement of held for sale assets is recognized in profit or loss in the consolidated statement of comprehensive income.

2.11 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described as follows:

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held for trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category (see Note 7).

The Group's financial liabilities at FVTPL pertain to derivative financial instruments which are carried as liabilities when the fair value is negative and are presented as Financial Liabilities at Fair Value Through Profit or Loss account in the consolidated statement of financial position [see Note 2.5(a)(ii)].

(b) Financial Liabilities at Amortized Cost

This category pertains to financial liabilities that are not held for trading or not designated as financial liabilities at FVTPL upon inception of the liability. This includes interest-bearing loans (see Note 14), trade and other payables [except output value-added tax ("VAT") and other tax-related payables] (see Note 16), lease liabilities (see Note 9.3), dividends payable (see Note 24.3) and the financial liability component of equity-linked securities ("ELS") instrument (see Note 15), and is recognized when the Group becomes a party to the contractual agreements of the instrument.

Financial liabilities are initially recognized at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments.

The financial liability component of the ELS is recognized initially as the present value of the contractual stream of future cash flows, less any directly attributable transaction costs, and is subsequently measured at amortized cost using the effective interest method.

All interest-related charges, if any, are recognized as an expense under the Interest Expense in the consolidated statement of comprehensive income.

Dividend distributions to stockholders are recognized as financial liabilities on the record date set upon declaration by the Group.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in consolidated profit or loss.

2.12 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the consolidated statement of financial position when the Group has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments. The Group does not have offsetting arrangements and had not offset any financial asset and financial liability in the periods reported.

2.13 Business Combination and Asset Acquisition

Business acquisitions are accounted for using the acquisition or pooling-of-interest method of accounting. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investors or other owners, members and participants.

(a) Accounting for Business Combination using the Acquisition Method

The acquisition method requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any NCI in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in consolidated profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any NCI in the acquiree, either at fair value or at the NCI's proportionate share of the recognized amounts of acquiree's identifiable net assets [see Note 2.3(c)].

Goodwill is recognized if the consideration transferred, the amount of any NCI in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree are in excess of the acquisition-date fair value of identifiable net assets acquired. Negative goodwill, as in the case of a bargain purchase, is recognized if the consideration transferred is less than the fair value of the net assets of the subsidiary acquired; such difference is recognized directly as gain in consolidated profit or loss.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in the consolidated profit or loss or consolidated other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in consolidated profit or loss or as a change to consolidated other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

(b) *Accounting for Business Combination using the Pooling-of-interest Method*

Business combinations arising from transfers of interests in entities that are under the common control of the principal stockholder are accounted for under the pooling-of-interest method. Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting; hence, the assets and liabilities are reflected in the consolidated financial statements at carrying values and no adjustments are made to reflect fair values or recognized any new assets or liabilities, at the date of the combination that otherwise would have been done under the acquisition method.

No restatements are made to the financial information in the consolidated financial statements for periods prior to the business combination as allowed under Philippine Interpretations Committee (PIC) Question & Answer (Q&A) No. 2012-01, PFRS 3.2 – *Application of Pooling of Interest Method for Business Combination of Entities under Common Control in Consolidated Financial Statements* (as amended by PIC Q&A No. 2015-01, *Conforming Changes to PIC Q&As – Cycle 2015*, and PIC Q&A No. 2018-13, *Conforming Changes to PIC Q&As – Cycle 2018)*; hence, the profit and loss of the acquiree is included in the consolidated financial statements for the full year, irrespective of when the combination took place. Also, no goodwill is recognized as a result of the business combination and any excess between the net assets of the acquiree and the consideration paid is accounted for as "equity reserves". Also, any pre-acquisition income and expenses of a subsidiary are no longer included in the consolidated financial statements. The Group used this method in accounting for the merger between Pedro Domecq and DDDB in 2021, the merger between BFS and CBSP in 2020, the merger between Pedro Domecq and Bodega Domecq in 2019 and the restructuring of WMG in 2019 [see Note 1.1(g), (o) and (p)].

(c) Accounting for Asset Acquisition

Acquisition of assets in an entity which does not constitute a business is accounted for as an asset acquisition. Under the asset purchase accounting, the purchase costs are allocated to identifiable assets and liabilities based on relative fair values of individual items; any goodwill or gain on bargain purchase is not recognized; and transaction costs are capitalized.

2.14 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.15 Revenue and Expense Recognition

Revenue arises mainly from the sales of goods and services, rental income, interest income, dividend income and trading gains.

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Group expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

(1) identify the contract with a customer;
(2) identify the performance obligation (distinct goods or services promised) in the contract;
(3) determine the transaction price (including fixed amounts or variable amounts, or both, financing components, non-cash consideration, consideration payable to customer, if any);
(4) allocate the transaction price to the performance obligations; and,
(5) recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

In identifying whether a contract with a customer exists, the following five gating criteria must be present:

(i) the parties to the contract have approved the contract and committed to perform their respective obligations;
(ii) each party's rights in relation to the goods or services to be transferred or performed can be identified;
(iii) the payment terms can be identified;
(iv) the contract has commercial substance (i.e., the Group expects the risk, timing or amount of the future cash flows to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable (i.e., more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
(iii) the Group's performance does not create an asset with an alternative use to the Group and the entity has an enforceable right to payment for performance completed to date.

Revenue from sale of goods are recognized at a point in time, when the customer has acknowledged the receipt of the goods, while services are recognized over time based on the measure of progress of services rendered to the customer. Payment terms for sale of goods on credit vary as to number of days after receipt by the customer.

As applicable, when the Group is required to refund the related purchase price for returned goods, it recognizes a refund liability for the expected refunds by adjusting the amount of revenues recognized during the period. Also, if applicable, the Group recognizes a right of refund asset on goods to be recovered from customers with a corresponding adjustment to Costs of Goods Sold account. However, there were no contracts that contain significant right of return arrangements that remain outstanding as of the end of the reporting periods.

Costs and expenses (see Notes 19 and 20) are recognized in consolidated profit or loss upon utilization of goods or rendering of services or at the date these are incurred. All finance costs are reported in consolidated profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

In obtaining customer contracts, the Group incurs incremental costs. When the expected amortization period of these costs if capitalized would be less than one year, the Group uses the practical expedient by recognizing such costs as incurred. The Group also incurs costs in fulfilling contract with customers (i.e., freight and handling), which are accounted for in accordance with accounting policies related to those assets (see Notes 2.6, 2.8 and 2.9).

2.16 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply such definition, the Group assesses whether the contract meets the following three key evaluations:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- there is a right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering the rights within the defined scope of the contract; and,

- there is a right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At commencement date of the lease, a right-of-use asset and a lease liability are recognized in the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.18).

On the other hand, the lease liability is measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily available, or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the consolidated statement of financial position, Right-of-use assets are presented as part of Property, Plant and Equipment while Lease Liabilities are presented as separate line item under the Current and Non-current Liabilities sections.

(b) Group as Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific or identified asset or assets and the arrangement conveys a right to use the asset for a period of time in exchange for consideration.

2.17 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income as part of profit or loss.

(b) Translation of Financial Statements of Foreign Subsidiaries

The consolidated operating results and financial position of offshore subsidiaries (see Note 1.1), which are measured using the United States ("U.S.") dollar, British pound sterling ("GBP") and European Union euro ("EUR"), their functional currencies, are translated to Philippine pesos, the Parent Company's functional currency, as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting translation adjustments are recognized in other comprehensive income and in a separate component of equity under the Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine pesos should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.18 Impairment of Non-financial Assets

Property, plant and equipment (see Note 9.1), right-of-use assets (see Note 9.2), intangible assets (see Note 10), investment in a joint venture (see Note 12), and other non-financial assets (see Note 11) are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable, except for goodwill and intangible assets with indefinite useful lives, which are required to be tested for impairment annually.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Except for goodwill and intangible assets with indefinite useful lives, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

2.19 Employment Benefits

The Group's post-employment benefits to its employees are as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's retirement cost accrual covers all regular full-time employees. The pension plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the consolidated statement of financial position for defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, less the fair value of plan assets. The defined benefit obligation is calculated regularly by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds, using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation ("BVAL"), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions) and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest Expense account in the consolidated statement of comprehensive income. Past service costs are recognized immediately in the consolidated statement of comprehensive income in the period of a plan amendment or curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Employee Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under the Trade and Other Payables account in the consolidated statement of financial position.

(d) Bonus Plans

The Group recognizes a liability and an expense for bonuses based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(e) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.20 Share-based Employee Remuneration

The Parent Company grants share options to qualified employees of the Group eligible under a share option plan. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (e.g., profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in the consolidated profit or loss with a corresponding credit to Share Options Outstanding account under the Equity section of the consolidated statement of financial position.

The share-based remuneration expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of share options that ultimately vests on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options expire or are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as additional paid-in capital ("APIC").

Upon expiration of the unexercised share option, the value assigned to the stock option is transferred to APIC.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset (see Notes 9 and 14). The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

Tax expense comprises the sum of current tax and deferred tax recognized in the consolidated profit or loss (see Note 22).

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in the consolidated statement of comprehensive income.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets, whether recognized or unrecognized, are reassessed at the end of each reporting period and are recognized or reduced, as the case may be, to the extent that it has become probable that future taxable profit will be available to allow all or part of such deferred tax assets to be utilized [see Note 3.2(f)].

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantially enacted at the end of the reporting period.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set-off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged (see Note 23).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group, (d) close members of the family of any such individual; and, (e) the Group's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions, individually or in aggregate, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the 10% materiality threshold, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.24 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 24.1).

APIC includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares is also added to APIC (see Note 24.1).

Deposit on future stock subscription – Equity-linked securities represents the remaining portion of ELS subject for future issuance of shares [see Notes 3.2(h) and 15].

Treasury shares are EMP shares reacquired by the Group but not cancelled. These are carried at cost of reacquiring such shares and are deducted from equity attributable to the Parent Company's equity holders until the shares are cancelled, reissued or disposed of (see Note 24.2).

Conversion options outstanding represent the equity component of ELS. This will eventually be closed to APIC upon settlement or conversion of the ELS [see Note 3.2(h)].

Share options outstanding represent the accumulated total of employee share options' amortizations over the vesting period as share-based employee remuneration are recognized and reported in the consolidated statement of comprehensive income (see Note 24.4). This will eventually be closed to APIC upon exercise or expiration.

Accumulated translation adjustments represent the translation adjustments resulting from the translation of foreign currency-denominated financial statements of foreign subsidiaries into the Group's functional and presentation currency [see Note 2.17(b)(iii)].

Revaluation reserves comprise gains and losses due to remeasurements of post-employment defined benefit plan.

Other reserves include legal reserves that represent the statutory requirements in Luxembourg, which comprise of net wealth tax reserve and capital reserve. Certain statutory requirements based on Spanish legislation were also included as part of this account.

Retained earnings, the appropriated portion of which is not available for dividend declaration (see Note 24.5), represent the current and all prior period results of operations as reported in the consolidated profit or loss section of the consolidated statement of comprehensive income, reduced by the amounts of dividends declared.

NCI represent the portion of the net assets and profit or loss not attributable to the Parent Company's stockholders which are presented separately in the Group's consolidated statement of comprehensive income and within the equity in the Group's consolidated statement of financial position and consolidated statement of changes in equity (see Note 24.6).

2.25 Earnings Per Share

Basic earnings per share ("EPS") is determined by dividing the net profit attributable to equity holders of the Parent Company by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared and shares reacquired during the current year (see Note 25).

Diluted EPS is computed by adjusting the weighted average number of shares outstanding to assume conversion of dilutive potential shares. The Group has dilutive potential shares outstanding related to its employee share options and convertible ELS, which are deemed to have been converted to common shares at the date of issuance of the options.

2.26 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates 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. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Evaluation of Business Model and Cash Flow Characteristics of Financial Instruments

The Group applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Group's investment and trading strategies. The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case' scenarios). A business model for managing financial assets is typically observable through the activities that the Group undertakes to achieve the objective of the business model.

The Group uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Group considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- how the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,

- how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(b) Determination of ECL on Financial Assets at Amortized Cost

The Group applies the ECL methodology which requires certain judgments in selecting the appropriate method in determining the amount of ECL. In measuring ECL, the Group considers a broader range of information which include past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets. The Group uses loss rates and provision matrix to calculate ECL.

The provision matrix and loss rates are based on the Group's historical observed default rates. The Group's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Group's trade and other receivables are disclosed in Notes 2.5(b) and 27.2(b).

(c) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option.

Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of bottling plant, warehouses, office spaces, commercial buildings, vehicles, fitting and equipment, the factors that are normally the most relevant are (a) if there are significant penalties should the Group pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased assets.

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. In assessing the enforceability of the option, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and thus, the parties to the lease would be required to consider those optional periods in their assessment of the lease term.

(d) Distinction Between Business Combination and Asset Acquisition

The Group determines whether an acquisition of an entity constitute a business combination or an asset acquisition. The accounting treatment for the acquisition is determined by assessing whether the transaction involved a purchase of a "business" taking into consideration the substance of the transaction. Failure to make the right judgment will result in misstatement of assets and other accounts that could have been affected by the transactions (see Note 2.13).

The groups of assets acquired in the Domecq Acquisition and Garvey Acquisition do not include an integrated set of activities that are capable of being managed. In addition, the group of assets acquired under the Garvey Acquisition was previously under receivership from various third parties. Accordingly, management has assessed that the Domecq Acquisition and Garvey Acquisition, as disclosed in Note 1.1(p) and (r), are to be accounted for as asset acquisition since these do not constitute a purchase of business; hence, no goodwill or gain on acquisition was recognized.

Conversely, EUK's purchases of ownership in WMG, EDI's acquisition of full equity ownership in TEI, TEI's acquisition of 51% ownership in Boozylife, and BFS's purchases of Fundador Business Unit as disclosed in Notes 1.1(d), (g), (l) and 10, are accounted for as business combinations using the acquisition method. On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period.

Moreover, the transfers of ownership interest over WML and WMWL from WMG to WMGL, the merger between CBSP and BFS, the merger between Pedro Domecq and Bodega Domecq and the merger between Pedro Domecq and DDDB are accounted for as business combinations using pooling-of-interest method as these are transfers of interests in entities that are under the common control and there is no change of control before and after the restructuring or mergers [see Note 1.1(g), (o) and (p)].

(e) Determination of Control or Joint Control

Judgment is exercised in determining whether the Group has control or joint control over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the BOD or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual agreement.

Management considers that the Group has control over DBLC because it holds 50% of the common shares. The Parent Company, through its wholly owned subsidiary, GES, exercises control over the entity because GES has the ability to direct the relevant activities of DBLC through appointment of key management personnel (see Note 1.1).

Management considers that the Group has joint control over BLC because the agreement involves contractually agreed sharing of control and that decisions about relevant activities require the unanimous consent of the parties sharing control.

(f) Classification of Non-current Assets as Held for Sale

The Group classifies an asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets (or disposal group) and its sale must be highly probable.

For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan must have been initiated. Further, the asset (or disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification, except when delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group). The actions required to complete the plan should also indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Based on management's assessment, the letter of intent dated December 27, 2020 which provides the Group's commitment to sell certain land and buildings to a related party are the main consideration for classifying these assets as non-current assets held for sale as of December 31, 2021 and 2020 (see Note 13).

(g) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.14 and disclosures on relevant provisions and contingencies are presented in Notes 17 and 26.

3.2 Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Impairment of Financial Assets at Amortized Cost

In measuring ECL, the Group added significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses), as further detailed in Note 27.2. The Group evaluated impairment based on available facts and circumstances affecting collectability of accounts, including but not limited to, the length of the Group's relationship with the counterparties, counterparties' credit status, age of accounts and collection and historical loss experience. Based on the management's review, appropriate allowance for ECL has been recognized on the Group's financial assets in 2021, 2020 and 2019 (see Notes 2.5 and 6).

(b) Fair Value Measurement of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values and amounts of fair value changes recognized during the years presented on the Group's financial instruments at FVTPL [see Notes 2.5(a)(ii) and 2.11(a)] are disclosed in Note 7.

(c) Determination of Net Realizable Values of Inventories

In determining the net realizable values of inventories (see Note 2.6), management takes into account the most reliable evidence available at the times the estimates are made. The Group's core business is subject to changes in market factors that directly affect the demand for alcoholic beverages such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of inventories is affected by price changes in the costs incurred necessary to produce the inventories and make a sale. These aspects are considered as key sources of estimation uncertainty and may cause significant adjustments to the Group's inventories within the next reporting period. A reconciliation of the allowance for inventory write-down is presented in Note 8.

(d) Estimation of Useful Lives of Property, Plant and Equipment, Right-of-Use Assets and Trademarks

The Group estimates the useful lives of property, plant and equipment, right-of-use assets and trademarks based on the period over which the assets are expected to be available for use. Certain trademarks were determined to have indefinite useful lives because these brands have been in existence for more than 100 years.

The estimated useful lives of property, plant and equipment, right-of-use assets and trademarks are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets [see Notes 2.8, 2.9 and 2.16(a)]. The carrying amounts of property, plant and equipment, right-of-use assets and trademarks are presented in Notes 9.1, 9.2 and 10, respectively.

(e) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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. Management assessed that the deferred tax assets recognized as of December 31, 2021 and 2020 will be fully utilized in the subsequent reporting periods. The carrying value of deferred tax assets as of those dates is disclosed in Note 22.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.18). Though management believes 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 values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment losses were recognized on non-financial assets in 2021, 2020 and 2019, except for impairment of certain intangible assets in 2019 as shown in Note 10, based on management's assessment.

(h) Recognition of Financial Liability and Equity Components of Compound Financial Instruments

The ELS [see Notes 2.11(b) and 15] contains both a financial liability, which is the Group's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into the Parent Company's common shares. The value of the financial liability component is determined separately, which is deducted from the fair value of the compound instrument as a whole, and the residual amount is assigned as the value of the equity component.

Valuation techniques are used to determine the fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Group uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the date of the issuance of the ELS.

Initially, the Group determined the carrying amount of the financial liability component by measuring the present value of the contractual stream of future cash flows, using the interest rate of similar liabilities that do not have an associated equity component. When the fair value of the financial liability is compared with the fair value of the compound financial instrument as a whole, which is equivalent to the issue price, there was no residual amount such that no value was assigned to the equity component; hence, no equity component was recognized in the consolidated financial statements at that time. Subsequently, the financial liability was measured at amortized cost.

In 2017, as a result of the amendment of the ELS, management reassessed the compound financial instrument and recomputed the fair values of the components at the time of amendment, which resulted in a revalued financial liability component [see Note 2.11(b)] and an equity component with value (see Note 2.24). Accordingly, the Group presented the components separately as Equity-linked Debt Securities (see Note 15) and Conversion Options Outstanding accounts under the Current Liabilities and Equity sections, respectively, of the 2020 consolidated statement of financial position.

On December 4, 2019, the Group exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms. On December 3, 2021, the financial liability component of the ELS amounting to P3.4 billion was derecognized and an equity component was recognized amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the 2021 consolidated statement of financial position (see Note 15). The actual conversion pertaining to issuance of ELS shares is expected to happen in 2022.

(i) Valuation of Post-employment Defined Benefit

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by management and actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment defined benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment defined benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 21.3.

(j) Fair Value Measurement of Share Options

The Group estimates the fair value of the share option by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 24.4 which include, among others, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, and volatility of the Parent Company's share price. Changes in these factors can affect the fair value of share options at grant date.

Details of employee share option plan and the amount of fair value recognized is presented in Note 24.4.

(k) Determination of Provision for Onerous Lease

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublease income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublease assumptions would result in a significant change in the amount of provision recognized with a corresponding effect in consolidated profit or loss.

In 2019, these provisions were directly adjusted against the beginning balance of the Group's right-of-use assets in accordance with PFRS 16. In 2021 and 2020, additional provision was recognized due to changes in assumptions arising from the impact of COVID-19. An analysis of the Group's provision for onerous lease is presented in Note 17.1.

(l) Determination of Provision for Restoration of Leased Property

Determining provision for leased property restoration requires estimation of the cost of dismantling and restoring the leased properties to their original condition. The estimated cost was initially determined based on a recent cost to restore the facilities and is being adjusted to consider the estimated incremental annual costs up to the end of the lease term. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost would result in a significant change in the amount of provision recognized with a corresponding effect in profit or loss.

An analysis of the Group's provisions for leased property restoration cost is presented in Note 17.2.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into two business segments, the Brandy and Scotch Whisky, which represent the two major distilled spirits categories where the Group operates. Scotch Whisky pertains to the UK operations and the rest fall under Brandy. This is also the basis of the Group's executive committee for its strategic decision-making activities, including the financial performance evaluation of the operating segments or resource allocation decisions.

The Group disaggregates revenues recognized from contracts with customers into these two segments that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The same disaggregation is used in earnings releases, annual reports and investor presentations.

4.2 Segment Assets and Liabilities

Segment assets and liabilities represent the assets and liabilities reported in the consolidated statements of financial position of the companies included in each segment.

4.3 Intersegment Transactions

Intersegment transactions, such as intercompany sales and purchases, and receivables and payables, are eliminated in consolidation.

4.4 *Analysis of Segment Information*

Segment information for the years ended December 31, 2021, 2020 and 2019 (in millions) are presented below.

	BRANDY			SCOTCH WHISKY			SEGMENT TOTALS		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019
REVENUES AND OTHER INCOME									
External customers	**P37,232**	P 36,891	P 37,627	**P 18,704**	P 15,943	P 13,938	**P 55,936**	P 52,834	P51,565
Intersegment sales*	**730**	714	786	**64**	70	241	**794**	784	1,027
	37,962	37,605	38,413	**18,768**	16,013	14,179	**56,730**	53,618	52,592
COSTS AND EXPENSES									
Costs of goods sold	**24,378**	25,913	25,662	**10,431**	9,486	7,672	**34,809**	35,399	33,334
Intersegment cost of goods sold*	**64**	70	241	**730**	714	786	**794**	784	1,027
Selling and distribution expenses	**2,546**	3,321	3,649	**2,294**	1,942	2,372	**4,840**	5,263	6,021
General and administrative expenses	**1,075**	1,111	1,986	**1,131**	997	938	**2,206**	2,108	2,924
Interest expense and other charges	**1,005**	413	633	**181**	215	173	**1,186**	628	806
	29,068	30,828	32,171	**14,767**	13,354	11,941	**43,835**	44,182	44,112
SEGMENT PROFIT BEFORE TAX	**8,894**	6,777	6,242	**4,001**	2,659	2,238	**12,895**	9,436	8,480
TAX EXPENSE	**1,314**	992	1,377	**1,433**	407	271	**2,747**	1,399	1,648
SEGMENT NET PROFIT	**P 7,580**	P 5,785	P 4,865	**P 2,568**	P 2,252	P 1,967	**P 10,148**	P 8,037	P 6,832
TOTAL ASSETS*	**P136,220**	P134,298	P133,045	**P54,471**	P 50,500	P 49,469	**P190,692**	184,798	182,514
TOTAL LIABILITIES*	**50,855**	27,080	55,292	**11,864**	41,148	13,846	**62,718**	68,228	69,138
Depreciation and amortization	**1,222**	1,254	1,241	**325**	313	305	**1,547**	1,567	1,546
Interest expense*	**597**	441	659	**186**	108	122	**783**	549	781
Equity share in net income of joint venture	**162**	185	239	**-**	-	-	**162**	185	239

**Intersegment accounts are eliminated in consolidation. Numbers may not add up due to rounding. See reconciliation in Note 4.5 below.*

The Group's revenues and other income in the years presented range from 65% to 69% from the Asia Pacific, 22% to 25% from Europe and the remaining portion from North and Latin Americas, Middle East and Africa and other countries.

Sales to any of the Group's major customers did not exceed 10% of the Group's revenues in all of the years presented.

4.5 *Reconciliations*

The reconciliation of total segment balances presented for the Group's operating segments to the Group's consolidated balances as presented in the consolidated financial statements are as follows (in millions):

	Segment Totals	Intercompany Accounts	Consolidated Balances
2021			
Revenues and other income	**P 56,730**	**(P 794)**	**P 55,936**
Costs and expenses	**43,835**	**(794)**	**43,041**
Total assets	**190,692**	**(62,175)**	**128,516**
Total liabilities	**62,718**	**(12,920)**	**49,798**
Other segment information:			
Depreciation and amortization	**1,547**	**-**	**1,547**
Interest expense	**783**	**-**	**783**
Share in net profit of joint venture	**162**	**-**	**162**

	Segment Totals	Intercompany Accounts	Consolidated Balances
2020			
Revenues and other income	P 53,618	(P 784)	P 52,834
Costs and expenses	44,182	(784)	43,398
Total assets	184,798	(62,346)	122,452
Total liabilities	68,228	(13,140)	55,088
Other segment information:			
Depreciation and amortization	1,567	-	1,567
Interest expense	549	-	549
Share in net profit of joint venture	185	-	185
2019			
Revenues and other income	P 52,592	(P 1,027)	P 51,565
Costs and expenses	44,112	(1,027)	43,085
Total assets	182,514	(56,467)	126,047
Total liabilities	69,138	(7,807)	61,331
Other segment information:			
Depreciation and amortization	1,546	-	1,546
Interest expense	781	-	781
Share in net profit of joint venture	239	-	239

5. CASH AND CASH EQUIVALENTS

This account includes the following components:

	2021	2020
Cash on hand and in banks	**P 4,485,605,267**	P 4,319,014,811
Short-term placements	**4,848,178,171**	3,242,154,329
	P 9,333,783,438	P 7,561,169,140

Cash in banks generally earn interest at rates based on daily bank deposit rates. Short-term placements have an average maturity of 30 to 64 days and earn effective annual interest rates ranging from 0.5% to 0.6% in 2021, from 0.5% to 3.8% in 2020, and from 3.1% to 6.6% in 2019. Interest earned amounted to P86.4 million, P183.0 million and P315.8 million in 2021, 2020 and 2019, respectively, and is presented as part of Interest income under the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

6. TRADE AND OTHER RECEIVABLES

Details of this account are as follows [see Note 2.5(a)(i)]:

	Notes	2021	2020
Trade receivables	23.3	**P 13,930,847,017**	P 14,890,213,702
Advances to suppliers	2.7	**6,147,264,154**	5,036,539,368
Advances to officers and employees	23.4	**103,446,030**	44,299,252
Accrued interest receivable		**378,467**	587,867
Advances to ultimate parent company	23.6	**-**	2,178,819,411
Other receivables		**356,571,487**	52,781,978
		20,538,507,155	22,203,241,578
Allowance for impairment	3.2(a)	**(192,652,354)**	(189,441,284)
		P 20,345,854,801	P 22,013,800,294

Advances to suppliers pertain to downpayments made primarily for the purchase of goods from suppliers.

All of the Group's trade and other receivables have been assessed for impairment using the ECL model adopted by the Group [see Notes 2.5(b), 3.1(b) and 3.2(a)]. Certain trade and other receivables were found to be impaired using the ECL methodology as determined by the management; hence, adequate amounts of allowance for impairment have been recognized (see Note 27.2).

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

	2021	2020
Balance at beginning of year	**P 189,441,284**	P 88,686,826
Recoveries	**(15,546,909)**	(7,575,360)
Impairment losses	**11,561,171**	109,087,408
Translation adjustment	**7,196,808**	(757,590)
Balance at end of year	**P 192,652,354**	P 189,441,284

Recoveries pertain to collections of certain receivables previously provided with allowance, which are presented as part of Other income under Revenues and Other Income in the consolidated statements of comprehensive income (see Note 18). There were no write-offs of receivables in 2021 and 2020.

Impairment losses on trade and other receivables are presented as Impairment losses on financial assets under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Note 20).

The carrying amounts of these financial assets are a reasonable approximation of their fair values due to their short-term duration.

7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group's financial assets at FVTPL as of December 31, 2021 and 2020 pertain to derivative instruments amounting to P3.3 million and P52.6 million, respectively [see Note 2.5(a)(ii)].

The net changes in fair values and interest income earned on these financial instruments are presented in the consolidated statements of comprehensive income as part of Other income and Interest income, respectively, in the Revenues and Other Income section (see Notes 18 and 23.11). The Group recognized fair value losses amounting to P52.5 million in 2021 and fair value gains amounting to P61.7 million in 2020 and P34.4 million in 2019. The Group also recognized interest income from these financial instruments amounting to P29.4 million in 2019 (nil in 2021 and 2020).

The fair value of the derivative financial instruments at FVTPL are measured through valuation techniques using the net present value computation [see Notes 3.2(b) and 29.2].

8. INVENTORIES

The details of inventories which are valued at lower of cost and net realizable value, are shown below [see Notes 2.6 and 3.2(c)].

	Notes	**2021**	2020
At cost:			
Finished goods	19, 23.1	**P 4,451,219,952**	P 4,351,980,903
Work-in-process	9.1, 19, 21.1	**24,225,660,910**	21,071,773,814
Raw materials	19, 23.1	**3,385,062,670**	3,953,242,460
Packaging materials	19	**393,555,813**	333,083,936
Machinery spare parts, consumables and factory supplies		**319,884,044**	287,281,059
		32,775,383,389	29,997,362,172
At net realizable value:			
Finished goods			
Cost	19, 23.1	**1,123,522,860**	807,474,886
Allowance for impairment		**(186,047,864)**	(155,596,608)
Packaging materials			
Cost	19	**431,128,500**	413,938,824
Allowance for impairment		**(130,842,880)**	(103,179,904)
		1,237,760,616	962,637,198
		P 34,013,144,005	P 30,959,999,370

WML has a substantial inventory of aged stocks which mature over periods of up to 60 years. The maturing whisky stock inventory amounting to P19.7 billion and P17.0 billion as of December 31, 2021 and 2020, respectively, is presented as part of work-in-process inventories and is stored in various locations across Scotland.

An analysis of the cost of inventories included in costs of goods sold for 2021, 2020 and 2019 is presented in Note 19.

A reconciliation of the allowance for inventory write-down is shown below.

	Note	2021	2020
Balance at beginning of year		**P 258,776,512**	P 214,001,436
Impairment losses	19	**58,114,232**	44,775,076
Balance at end of year		**P 316,890,744**	P 258,776,512

The Group recognized losses on inventory write-down amounting to P58.1 million, P44.8 million and P8.3 million in 2021, 2020 and 2019, respectively, which are presented as Impairment losses under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). There were no reversals of impairment losses in 2021, 2020 and 2019.

9. PROPERTY, PLANT AND EQUIPMENT

The carrying amount of this account is composed of the following:

	Notes	2021	2020
Property, plant and equipment	9.1	**P 26,841,829,799**	P 25,465,059,928
Right-of-use assets	9.2	**1,024,838,886**	970,785,552
		P 27,866,668,685	P 26,435,845,480

No impairment losses were recognized in 2021, 2020 and 2019 for the Group's property, plant and equipment. As of December 31, 2021 and 2020, certain right-of-use assets which are considered as onerous lease were fully impaired through direct offset of portion of provision for onerous lease (see Notes 9.2 and 17.1).

9.1 *Carrying Values of Property, Plant and Equipment*

The gross carrying amounts and accumulated depreciation and amortization of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
December 31, 2021										
Cost	P 6,934,892,520	P 29,078,186	P12,180,416,457	P 226,930,047	P19,340,430,582	P 582,039,725	P 903,353,870	P 85,754,687	P 1,270,268,607	P 41,553,164,681
Accumulated depreciation and amortization	-	(25,835,973)	(3,394,303,680)	(96,613,842)	(10,186,335,879)	(411,643,527)	(550,341,151)	(46,260,830)	-	(14,711,334,882)
Net carrying amount	**P 6,934,892,520**	**P 3,242,213**	**P 8,786,112,777**	**P 130,316,205**	**P 9,154,094,703**	**P 170,396,198**	**P 353,012,719**	**P 39,493,857**	**P 1,270,268,607**	**P 26,841,829,799**
December 31, 2020										
Cost	P 6,073,906,086	P 29,078,186	P11,210,680,623	P 211,699,399	P18,139,646,211	P 653,059,659	P 680,608,649	P 92,080,387	P 1,170,778,831	P 38,261,538,031
Accumulated depreciation and amortization	-	(22,928,155)	(3,060,454,886)	(89,798,677)	(8,778,306,134)	(426,207,293)	(366,515,973)	(52,266,985)	-	(12,796,478,103)
Net carrying amount	P 6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P 1,170,778,831	P 25,465,059,928
January 1, 2020										
Cost	P 6,862,403,632	P 29,078,186	P10,933,307,413	P 185,659,001	P17,981,196,764	P 659,562,281	P 663,089,701	P 83,945,086	P 1,224,332,802	P 38,622,574,866
Accumulated depreciation and amortization	-	(20,020,336)	(2,479,834,634)	(69,449,304)	(7,969,341,890)	(353,414,603)	(298,587,290)	(48,766,546)	-	(11,239,414,603)
Net carrying amount	P 6,862,403,632	P 9,057,850	P 8,453,472,779	P 116,209,697	P10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P 1,224,332,802	P 27,383,160,263

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below and in the succeeding page.

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2021, net of accumulated depreciation and amortization	P6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P1,170,778,831	P 25,465,059,928
Additions	651,867,406	-	720,871,296	23,768,992	353,379,618	11,888,358	99,283,149	13,784,550	465,898,035	2,340,741,404
Translation adjustment	209,119,028	-	226,829,824	-	336,402,873	618,003	17,521,541	-	(219,224)	790,272,045
Disposals	-	-	-	-	(18,689,007)	(24,365,439)	(104,949)	(3,147,696)	(11,634,552)	(57,941,643)
Reclassifications of construction in progress	-	-	343,299,083	-	11,021,850	-	233,550	-	(354,554,483)	-
Depreciation and amortization charges for the year	-	(2,907,818)	(655,113,163)	(15,353,509)	(889,360,708)	(44,597,090)	(78,013,248)	(10,956,399)	-	(1,696,301,935)
Balance at December 31, 2021, net of accumulated depreciation and amortization	**P6,934,892,520**	**P 3,242,213**	**P8,786,112,777**	**P 130,316,205**	**P9,154,094,703**	**P 170,396,198**	**P 353,012,719**	**P 39,493,857**	**P1,270,268,607**	**P 26,841,829,799**

	Land	Land Improvements	Buildings and Improvements	Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Office Furniture and Fixtures	Moulds and Dies	Construction in Progress	Total
Balance at January 1, 2020, net of accumulated depreciation and amortization	P6,862,403,632	P 9,057,850	P 8,453,472,779	P 116,209,697	P10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P1,224,332,802	P 27,383,160,263
Additions	607,842,161	-	90,677,358	26,040,398	161,187,897	5,284,091	30,886,010	20,576,570	71,265,318	1,013,759,803
Translation adjustment	(547,451,697)	-	231,638,061	-	130,570,839	-	(11,823,154)	-	1,855,896	(195,210,055)
Disposals	-	-	-	-	(67,470,929)	(8,438,142)	(553,379)	-	(30,881,566)	(107,344,016)
Reclassifications of construction in progress	-	-	67,910,376	-	27,883,243	-	-	-	(95,793,619)	-
Reclassifications to non-current assets held for sale	(848,888,010)	-	(112,852,585)	-	-	-	-	-	-	(961,740,595)
Depreciation and amortization charges for the year	-	(2,907,819)	(580,620,252)	(20,349,373)	(902,685,847)	(76,141,261)	(68,919,212)	(15,941,708)	-	(1,667,565,472)
Balance at December 31, 2020, net of accumulated depreciation and amortization	P6,073,906,086	P 6,150,031	P 8,150,225,737	P 121,900,722	P 9,361,340,077	P 226,852,366	P 314,092,676	P 39,813,402	P 1,170,778,831	P 25,465,059,928
Balance at January 1, 2019, net of accumulated depreciation and amortization	P7,032,607,877	P 11,965,669	P8,192,186,263	P 103,945,757	P9,795,590,455	P 331,424,129	P 274,767,364	P 26,870,616	P1,431,738,532	P 27,201,096,662
Additions	147,285,611	-	471,429,945	24,543,078	1,588,314,583	42,505,874	168,500,509	26,659,154	398,028,809	2,867,267,563
Translation adjustment	(99,206,065)	-	(246,761,611)	-	(339,440,696)	(4,103,543)	(17,308,376)	-	(1,761,672)	(708,581,963)
Disposals	(218,832,143)	-	(696,102)	-	(64,085,994)	(4,478,507)	(323,187)	-	(73,706,949)	(362,122,882)
Reclassifications of construction in progress	548,352	-	341,714,363	956,540	186,155,063	-	591,600	-	(529,965,918)	-
Depreciation and amortization charges for the year	-	(2,907,819)	(304,400,079)	(13,235,678)	(1,154,678,537)	(59,200,275)	(61,725,499)	(18,351,230)	-	(1,614,499,117)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P6,862,403,632	P 9,057,850	P8,453,472,779	P 116,209,697	P10,011,854,874	P 306,147,678	P 364,502,411	P 35,178,540	P1,224,332,802	P 27,383,160,263

With the adoption of PFRS 16 in 2019, the Group reclassified its capitalized dilapidations with carrying amount of P46.8 million, presented as part of Buildings and improvements as of January 1, 2019, to Right-of-use assets (see Note 9.2).

In 2021, 2020 and 2019, the Group wrote-off certain fully-depreciated moulds and dies with original cost amounting to P20.1 million, P12.4 million and P5.0 million, respectively.

The amount of depreciation and amortization is allocated as follows:

	Notes	**2021**	2020	2019
Costs of goods sold	19	**P 1,134,012,397**	P 1,045,975,108	P 802,312,571
Selling and distribution expenses	20	**74,964,770**	81,683,576	61,946,694
General and administrative expenses	20	**114,195,168**	210,617,039	429,791,618
		1,323,172,335	1,338,275,723	1,294,050,883
Capitalized as part of work-in-process inventories	8	**373,129,600**	329,289,749	320,448,234
		P 1,696,301,935	P 1,667,565,472	P 1,614,499,117

The amount capitalized to work-in-process inventory represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held, which can reach periods of up to 60 years.

In 2021, 2020 and 2019, certain property, plant and equipment with carrying amounts of P57.9 million, P107.3 million and P362.1 million, were sold for P58.1 million, P107.5 million, and P356.3 million, respectively. The resulting gain on disposals for 2021 and 2020 both amounting to P0.1 million was recognized as part of Other income under the Revenues and Other Income section in the 2021 and 2020 consolidated statements of comprehensive income (see Note 18); while the resulting loss on disposals amounting to P5.8 million in 2019 was recognized as part of Other Charges account under the Costs and Expenses section in the 2019 consolidated statement of comprehensive income.

9.2 Right-of-use Assets

The Group has leases for certain manufacturing plant, warehouses, building space, commercial building, and vehicles, fittings and equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the consolidated statements of financial position as Right-of-use assets under the Property, Plant and Equipment account and Lease Liabilities account.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For certain leases, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognized in the consolidated statements of financial position.

	Number of right-of-use assets leased	Range of remaining term	Average remaining lease term	Number of leases with extension options	Number of leases with termination options
December 31, 2021					
Plant	1	5 years	7 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 3 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 15 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 3 years	1 to 3 years	-	-
December 31, 2020					
Plant	1	6 years	7 years	1	-
Warehouses	27	1 to 5 years	2 years and 10 months	3	4
Building space	9	2 to 4 years and 5 months	2 to 5 years and 5 months	1	-
Buildings	4	1 year to 16 years and 9 months	1 year to 17 years and 9 months	-	1
Vehicles, fittings and equipment	72	1 to 4 years	1 to 4 years	-	-

The carrying amounts of the Group's right-of-use assets as at December 31, 2021 and 2020 and the movements during the period are shown below and in the succeeding page.

	Plant	Warehouses	Building Space	Buildings	Vehicles, Fittings and Equipment	Total
December 31, 2021						
Cost						
Balance at beginning of year	P 62,775,915	P 285,087,021	P 199,052,259	P 942,297,767	P 71,235,714	P 1,560,448,676
Additions	-	37,323,562	-	104,245,149	-	141,568,711
Translation adjustment	-	-	-	(49,271,082)	-	(49,271,082)
Termination	-	(13,375,979)	-	-	-	(13,375,979)
Lease modification	92,397,741	-	-	-	-	92,397,741
Balance at end of year	155,173,656	309,034,604	199,052,259	997,271,834	71,235,714	1,731,768,067
Accumulated amortization						
Balance at beginning of year	14,601,278	222,781,874	64,434,521	274,981,502	12,863,949	589,663,124
Amortization for the year	23,428,729	68,937,826	36,709,507	86,571,990	6,707,930	222,355,982
Termination	-	(10,700,783)	-	-	-	(10,700,783)
Translation adjustment	-	-	-	(94,598,765)	209,623	(94,389,142)
Balance at end of year	38,030,007	281,018,917	101,144,028	266,954,727	19,781,502	706,929,181
Carrying amount at December 31, 2021	**P 117,143,649**	**P 28,015,687**	**P 97,908,231**	**P 730,317,107**	**P 51,454,212**	**P 1,024,838,886**

	Plant	Warehouses	Building Space	Buildings	Vehicles, Fittings and Equipment	Total
December 31, 2020						
Cost						
Balance at beginning of year	P 52,577,374	P 658,079,824	P 199,052,259	P 914,528,719	P 71,235,714	P 1,895,473,890
Additions	-	20,853,719	-	20,708,561	-	41,562,280
Translation adjustment	-	-	-	7,060,487	-	7,060,487
Lease modification	10,198,541	(393,846,522)	-	-	-	(383,647,981)
Balance at end of year	62,775,915	285,087,021	199,052,259	942,297,767	71,235,714	1,560,448,676
Accumulated amortization						
Balance at beginning of year	6,572,172	122,125,987	29,430,591	126,950,587	6,917,554	291,996,891
Amortization for the year	8,029,106	100,655,887	35,003,930	77,799,385	5,946,395	227,434,703
Translation adjustment	-	-	-	70,231,530	-	70,231,530
Balance at end of year	14,601,278	222,781,874	64,434,521	274,981,502	12,863,949	589,663,124
Carrying amount at December 31, 2020	P 48,174,637	P 62,305,147	P 134,617,738	P 667,316,265	P 58,371,765	P 970,785,552

Upon adoption of PFRS 16, the Group has relied on its historical assessments as to whether leases were onerous immediately before the date of initial application as alternative to performing an impairment review on right-of-use assets, and accordingly reclassified portion of its provision for onerous lease amounting to P355.6 million against the January 1, 2019 balance of right-of-use assets causing these assets to be fully impaired. In 2021 and 2020, additional onerous lease provisions are recognized and is presented as part of Provisions under General and Administrative Expenses account in the 2021 and 2020 consolidated statements of comprehensive income (see Note 17.1)

Provision for dilapidation amounting to P58.4 million and P11.6 million was capitalized as part of right-of-use assets in 2021 and 2020, respectively (see Note 17.2).

The Group also reclassified certain prepaid rent amounting to P6.3 million to right-of-use assets as adoption of PFRS 16 in 2019 (see Note 11.1).

In 2021 and 2020, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease since the modification only involved specific adjustments on the amount of consideration of the leases. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right-of-use assets amounting to P92.4 million and P383.6 million, respectively.

The amount of amortization is allocated as follows:

	Notes	**2021**	2020
Costs of goods sold	19, 23.2	**P 92,129,660**	P 168,702,433
Selling and distribution expenses	20	**52,342,878**	51,121,698
General and administrative expenses	20	**77,883,444**	7,610,572
		P 222,355,982	P 227,434,703

9.3 Lease Liabilities

Lease liabilities are presented in the consolidated statements of financial position as at December 31, 2021 and 2020 as follows:

	2021	2020
Current	**P 205,206,504**	P 173,763,731
Non-current	**887,743,550**	1,289,130,534
	P 1,092,950,054	P 1,462,894,265

The use of extension and termination options gives the Group added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the Group's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The lease liabilities are secured by the related underlying assets and by a property mortgage (see Note 11.2). The undiscounted maturity analysis of lease liabilities at December 31 is as follows:

	Within 1 year	**1 to 2 years**	**2 to 3 years**	**3 to 4 years**	**4 to 5 years**	**More Than 5 years**	**Total**
December 31, 2021							
Lease liabilities	P 281,040,355	P 255,118,593	P 198,168,195	P 261,250,830	P 146,996,000	P 431,965,723	P 1,574,539,695
Finance charges	(75,833,851)	(64,003,203)	(54,192,875)	(47,822,922)	(39,816,791)	(199,920,000)	(481,589,641)
Net present values	**P 205,206,504**	**P 191,115,390**	**P 143,975,320**	**P 213,427,908**	**P 107,179,209**	**P 232,045,723**	**P 1,092,950,054**
December 31, 2020							
Lease liabilities	P 251,041,010	P 236,072,333	P 212,171,261	P 254,018,628	P 139,325,933	P 864,841,167	P 1,957,470,332
Finance charges	(77,277,279)	(66,451,417)	(55,824,650)	(47,248,448)	(41,198,768)	(206,575,505)	(494,576,067)
Net present values	P 173,763,731	P 169,620,916	P 156,346,611	P 206,770,180	P 98,127,165	P 658,265,662	P 1,462,894,265

9.4 Lease Payments Not Recognized as Liabilities

The Group has elected not to recognize a lease liability for short-term leases or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expenses relating to short-term leases and low-value assets in 2021 and 2020 is allocated as follows:

	Notes	**2021**	2020
Costs of goods sold	19	**P 158,095,637**	P 104,148,917
Selling and distribution expenses	20	**26,617,174**	42,682,558
General and administrative expenses	20	**9,614,890**	6,554,670
		P 194,327,701	P 153,386,145

The future minimum rentals payable of the Group arising from short-term leases amounted to P128.51 million and P101.43 million as of December 31, 2021 and 2020, respectively.

9.5 Additional Profit or Loss and Cash Flow Information

The total cash outflow in respect of lease liabilities amounted to P601.2 million, P216.9 million and P237.2 million in 2021, 2020 and 2019, respectively. Interest expense in relation to lease liabilities amounted to P81.1 million, P95.5 million and P120.0 million in 2021, 2020 and 2019, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

10. INTANGIBLE ASSETS

This account is composed of the following:

	Note	**2021**	2020
Indefinite useful lives	2.9		
Trademarks – net		**P 20,030,113,136**	P 19,372,584,563
Goodwill		**9,406,272,150**	8,989,412,323
		29,436,385,286	28,361,996,886
Definite useful lives			
Trademarks – net	2.9	**2,153,856**	3,769,247
		P 29,438,539,142	P 28,365,766,133

The Group's trademarks include those that were acquired by EDI from Consolidated Distillers of the Far East, Inc. ("Condis"), a related party owned by certain stockholders of AGI, to manufacture and sell distilled spirits, particularly brandy, under the brand names "Emperador Brandy" and "Generoso Brandy". The Group also has another trademark for its flavored alcoholic beverage under the brand name "The BaR". In 2013, the Group registered another trademark under the brand name "Emperador Deluxe", which was introduced during the same year.

EUK's purchase of WMG Group in 2014 [see Note 1.1(g),(i),(j)] included the acquisition of trademarks amounting to P4.5 billion and P5.5 billion for "Jura" and "The Dalmore" (collectively, "WMG brands"), respectively, and the recognition of goodwill amounting to P7.7 billion in the consolidated financial statements.

BFS's purchase of the Fundador Business Unit in 2016 [see Note 1.1(l)] in Jerez included the acquisition of four trademarks amounting to P6.7 billion, namely "Fundador Brandy", "Terry Centenario Brandy", "Tres Cepas Brandy", and "Harveys" sherry wine (collectively, "Fundador brands") and tangible assets (mostly inventories and property, plant and equipment) amounting to P6.6 million; and the recognition of goodwill amounting to P1.5 billion in the consolidated financial statements.

The goodwill recognized from the foregoing acquisitions reflects the opportunity to strengthen the Group's position in the global drinks market, the synergies and economies of scale expected from combining the operations of the Group, WMG and Fundador Business Unit, and the value attributable to their respective workforce. The trademarks acquired have indefinite useful lives; hence, no amortization was recognized for these brands for the periods presented. The goodwill recognized is not deductible for income tax purposes.

For purposes of determining the goodwill [see Note 2.13(a)], the Group determined the fair value of the identified net assets as of October 31, 2014 and February 29, 2016 for WMG and Fundador Business Unit, respectively, as presented below.

	WMG	Fundador Business Unit
Cash consideration	P 30,272,934,983	P 14,718,366,134
Identifiable assets:		
Tangible assets	21,723,648,592	6,592,734,082
Intangible assets	9,972,144,142	6,662,974,698
Liabilities	(9,095,752,005)	-
Total identifiable assets	22,600,040,729	13,255,708,780
Goodwill at transaction date	**P 7,672,894,254**	**P 1,462,657,354**

The asset acquisitions from the Domecq and Garvey Acquisitions in 2017 by DBLC and CBSP, respectively [see Note 1.1(p) and (r)], included various trademarks with indefinite useful lives amounting to P3.5 billion. The trademarks acquired by DBLC include certain brands of Mexican brandies: "Presidente", "Azteca de Oro", "Don Pedro" and two Spanish brandies (collectively, "Domecq brands") while trademarks acquired by CBSP include "Garvey Brandy" and well-known sherries including "Fino San Patricio" and two liquors (collectively, "Grupo Garvey brands"). The consideration paid and the purchase price allocated to identifiable assets based on their individual relative fair values, as translated at exchange rate at transaction dates, are presented below.

	Domecq Acquisition	Garvey Acquisition
Tangible assets	P 1,702,112,882	P 1,554,825,243
Intangible assets	3,123,564,000	332,598,228
	4,825,676,882	1,887,423,471
Liabilities	-	(34,361,071)
	P 4,825,676,882	**P 1,853,062,400**

The composition of the intangible assets with indefinite useful lives as of December 31 is as follows:

	2021	2020
Goodwill breakdown:		
WMG	**P 7,774,940,800**	P 7,358,080,900
GES	**1,631,331,350**	1,631,331,423
	9,406,272,150	8,989,412,323
Trademarks with indefinite useful lives:		
WMG brands	**9,770,104,136**	9,195,392,128
Fundador and other brands	**7,431,154,939**	7,431,155,169
Domecq brands	**2,738,822,872**	2,656,006,088
Grupo Garvey brands - net	**90,031,189**	90,031,178
	20,030,113,136	19,372,584,563
	P 29,436,385,286	P 28,361,996,886

The trademarks under Grupo Garvey brands were impaired by P272.4 million in 2019 (nil in 2021 and 2020). The impairment was charged to General and administrative expenses under Costs and Expenses account of the 2019 consolidated statement of comprehensive income (see Note 20).

A reconciliation of the carrying amounts of intangible assets with indefinite useful lives at the beginning and end of 2021 and 2020 is shown below.

	Goodwill	**Trademarks**	**Total**
Balance at January 1, 2021	P 8,989,412,323	P 19,372,584,563	P 28,361,996,886
Translation adjustments	416,859,827	657,528,573	1,074,388,400
Balance at December 31, 2021	**P 9,406,272,150**	**P 20,030,113,136**	**P 29,436,385,286**
Balance at January 1, 2020	P 9,236,331,189	P 19,653,436,800	P 28,889,767,989
Translation adjustments	(246,918,866)	(280,852,237)	(527,771,103)
Balance at December 31, 2020	P 8,989,412,323	P 19,372,584,563	P 28,361,996,886

The net carrying amount of trademarks with definite useful lives is as follows:

	Note	**2021**	2020
Balance at beginning of year		**P 3,769,247**	P 5,384,638
Amortization during the year	20	**(1,615,391)**	(1,615,391)
Balance at end of year		**P 2,153,856**	P 3,769,247

As of December 31, 2021 and 2020, the remaining useful life of the Group's "Emperador Deluxe" trademark with definite life is 1.5 years and 2.5 years, respectively.

The "The BaR", and "Emperador Brandy" and "Generoso Brandy" trademarks were fully amortized since 2018 and 2017, respectively. Consequently, the Group renewed the trademark application of "Emperador Brandy" with the Intellectual Property Office of the Philippines in 2017.

The Group monitors goodwill and trademarks with indefinite useful lives on the cash generating units to which these assets were allocated. An analysis of how the value-in-use of each of the cash generating units to which these assets were allocated is presented in the succeeding page (amounts in billions of pesos).

	2021				2020			
	Allocated Intangible Assets*	**Value in Use**	**Terminal Growth Rate**	**Discount Rate**	Allocated Intangible Assets*	Value in Use	Terminal Growth Rate	Discount Rate
Goodwill:								
WMG	**P 7.77**	**P 32.86**	**2.00%**	**9.75%**	P 7.36	P 12.28	2.00%	9.75%
GES	**1.63**	**2.80**	**1.60%**	**9.04%**	1.63	5.81	1.60%	7.51%
Trademarks with indefinite lives:								
WMG brands	**9.77**	**61.85**	**2.00%**	**8.68%**	9.20	40.34	2.00%	9.75%
Fundador brands	**7.43**	**18.70**	**1.60%**	**9.04%**	7.43	22.83	1.60%	7.51%
Domecq brands**	**2.74**	**3.99**	**1.50%**	**4.50%**	2.66	3.92	1.50%	4.50%
Grupo Garvey brands**	**0.09**	**0.10**	**0.50%**	**7.65%**	0.09	0.10	0.50%	7.65%

* *Amounts are translated at closing rates as of the end of the reporting periods in accordance with PAS 21, The Effects of Changes in Foreign Exchange Rates.*

** *As of December 31, 2021 and 2020, management believes that Domecq brands are not impaired as DBLC's operations, which carry the Domecq brands, have reported revenues of P2.7 billion in 2021, P2.4 billion in 2020 and P3.0 billion in 2019 (see Note 24.6). Moreover, management believes that, after the impairment provided for Grupo Garvey brands in 2019, the value-in-use as of December 31, 2021 and 2020 approximates its carrying value. As of December 31, 2021 and 2020, management believes that the carrying values of Domecq and Grupo Garvey brands approximate their value-in-use as of those dates since these were only acquired in 2017.*

The value-in-use of each group of cash generating unit was determined using cash flow projections for five years, taking into consideration the impact of COVID-19, and extrapolating cash flows beyond the projection period using a perpetual terminal growth rate. The discount rates and growth rates are the key assumptions used by management in determining the value-in-use of the cash generating units. In 2019, due to the continuous decline of the Group's revenue from the products under Grupo Garvey brands, the management assessed that portion of these trademarks are impaired. Accordingly, the Group recognized an impairment loss amounting to P272.4 million and is presented as part of General and Administrative Expenses account in the 2019 consolidated statement of comprehensive income (see Note 20).

Management believes that both the goodwill and trademarks, except for certain trademarks identified above, are not impaired as of December 31, 2021 and 2020 as the Group's products that carry such brands and trademarks are performing very well in the market; hence, no impairment is necessary to be recognized in the periods presented.

No trademarks have been pledged as security for liabilities.

11. OTHER ASSETS

11.1 Prepayments and Other Current Assets

This account is composed of the following (see Note 2.7):

	2021	2020
Prepaid taxes	**P 839,417,169**	P 720,789,800
Deferred input VAT	**177,576,724**	41,339,798
Prepaid expenses	**171,392,040**	503,052,548
Refundable security deposits	**8,808,208**	22,854,313
Others	**51,925,513**	85,941,166
	P 1,249,119,654	P 1,373,977,625

Prepaid expenses include prepayments of rentals, insurance and general prepayments.

Prepaid taxes pertain to payments made by the Group for the withholding taxes and other government-related obligations. It also includes purchase of labels and advance payment of excise tax for both the local production and importation of alcoholic beverage products.

11.2 Other Non-current Assets

This account is composed of the following:

	Notes		2021		2020
Property mortgage receivable	9.3	**P**	**646,636,072**	P	613,935,936
Refundable security deposits	23.2		**55,109,352**		11,026,843
Deferred input VAT			**34,176,923**		24,697,117
Advances to suppliers	23.10		**29,302,803**		625,294,487
Others			**8,702,627**		13,590,793
		P	**773,927,777**	P	1,288,545,176

In 2016, the Group purchased from one of its property lessors an outstanding mortgage debt on one of the Group's leased properties. The purchased mortgage asset entitles the Group to full security over the leased property and to monthly interest payments from the property lessor. However, the Group remains as lessee over the property; hence, it is still required to make monthly lease payments to the property lessor until 2036. Following the adoption of PFRS 16 in 2019, the Group recognized right-of-use assets and lease liabilities from this leased property (see Notes 9.2 and 9.3).

Refundable security deposits were paid by the Group to various lessors for lease agreements covering certain office spaces, manufacturing facilities and storage tanks for raw materials.

12. INVESTMENT IN A JOINT VENTURE

On February 2, 2014, GES entered into an agreement with Gonzales Byass, S.A. ("Gonzalez"), for the joint control of BLC for 50% equity interest for each venturer. The 50% participation cost of P3.7 billion is based on the fair valuation of the assets. An amount withdrawn from this investment of P858.4 million was used by the Group as part of the 50% capitalization of DBLC in 2017.

BLC was incorporated on March 19, 2013. Its primary business consists of the planting and growing of wine grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

As of December 31, 2021 and 2020, the carrying amount of the investment in a joint venture, which is accounted for under the equity method [see Note 2.3(b)] in these consolidated financial statements, are as follows:

	2021	2020
Acquisition costs	**P 2,845,367,065**	P 2,845,367,065
Accumulated share in net profit:		
Balance at beginning of year	**448,495,366**	178,200,678
Share in net profit for the year	**161,824,100**	185,108,059
Balance at end of year	**610,319,466**	363,308,737
Translation gain	**26,958,086**	85,186,629
	P 3,482,644,617	P 3,293,862,431

The share in net profit is recorded as Equity in net profit of joint venture in the Revenues and Other Income section of the consolidated statements of comprehensive income (see Note 18).

The summarized financial information of the joint venture as of December 31, 2021 and 2020 and for the years then ended are as follows (in thousands):

	2021	2020
Cash and cash equivalents	**P 461,439**	P 46,095
Trade and other receivables	**1,287,888**	985,946
Financial assets	**P 1,749,327**	P 1,032,041
Current assets	**P 2,378,824**	P 1,674,212
Non-current assets	**1,997,584**	2,364,174
Total assets	**P 4,376,408**	P 4,038,386
Current financial liabilities (excluding tax payables and provisions)	**P 427,987**	P 195,399
Non-current financial liabilities	**3,072**	2,345
Financial liabilities	**P 431,059**	P 197,744
Current liabilities	**P 743,236**	P 430,529
Non-current liabilities	**3,072**	2,345
Total liabilities	**P 746,308**	P 432,874
Revenues	**P 2,772,067**	P 5,798,133
Depreciation and amortization	**P 78,583**	P 78,671
Net profit for the year	**P 323,648**	P 370,216

A reconciliation of the above summarized financial information to the carrying amount of the investment in BLC is shown below (in thousands):

		2021		2020
Net assets of BLC	P	3,630,100	P	3,605,512
Proportion of ownership interest by the Group		50.0%		50.0%
Ownership share of the Group in net assets of BLC		1,815,050		1,802,756
Fair value and translation adjustments		1,667,595		1,491,106
Carrying amount of investment	P	3,482,645	P	3,293,862

The Group has no commitments or other contingent liabilities with regard to this joint venture or has assessed that the probability of loss that may arise from contingent liabilities is remote.

13. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale consist of land and buildings called as "Complejo Bellavista" and "Cerro Viejo Vineyards" previously occupied by a business unit and classified under property, plant and equipment (see Note 9.1) that the Group has discontinued its use and, on December 27, 2020, management approved their sale through the signed letter of intent with Global One Real Estate Spain, SAU ("Global One"), a related party under common ownership. The letter of intent stated that the Group will sell and Global One will purchase the assets at a purchase price of €16.6 million (equivalent to P961.7 million), which is equivalent to the net book value of the property, at any time within the period from December 27, 2020 until three years after the COVID-19 pandemic has ended.

The breakdown of these assets as of December 31 is as follows:

		2021		2020
Land	P	848,888,000	P	848,888,010
Buildings		112,852,550		112,852,585
	P	961,740,550	P	961,740,595

The carrying value of these assets immediately prior to their classification as held for sale is lower than their fair value less cost to sell. Accordingly, the Group did not recognize any loss in connection with the reclassification of the assets. There were also no revenues recognized in both years that were associated with the assets. Depreciation expense amounting to €1.0 million (approximately P58.5 million) was incurred prior to reclassification of the assets on December 27, 2020.

The Group believes that the sale of these assets is highly probable (see Note 23.12).

14. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below [see Note 2.11(b)].

	2021	2020
Current:		
Foreign	**P 3,011,082,346**	P 4,466,729,178
Local	**400,000,000**	821,666,667
	3,411,082,346	5,288,395,845
Non-current –		
Foreign	**21,430,348,300**	25,091,948,760
	P 24,841,430,646	P 30,380,344,605

The summarized terms and conditions of each availed loan as at December 31, 2021 and 2020 are as follows:

Outstanding Balance 2021	Outstanding Balance 2020	Explanatory Notes	Interest Rate	Security	Maturity date
P 20,126,000,000	P 23,490,000,729	(a)	Margin of 1.05% plus EURIBOR	Unsecured	2024
2,633,833,596	-	(b)	0.85% over SONIA	Secured	2022
1,681,597,050	2,151,664,921	(d)	Fixed at 1.6%	Unsecured	2027
400,000,000	400,000,000	(f)	Fixed at 5% initial; Fixed at 4% latest	Unsecured	2022
-	3,917,012,288	(b)	0.50% over LIBOR	Secured	2021
-	150,000,000	(e)	Fixed at 5.9641%	Unsecured	2021
-	105,000,000	(e)	Fixed at 6.1277%	Unsecured	2021
-	62,500,000	(c)	Fixed at 5.245%	Unsecured	2021
-	62,500,000	(c)	Fixed at 5.113%	Unsecured	2021
-	41,666,667	(c)	Fixed at 5%	Unsecured	2021
P 24,841,430,646	P 30,380,344,605				

(a) In 2019, EIL obtained an unsecured five-year bank loan from a syndicate of foreign financial institutions at a lower margin, to prepay existing loans. The loan is presented under the Non-current Liabilities section of the consolidated statements of financial position in the respective period.

(b) WMG has an existing asset-based- lending facility with a foreign bank (different bank from July 2021), where it had drawn down P1.1 billion, P0.7 billion and P1.1 billion in 2021, 2020 and 2019, respectively. The loan is secured by way of floating charge against WMG's inventories. The interest and the principal can be paid anytime up to, or balloon payment at, maturity. Since this is a revolver, the drawn amount plus the accrued interest thereon is presented under the Current Liabilities section of the consolidated statements of financial position.

(c) In 2016, EDI obtained an unsecured five-year peso-denominated loan at a total amount of P2.0 billion from a local commercial bank, specifically to finance the construction of a distillery plant and the purchase of related equipment (see Note 9.1). The loan was released in three tranches from January to October 2016 with principal repayment of 12 equal quarterly amortizations starting on the ninth quarter after the initial drawdown.

In 2021 and 2020, total payments on the loan amounted to P166.7 million and P666.7 million, respectively. These loans were presented under the Current Liabilities section of the 2020 consolidated statement of financial position. There was no outstanding loan balance as of December 31, 2021.

(d) In 2017, DBLC assumed from BLC unsecured, interest-bearing and foreign-currency-denominated loans totalling P3.0 billion from certain financial institutions relating to Domecq Acquisition (see Note 10). In 2018, DBLC acquired an additional loan amounting to P0.1 million. In 2021 and 2020, DBLC paid portion of the loans amounting to P535.3 million and P430.1 million, respectively.

(e) In 2018, EDI obtained additional unsecured, interest-bearing loans at a total amount of P850.0 million from same local commercial bank for working capital purposes. The loans shall be payable in 12 equal quarterly amortizations commencing on the beginning of the ninth quarter from the initial drawdown or starting on April 10, 2019. In 2021 and 2020, total payments on the loan amounted to P255.5 million and P340.0 million, respectively. These loans are presented under the Current Liabilities section of the 2020 consolidated statement of financial position. There was no outstanding loan balance as of December 31, 2021.

(f) In 2020, PAI obtained short-term unsecured, interest-bearing revolving loan at a total amount of P400.0 million from a local commercial bank for working capital purposes. The loan is renewable and re-priced every six months, and is presented under the Current Liabilities section of the consolidated statements of financial position.

Interest expense on the above loans for 2021, 2020 and 2019 amounted to P539.1 million, P380.3 million and P589.2 million, respectively, and is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

Accrued interest payable as of December 31, 2021 and 2020 amounted to P42.9 million and P66.5 million, respectively, and presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

The Group complied with the financial and non-financial covenants on these loans and borrowings as of December 31, 2021 and 2020.

15. EQUITY-LINKED DEBT SECURITIES

On November 7, 2014, EMP, as the Issuer, entered into a subscription agreement with Arran Investment Private Limited (“Arran” or “the Holder”) for the issuance of 1.1 billion common shares at a total subscription price of P12.3 billion (see Note 24.1) and an ELS amounting to P5.3 billion (“Issue Price”) [see Note 2.11(b)]. The shares and the ELS were issued on December 4, 2014 (“Issue Date”). The ELS may be converted into a fixed number of common shares (“Conversion Shares”).

Arran had the Holder Conversion Right for the conversion of the ELS into all of Conversion Shares at any time during the period beginning on the Issue Date until December 5, 2019 (“Redemption Date”). The Group had the Issuer Conversion Right (“ICR”) for the conversion of the ELS into all of the Conversion Shares at any time during the period beginning on the date that is two years after the Issue Date until Redemption Date, provided, that the share market price must be greater than the stipulated price (“Share Market Price”) on the date the ICR is exercised [ICR ended in 2017 per First Amendment discussed below].

If Arran and EMP failed to exercise their conversion rights within the said periods and the ELS was not converted into shares, EMP had the option to extend the Redemption Date for the ELS until December 4, 2021 ("Extended Redemption Date"), upon notice to Holder at least 30 days prior to the Redemption Date.

The ELS would be mandatorily converted into the Conversion Shares at any time during the period beginning on Redemption Date until Extended Redemption Date when Share Market Price was reached [mandatory conversion removed in 2020 per Third Amendment below].

The ELS bore a fixed interest rate compounded annually ("Fixed Interest"), payable either in cash or in new shares ("Interest Shares") on the conversion date, Redemption Date, or Extended Redemption Date, as applicable (see First Amendment below) [amended to 0% in 2017 per First Amendment below]. The ELS also bears a variable interest in an amount equal to the dividends that would be payable on the Conversion Shares if they are issued prior to the date that any dividend is declared by EMP ("Variable Interest"), payable in cash on the date that EMP pays dividends to its stockholders.

On June 15, 2017, the parties formally agreed to amend the ELS (the "First Amendment"), which amendments included the following:

(a) Fixed Interest was amended to 0%, instead of 5%;
(b) The Accrued Interest Payable amounting to P832.3 million was applied as consideration for 122,391,176 common shares ("Accrued Interest Shares") (see Note 24.1);
(c) Conversion Shares became 728,275,862 new and fully paid-up shares, instead of 480.0 million;
(d) ICR ended on June 15, 2017; and,
(e) Share Market Price for the mandatory conversion at any time during the period beginning on Redemption Date and ending on the Extended Redemption Date was amended to 'greater than P7.25 per share', instead of 'greater than P11.0 per share' ("Share Market Price").

Consequent to the amendments in certain terms of the ELS in 2017 as mentioned in the preceding paragraph, the financial liability component was revalued at P5.1 billion and the equity component was valued at P136.2 million, which represented the residual amount after deducting the financial liability component from the Issue Price. The carrying amounts of the components are presented separately in the consolidated statements of financial position [see Notes 2.24 and 3.2(h)], while the amortization of the revalued financial liability component is presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income.

On December 4, 2019, EMP exercised the option to extend the Redemption Date to Extended Redemption Date. This did not result to substantial modification of terms.

On December 23, 2019, the parties entered into an amendment (the "Second Amendment") which included the following:

(a) The Holder is given the right to request conversion of:

    (i) P1,836,250,000 into 253,275,862 shares, which shall come from the Parent Company's treasury shares ("Tranche 1 Conversion Shares") ("Tranche 1 Conversion"); and,
    (ii) P3,443,750,000 into 475,000,000 shares ("Tranche 2 Shares") ("Tranche 2 Conversion").

(b) The Holder is allowed to transfer the ELS to an affiliate of EMP.

On January 31, 2020, the parties entered into an amendment (the "Third Amendment"), which removed the mandatory conversion of the ELS when the Share Market Price of greater than P7.25 per share is reached at any time during the period under Extended Redemption Date.

On February 5, 2020, the Holder exercised its right to Tranche 1 Conversion (see Note 24.2). Pursuant to this conversion, the Group also reclassified a portion of the Conversion Options amounting to P47.7 million to APIC in 2020 (see Note 2.24).

As of December 31, 2020, the financial liability component amounting to P3.4 billion is presented as Equity-linked Debt Securities under the Current Liabilities section of the 2020 consolidated statement of financial position.

On December 3, 2021, the Holder exercised its right to Tranche 2 Conversion and EMP was given a period until February 28, 2022, subsequently modified to May 15, 2022, to issue the Tranche 2 Shares ("Conversion Period") (see Note 32). Pursuant to this, EMP derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion, which is presented as Deposit on Future Stock Subscription – Equity-linked Securities under the Equity section of the 2021 consolidated statement of financial position [see Notes 2.24 and 3.2(h)]. The issuance of shares is expected to happen in 2022. Upon the actual conversion in 2022, EMP will reclassify the remaining portion of the Conversion Options amounting to P88.5 million to APIC (see Note 2.24).

Variable Interest of P152.0 million, P52.3 million and P36.4 million were respectively incurred in 2021, 2020 and 2019 and are presented as part of Interest Expense account under the Costs and Expenses section of the consolidated statements of comprehensive income. The accrued interest payable amounting to P36.4 million in 2019 was paid in full in 2020.

There were no related collaterals on the ELS.

16. TRADE AND OTHER PAYABLES

The breakdown of this account is as follows [see Note 2.11(b)]:

	Notes	2021	2020
Trade payables	23.1, 23.7	**P 10,780,556,544**	P 8,440,837,078
Accrued expenses	14, 15, 23.2(b)	**6,309,215,929**	6,076,818,039
Output VAT payable		**602,515,558**	485,066,543
Advances from related parties	23.5	**3,070,715**	3,070,715
Others	24.3	**192,972,584**	250,723,879
		P 17,888,331,330	P 15,256,516,254

Trade payables arise mostly from purchases of raw materials such as alcohol, molasses, flavorings and other supplies.

Accrued expenses significantly include various accruals relating to interest on interest-bearing loans, marketing, operations, and other activities. The accrued interest is expected to be paid subsequently based on the scheduled interest payment date (see Note 14).

17. PROVISIONS

The breakdown of this account as of December 31, 2021 and 2020 is as follows:

	Onerous Lease (see Note 17.1)	Dilapidations (see Note 17.2)	Total
Balance at January 1, 2021	P 65,648,128	P 157,351,424	P 222,999,552
Reclassification from contingent liability	-	163,200,000	163,200,000
Additional provisions	38,060,790	58,370,186	96,430,976
Utilized amounts	(74,647,826)	(3,563,106)	(78,210,932)
Balance at December 31, 2021	**P 29,061,092**	**P 375,358,504**	**P 404,419,596**
Balance at January 1, 2020	P 14,223,198	P 150,691,002	P 164,914,200
Additional provisions	56,331,220	11,603,520	67,934,740
Utilized amounts	(4,906,290)	(4,943,098)	(9,849,388)
Balance at December 31, 2020	P 65,648,128	P 157,351,424	P 222,999,552

17.1 Provision for Onerous Lease

WML has existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provisions take account of current market conditions, expected future vacant periods, expected future sublet benefits and are calculated by discounting expected net cash outflows on a pre-tax basis over the remaining period of the lease, which as of December 31, 2021 and 2020, is between one to nine years and one to 10 years, respectively.

In line with the adoption of PFRS 16 in 2019, the Group adjusted certain provision amounting to P399.0 million against the beginning balance of right-of-use assets (see Note 9.2). In 2021 and 2020, the Group recognized additional provision amounting to P38.1 million and P56.3 million, respectively, due to certain changes in assumptions arising from the impact of COVID-19 [see Note 3.2(k)]. The additional provision is presented as Provisions under General and Administrative Expenses account in the consolidated statements of comprehensive income since the related right-of-use assets were fully impaired as of December 31, 2021 and 2020 (see Note 20).

17.2 Provision for Dilapidations

WML is a party to lease agreements for properties located in Glasgow and Edinburgh, Scotland, which provide for tenant repairing clauses. The lease agreements require the Group to restore the leased properties to a specified condition at the end of the lease term in 2029. A provision was recognized for the present value of the costs to be incurred for the restoration of the leased properties. Additional provisions are capitalized as part of Right-of-use assets in 2021 and 2020 (see Note 9.2).

In 2021, following a court case settlement with the architects which was previously classified as contingent liability, the Group recognized an additional provision for the estimated future costs of P163.2 million. There was no similar transaction in 2020.

18. REVENUES AND OTHER INCOME

The details of revenues and other income are shown below.

	Notes	**2021**	2020	2019
Sale of goods and services	2.15	**P 54,845,254,471**	P 51,395,295,032	P 50,259,676,633
Others:				
Unrealized foreign currency gains – net		**350,480,854**	657,958,309	451,032,820
Equity in net profit of joint venture	12	**161,824,100**	185,108,059	239,168,070
Interest income	5, 7, 23.11	**86,442,812**	183,009,956	345,272,714
Other income – net	6, 7, 9.1, 23.11	**492,270,086**	412,933,950	270,329,936
		1,091,017,852	1,439,010,274	1,305,803,540
		P 55,936,272,323	P 52,834,305,306	P 51,565,480,173

19. COSTS OF GOODS SOLD

The details of costs of goods sold for the years ended December 31, 2021, 2020 and 2019 are shown below.

	Notes	**2021**	2020	2019
Finished goods at beginning of year	8	**P 5,159,455,789**	P 5,800,242,939	P 4,928,444,192
Finished goods purchased	23.1	**3,748,405,320**	10,731,882,891	4,994,755,739
Costs of goods manufactured				
Raw and packaging materials at beginning of year	8	**4,700,265,220**	3,909,543,916	3,932,351,991
Net raw material purchases during the year	23.1	**29,109,202,427**	20,543,108,027	26,133,746,725
Raw and packaging materials at end of year	8	**(4,209,746,983)**	(4,700,265,220)	(3,909,543,916)
Raw materials used during the year		**29,599,720,664**	19,752,386,723	26,156,554,800
Work-in-process at beginning of year	8	**21,071,773,814**	20,746,632,386	19,310,965,391
Direct labor	21.1	**1,353,455,527**	1,290,856,425	1,376,658,047
Manufacturing overhead:				
Depreciation and amortization	9.1, 9.2	**1,226,142,057**	1,214,677,541	941,461,292
Communication, light and water		**359,775,061**	269,051,436	240,089,684
Fuel and lubricants		**342,040,077**	270,206,749	318,963,537
Repairs and maintenance		**325,965,699**	255,517,659	285,073,846
Outside services	23.7	**266,880,588**	240,130,937	234,555,623
Consumables and supplies		**161,066,562**	73,696,771	243,509,236
Rentals	9.4, 23.2	**158,095,637**	104,148,917	84,348,779
Labor	21.1	**145,330,862**	113,430,652	118,360,434
Taxes and licenses		**129,038,067**	191,699,994	169,354,177
Impairment losses	8	**58,114,232**	44,775,076	8,321,687
Waste disposal		**51,080,702**	57,400,331	55,411,172
Balance carried forward		**P 55,248,479,549**	P 44,624,611,597	P 49,543,627,705

	Note	2021	2020	2019
Balance brought forward		**P 55,248,479,549**	P 44,624,611,597	P 49,543,627,705
Insurance		**46,405,030**	55,580,524	48,183,322
Meals		**43,865,468**	37,993,721	18,467,771
Transportation		**37,655,344**	27,834,394	25,402,013
Commission		**24,830,090**	210,989,168	172,482,671
Gasoline and oil		**10,522,542**	9,725,787	14,859,781
Miscellaneous		**289,355,246**	131,043,187	134,776,728
Work-in-process at end of year	8	**(24,225,660,910)**	(21,071,773,814)	(20,746,632,386)
		31,475,452,359	24,026,004,564	29,211,167,605
Finished goods at end of year	8	**(5,574,742,812)**	(5,159,455,789)	(5,800,242,939)
		P 34,808,570,656	P 35,398,674,605	P 33,334,124,597

20. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2021	2020	2019
Advertising and promotions		**P 2,647,160,744**	P 2,750,503,269	P 3,116,353,049
Salaries and employee benefits	21.1	**1,838,913,379**	1,748,997,077	1,995,174,906
Professional fees and outside services		**497,690,753**	417,905,195	652,796,060
Freight and handling		**415,133,136**	559,511,059	470,860,051
Depreciation and amortization	9.1, 9.2	**319,386,260**	351,032,885	602,582,627
Travel and transportation		**280,013,671**	271,544,984	455,779,892
Representation		**152,345,821**	363,394,050	396,390,974
Repairs and maintenance		**130,536,682**	37,913,105	121,494,548
Taxes and licenses		**112,953,861**	92,030,624	76,639,949
Fuel and oil		**64,279,067**	66,262,436	98,819,432
Supplies		**48,332,763**	42,199,885	55,536,966
Provisions	17	**38,060,790**	56,331,220	-
Insurance		**36,558,396**	36,524,969	28,726,202
Rentals	9.4, 23.2	**36,232,064**	49,237,228	55,221,770
Communication, light and water		**34,823,961**	37,231,823	50,413,716
Other services		**28,271,691**	132,354,654	208,277,021
Meals		**26,610,043**	31,717,898	61,837,742
Impairment losses on financial assets	6	**11,561,171**	109,087,408	12,453,267
Amortization of trademarks	10	**1,615,391**	1,615,391	1,615,391
Impairment loss on trademarks	10	**-**	-	272,402,000
Others		**325,233,632**	215,891,225	212,060,238
		P 7,045,713,276	P 7,371,286,385	P 8,945,435,801

Others include royalty fees, subscription and association dues, postal services and other incidental expenses under the ordinary course of business.

These expenses are classified in profit or loss in the consolidated statements of comprehensive income as follows:

	2021	2020	2019
Selling and distribution expenses	**P 4,840,055,978**	P 5,263,040,976	P 6,021,050,010
General and administrative expenses	**2,205,657,298**	2,108,245,409	2,924,385,791
	P 7,045,713,276	P 7,371,286,385	P 8,945,435,801

21. EMPLOYEE BENEFITS

21.1 Salaries and Employee Benefits Expense

The expenses recognized for salaries and employee benefits are summarized below.

	Notes	2021	2020	2019
Salaries and wages		**P 2,635,850,721**	P 2,503,275,259	P 2,752,672,662
Post-employment defined contribution		**202,274,995**	205,493,775	180,607,937
Social security costs		**152,982,990**	175,446,538	175,819,949
Post-employment defined benefit	21.3	**46,936,416**	37,194,025	21,236,656
Share options	21.2, 24.4	**44,927,978**	26,958,168	26,958,170
Other short-term benefits		**254,726,668**	204,916,389	332,898,013
	19, 20	**P 3,337,699,768**	P 3,153,284,154	P 3,490,193,387

Other short-term benefits represent other employee benefits that were incurred during the reporting periods in which the employees render the related service.

The amount of salaries and employee benefits expense is allocated as follows:

	Notes	2021	2020	2019
Costs of goods sold (inventoriable costs)	19	**P 1,498,786,389**	P 1,404,287,077	P 1,495,018,481
General and administrative expenses	20	**810,425,862**	812,719,240	1,004,037,452
Selling and distribution expenses	20	**1,028,487,517**	936,277,837	991,137,454
		P 3,337,699,768	P 3,153,284,154	P 3,490,193,387

In 2021, 2020 and 2019, salaries and wages, post-employment benefits and other short-term benefits totaling P373.1 million, P329.5 million and P432.5 million, respectively, were capitalized to form part of the work-in-process inventory (see Note 8). Such capitalized amount represents salaries and employee benefits of personnel directly involved in the production of whisky.

21.2 Employee Share Option

Employee share option expense, included as part of Salaries and employee benefits expense under the General and Administrative Expenses account in the consolidated statements of comprehensive income, amounted to P44.9 million in 2021 and P27.0 million each in 2020 and 2019, while the corresponding cumulative credit to Share Options Outstanding account is presented under the Equity section of the consolidated statements of financial position (see Note 24.4).

21.3 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

Except for GES, which provides employee benefits through a defined contribution plan, the Group maintains a funded, tax-qualified, noncontributory retirement benefit plan which is being administered by a trustee bank that is legally separated from the Group.

The post-employment plan covers all regular full-time employees of EDI, AWGI, TEI, PAI and certain employees of WMG, and provides a retirement benefit ranging from 85% to 150% of plan salary for every year of credited service.

The normal retirement age is 60 with a minimum of five years of credited service. The plan provides for an early retirement at the age of 50 with a minimum of ten years of credited service and likewise a late retirement age that is not beyond 65, with a minimum of five years of credited service both subject to the approval of the Parent Company's BOD.

(b) Explanation of Amounts Presented in the Consolidated Financial Statements

Actuarial valuations are made regularly to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries.

The amounts of retirement benefit asset (obligation) recognized in the consolidated statements of financial position are determined as follows:

	2021	2020
Fair value of plan assets	**P 16,232,015,874**	P 14,795,901,448
Present value of the obligation	**(15,318,015,379)**	(15,155,430,394)
	P 914,000,495	(P 359,528,946)

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	2021	2020
Balance at beginning of year	**P 15,155,430,394**	P 13,815,644,171
Foreign exchange adjustment	**924,176,000**	(410,525,122)
Benefits paid	**(495,415,829)**	(635,198,709)
Interest expense	**251,476,876**	294,782,248
Current service costs	**46,936,416**	37,194,025
Past service costs	**-**	16,000,000
Remeasurements –		
Actuarial losses (gains) arising from:		
Changes in financial assumptions	**(398,201,782)**	1,863,005,059
Changes in demographic assumptions	**(159,193,525)**	159,808,000
Experience adjustments	**(7,193,171)**	14,720,722
Balance at end of year	**P 15,318,015,379**	P 15,155,430,394

The movements in the fair value of plan assets are presented below.

	2021	2020
Balance at beginning of year	**P 14,795,901,448**	P 14,035,171,864
Foreign exchange adjustment	**924,032,000**	(424,986,000)
Benefits paid	**(494,279,863)**	(635,198,709)
Return on plan assets (excluding amounts included in net interest)	**462,875,778**	1,250,889,021
Contributions to the plan	**302,588,613**	274,239,234
Interest income	**240,897,898**	295,786,038
Balance at end of year	**P 16,232,015,874**	P 14,795,901,448

The net effect of the foreign exchange adjustment in the present value of the retirement obligation and the fair value of plan assets amounted to P0.1 million in 2021 and P14.5 million in 2020.

The composition and the fair value of plan assets as at December 31, 2021 and 2020 by category and risk characteristics are shown below.

	2021	2020
Cash and cash equivalents	**P 145,985,868**	P 133,060,608
Quoted equity securities	**6,986,244,234**	6,368,729,608
Diversified growth fund	**1,038,121,728**	946,208,768
	8,024,365,962	7,314,938,376
Debt securities:		
Corporate bonds	**3,163,027,140**	2,882,979,840
Liability driven instrument	**2,919,717,360**	2,661,212,160
Index-linked gilts	**1,200,328,248**	1,094,053,888
	7,283,072,748	6,638,245,888
Property	**778,591,296**	709,656,576
	P 16,232,015,874	P 14,795,901,448

Other than the fair value of property investment, which is classified as Level 3 in the fair value hierarchy, the fair values of the above quoted securities and instruments are determined based on quoted market prices in active markets; hence, classified as Level 1 in the fair value hierarchy.

Plan assets do not comprise any of the financial instruments of the Group or its related parties, or any of its assets occupied and/or used in its operations.

The components of amounts recognized in profit or loss and other comprehensive income or loss in respect of the retirement benefit asset (obligation) are as follows:

	2021	2020	2019
Reported in profit or loss:			
Current service costs	**P 46,936,416**	P 37,194,025	P 21,236,656
Interest expense (income)	**10,578,978**	(1,003,790)	8,399,051
	P 57,515,394	P 36,190,235	P 29,635,707
Reported in other comprehensive income or loss:			
Return on plan assets (excluding amount included in net interest)	**P 462,875,778**	P 1,237,929,022	P 2,059,661,356
Actuarial gains (losses) arising from:			
Changes in financial assumptions	**398,201,782**	(1,863,005,059)	(1,438,052,849)
Changes in demographic assumptions	**159,193,525**	(159,808,000)	(509,916,000)
Experience adjustments	**7,193,171**	(14,720,722)	65,189,000
	P 1,027,464,256	(P 799,604,759)	P 176,881,507

The amounts of post-employment benefits expense recognized in profit or loss are presented as part of General and Administrative Expenses for current service costs and as part of Interest Expense for net interest expense (income) accounts under the Costs and Expenses section in the consolidated statements of comprehensive income.

Amounts recognized in other comprehensive income or loss were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the retirement benefit obligation, the following actuarial assumptions were used:

	2021	2020	2019
Discount rate	**3.95%-5.09%**	3.95%-3.96%	5.21%-5.35%
Expected rate of salary increase	**5.00%-7.00%**	5.00%-7.00%	5.10%-7.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 60 is 23 years for both males and females. These assumptions were developed by management with the assistance of independent actuaries. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero coupon government bonds with terms to maturity approximating to the terms of the retirement benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Benefit Obligation

The Group is exposed to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Rate Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of reference government bonds will increase the retirement benefit obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing debt and equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) Longevity and Salary Risks

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

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of the end of the reporting periods:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	**Increase in Assumption**	**Decrease in Assumption**
December 31, 2021			
Discount rate	**+0.25%/-0.25%**	**(P 689,138,647)**	**P 743,798,476**
Salary growth rate	**+1.00%/-1.00%**	**207,326,284**	**(191,924,168)**
December 31, 2020			
Discount rate	+0.25%/-0.25%	(P 721,144,223)	P 775,297,017
Salary growth rate	+1.00%/-1.00%	224,609,816	(207,938,896)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Group through its Management Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., quoted equity securities and corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of the plan assets as at December 31, 2021 and 2020 consists of quoted equity securities, corporate bonds and other instruments, although the Group also invests in funds.

The expected maturity of undiscounted expected benefits payments within 10 years is as follows:

		2021		2020
Within one year	**P**	**346,340,076**	P	320,594,583
More than one but less than five years		**1,119,290,136**		1,328,151,573
More than five years but less than 10 years		**97,766,014**		88,046,296
	P	**1,563,396,226**	P	1,736,792,452

The weighted average duration of the retirement benefit obligation at the end of the reporting period is 16.56 years.

22. CURRENT AND DEFERRED TAXES

On March 26, 2021, Philippine Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, was signed into law and took effect on April 11, 2021 (15 days after publication). The following are the major changes brought about by the CREATE Act that are relevant to and considered by the EMP and its Philippine subsidiaries:

- regular corporate income tax ("RCIT") rate is decreased from 30% to 25% starting July 1, 2020;
- minimum corporate income tax ("MCIT") rate is decreased from 2% to 1% starting July 1, 2020 until June 30, 2023;
- the imposition of 10% tax on improperly accumulated retained earnings is repealed; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return ("ITR") of the Group's Philippine entities, would be lower by P136.4 million as compared to the amount presented in the 2020 consolidated financial statements and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax liabilities as of December 31, 2020 was remeasured to 25%. This resulted in a decline in the recognized net deferred tax liabilities in 2020 by P26.4 million and such was recognized in the 2021 profit or loss (P19.7 million) and in other comprehensive income (P6.7 million).

In UK, an increase in corporation tax rates from 19% to 25% shall take effect on April 1, 2023 by the Royal Assent received on June 10, 2021. Accordingly, deferred tax assets and deferred tax liabilities were re-measured at the new tax rate which resulted in additional tax expense of which P672.4 million pertains principally to intangibles at the consolidation level. This deferred tax adjustment was taken up in the consolidated financial statements only, does not affect the stand-alone operating results of UK business, and it would not be realized or paid unless the business is liquidated or sold in the far future.

The components of tax expense (income) as reported in the consolidated statements of comprehensive income are as follows.

	2021	2020	2019
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%, 25%, 20%, 19% and 17%	**P 1,896,097,043**	P 1,469,668,087	P 1,335,421,308
Final tax on interest income at 20% and 15%	**2,212,068**	9,725,587	118,539,408
Adjustment in 2020 income tax due to change in tax rate	**(136,421,080)**	-	-
Minimum corporate income tax (MCIT) at 2%	**-**	-	4,464,793
	1,761,888,031	1,479,393,674	1,458,425,509
Deferred tax expense (income):			
Due to the effect of change in income tax rate	**19,700,325**	-	-
Relating to effect of change in income tax rate on fair value of assets/intangibles	**672,384,000**		
Relating to origination and reversal of other temporary differences	**292,845,452**	(80,308,018)	189,008,843
	984,929,777	(80,308,018)	189,008,843
	P 2,746,871,808	P 1,399,085,656	P 1,647,434,352
Reported in other comprehensive income or loss			
Deferred tax expense (income):			
Due to the effect of change in income tax rate	**P 6,721,103**	P -	P -
Relating to remeasurements of retirement benefit obligation	**255,965,063**	51,531,692	87,253,112
	P 262,686,166	P 51,531,692	P 87,253,112

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense is as follows:

	2021	2020	2019
Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019	**P 3,223,794,278**	P 2,830,717,684	P 2,543,991,181
Adjustment for income subjected to different tax rates	**(74,807,073)**	(129,169,052)	(47,844,059)
Adjustments in claiming optional standard deduction (OSD)	**(485,960,848)**	(216,046,654)	284,614,862
Tax effects of:			
Adjustments to current tax for prior years due to change in tax rate	**823,700,864**	(17,399,043)	(36,330,480)
Non-taxable income	**(626,756,835)**	(1,110,417,251)	(1,348,401,507)
Change in income tax rate	**(116,720,755)**	-	-
Balance carried forward	**P 2,743,249,631**	P 1,357,685,684	P 1,396,029,997

	2021	2020	2019
Balance brought forward	**P 2,743,249,631**	P 1,357,685,684	P 1,396,029,997
Non-deductible expenses	**86,350,753**	102,542,213	336,337,394
Accelerated capital allowances and other short-term temporary differences	**(43,850,259)**	(21,692,992)	(21,504,817)
Equity in net income of joint venture	**(40,456,025)**	(55,324,418)	(71,750,421)
Unrecognized deferred tax tax asset on:			
Net operating loss carry-over (NOLCO)	**1,523,708**	15,875,169	3,857,406
MCIT	**-**	-	4,464,793
	P 2,746,817,808	P 1,399,085,656	P 1,647,434,352

EMP and its Philippine subsidiaries are subject to the higher of RCIT at 25% in 2021 and 30% in 2020 of net taxable income or MCIT at 1% in 2021 and 2% in 2020 of gross income, as defined under the Philippine tax regulations. They paid RCIT in 2021, 2020 and 2019 as RCIT was higher in those years, except for TEI in 2019 in which MCIT was higher than RCIT.

EMP's foreign subsidiaries are subject to income and other taxes based on the enacted tax laws of the countries and/or jurisdictions where they operate.

The deferred tax assets and liabilities as of December 31 relate to the following:

	2021	2020
Brand valuation	**(P 2,491,991,522)**	(P 1,807,354,161)
Fair value adjustment	**(386,506,864)**	(280,319,890)
Short-term temporary differences	**(342,312,232)**	(228,519,008)
Retirement benefit obligation (asset)	**(228,632,315)**	102,807,770
Lease liabilities	**213,920,274**	514,178,329
Right-of-use assets	**(164,723,866)**	(442,772,890)
Capitalized borrowing costs	**(41,118,820)**	(51,585,429)
Allowance for impairment	**22,614,307**	22,287,708
Unamortized past service costs	**178,093**	320,569
Net deferred tax liabilities	**(P 3,418,572,945)**	(P 2,170,957,002)

These are presented in the consolidated statements of financial position as follows:

	2021	2020
Deferred tax liabilities - net	**(P 3,552,232,410)**	(P 2,315,851,761)
Deferred tax assets - net	**133,659,465**	144,894,759
	(P 3,418,572,945)	(P 2,170,957,002)

Movements in net deferred tax liabilities for the years ended December 31 are as follows:

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income or Loss		
	2021	2020	2019	**2021**	2020	2019
Right-of-use assets	**(P 278,049,024)**	(P 427,277,742)	P 3,321,262	**P -**	P -	P -
Lease liabilities	**300,258,055**	336,786,409	120,136,046	**-**	-	-
Brand valuation	**684,637,361**	195,287,001	(220,901,496)	**-**	-	-
Retirement benefit obligation (asset)	**68,753,919**	(158,441,906)	(48,878,040)	**262,686,166**	51,531,692	87,253,112
Short-term temporary differences	**113,793,224**	(51,632,911)	162,692,611	**-**	-	-
Fair value adjustment	**106,186,974**	30,288,922	171,234,563	**-**	-	-
Allowance for impairment	**(326,599)**	(3,181,801)	(2,519,438)	**-**	-	-
Capitalized borrowing costs	**(10,466,609)**	(2,242,845)	3,816,480	**-**	-	-
Unamortized past service costs	**142,476**	106,855	106,855	**-**	-	-
Deferred tax expense (income)	**P 984,929,777**	(P 80,308,018)	P 189,008,843	**P 262,686,166**	P 51,531,692	P 87,253,112

In 2021, 2020 and 2019, the Group opted to claim itemized deductions in computing its income tax due, except for EDI, PAI and AWGI which both opted to claim OSD during the same taxable years.

23. RELATED PARTY TRANSACTIONS

The Group's related parties include the ultimate parent company, stockholders, officers and employees, and other related parties under common ownership as described below.

The summary of the Group's transactions with its related parties in 2021, 2020 and 2019 and the related outstanding balances as of December 31, 2021 and 2020 are presented below and in the succeeding pages.

Related Party Category	Notes	Amount of Transaction			Outstanding Balance Receivable (Payable)	
		2021	2020	2019	**2021**	2020
Ultimate Parent Company:						
Advances collected	23.6	**(P 2,178,819,411)**	P -	P -	**P -**	P 2,178,819,411
Dividends	24.3	**4,252,534,514**	1,403,196,355	596,182,620	**-**	-
Lease of properties:	23.2(a)					
Rentals paid		**26,500,000**	10,406,000	9,680,000	**-**	-
Right-of-use assets		**23,428,730**	8,029,106	6,572,172	**117,143,648**	48,174,637
Lease liabilities		**3,420,712**	2,509,133	4,313,895	**(123,621,590)**	(54,303,136)
Related Parties Under Common Ownership:						
Purchase of raw materials	23.1	**1,414,490,208**	2,775,139,348	3,709,697,815	**(621,856,151)**	(811,977,473)
Advances for land purchase	23.10	**10,172,131**	271,246,367	83,350,000	**-**	622,049,938
Sale of goods	23.3	**93,930,713**	87,891,147	228,827,930	**206,204,092**	273,229,290
Lease of properties:	23.2(b and c)					
Rentals paid		**70,722,430**	73,391,077	79,327,870	**-**	(10,429)
Right-of-use assets		**73,691,945**	53,281,092	48,774,598	**151,388,199**	251,748,629
Lease liabilities		**17,604,151**	18,898,425	14,382,373	**(193,176,272)**	(226,954,257)
Refundable security deposits		**(1,123,845)**	3,696,842	(3,592,411)	**6,480,688**	7,604,533
Management services	23.7	**60,000,000**	60,000,000	60,000,000	**(33,000,000)**	(110,000,000)
Purchase of finished goods	23.1	**16,516,490**	14,824,943	28,098,331	**(972,593)**	(983,717)
Perpetual notes	23.11	**-**	-	1,254,552,250	**-**	-
Stockholder –						
Advances obtained	23.5	**-**	-	-	**(3,070,715)**	(3,070,715)
Officers and Employees:						
Employee share option	24.4	**44,927,979**	26,958,169	26,958,169	**-**	-
Advances granted (collected)	23.4	**59,146,778**	10,780,936	(7,244,067)	**103,446,030**	44,299,252
Key Management Personnel –						
Compensation	23.8	**232,092,594**	222,429,521	236,404,840	**974,186**	-

The outstanding balances from the above transactions with related parties are unsecured, noninterest-bearing and payable or collectible on demand, unless otherwise stated. No impairment loss was recognized, and none is deemed necessary, in 2021, 2020 and 2019 for the related party receivables.

23.1 Purchase of Goods

The Group imports raw materials such as alcohol, flavorings and other items, and finished goods through Andresons Global, Inc. ("AGL"), a related party under common ownership. These transactions are normally being paid within 30 days. The Group also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, which is considered a related party under joint control (see Note 8).

The related unpaid purchases as of December 31, 2021 and 2020 are shown as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

23.2 Lease of Properties

(a) AGI

AWGI leases the glass manufacturing plant located in Laguna from AGI. The amount of rental is mutually agreed upon by the parties at the start of each year, as provided in their lease contract.

In 2019, AWGI recognized right-of-use assets and lease liabilities from this lease agreement in accordance with PFRS 16, which will be amortized and paid, respectively, over the lease term in lieu of the annual rent expense. However, in 2020, AWGI and AGI agreed to amend the terms in the lease agreement by changing the increase in minimum annual rent from 10% to 7.5% effective January 2020. This is accounted for as a lease modification, which resulted in the remeasurement of right-of-use assets and lease liabilities during the same year amounting to P10.2 million. Amortization of right-of-use assets amounted to P23.4 million in 2021, P8.0 million in 2020 and P6.6 million in 2019, and are presented as part of Depreciation and amortization under Costs of Goods Sold account in the consolidated statements of comprehensive income. Interest expense recognized from the lease liabilities amounted to P3.4 million in 2021, P2.5 million in 2020 and P4.3 million in 2019, and are presented as part of Interest Expense account in the consolidated statements of comprehensive income.

AWGI paid P26.5 million in 2021, P10.4 million in 2020, and P9.7 million in 2019 and there were no outstanding balances arising from this lease agreement with AGI as of December 31, 2021 and 2020.

(b) Megaworld

The Group also entered into lease contracts with Megaworld, a related party under common ownership, for the head office space of the Group.

In 2019, EDI, PAI and AWGI recognized right-of-use assets and lease liabilities from lease agreements with Megaworld in accordance with PFRS 16. In 2020, PAI leased an office space with Megaworld, in which a right-of use asset and lease liability were also recognized. Amortization of right-of-use assets amounting to P31.1 million, P29.2 million and P19.9 million in 2021, 2020 and 2019, respectively, are presented as part of Depreciation and amortization under the Costs of Goods Sold account in the consolidated statements of comprehensive income, while amortization of right-of-use assets amounting to P3.9 million, P11.8 million and P9.5 million in 2021, 2020 and 2019, respectively are presented under the General and Administrative Expenses account in the consolidated statements of comprehensive income (see Notes 19 and 20).

Interest expense from the lease liabilities amounting to P12.8 million, P12.2 million and P10.0 million in 2021, 2020 and 2019, respectively, are presented as part of Interest Expense account in the consolidated statements of comprehensive income.

The Group paid P40.1 million in 2021, P44.1 million in 2020 and P40.2 million in 2019 and there were no outstanding balances arising from these lease agreements as of December 31, 2021 and 2020.

The refundable security deposits paid to the lessors are shown as part of Other Non-current Assets account in the consolidated statements of financial position (see Note 11.2).

AWGI also leases from Megaworld a parking space, which is considered as low value asset based on the provision of PFRS 16. The related rent expense amounting to P0.1 million in 2021, 2020 and 2019 is presented as part of Rentals under the General and Administrative Expenses account in the consolidated statements of comprehensive income. The outstanding liability arising from this transaction as of December 31, 2021 and 2020 is presented as part of Accrued expenses under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(c) Empire East Land Holdings, Inc.

EDI entered into a lease contract with Empire East Land Holdings, Inc., a related party under common ownership, for the Company's office and warehouse.

In 2019, EDI recognized right-of-use assets and lease liabilities from this lease agreement in accordance with PFRS 16. Amortization of right-of-use assets amounting to P38.7 million both in 2021 and 2020 and P19.3 million in 2019 are presented as part of Depreciation and amortization under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). Interest expense from the lease liability amounting to P4.8 million, P6.7 million and P4.4 million in 2021, 2020 and 2019, respectively, are presented as part of Interest Expense account in the consolidated statements of comprehensive income.

EDI paid P30.6 million in 2021, P29.2 million in 2020 and P45.9 million in 2019 and there are no unpaid rentals relating to this lease agreement as of December 31, 2021 and 2020.

The outstanding right-of-use assets and lease liabilities from these lease agreements with related parties as of December 31, 2021 and 2020 are presented as part of Property, Plant, and Equipment – net account and Lease Liabilities account in the consolidated statements of financial position (see Note 9).

23.3 Sale of Goods

The Group sold finished goods to related parties. Goods are sold on the basis of the price lists in force and terms that would be available to non-related parties. The outstanding receivables from sale of goods are generally noninterest-bearing, unsecured and settled through cash within three to six months. These receivables are presented as part of Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

23.4 Advances to Officers and Employees

In the normal course of business, the Group grants noninterest-bearing, unsecured, and payable on demand cash advances to certain officers and employees. The outstanding balance arising from these transactions is presented as Advances to officers and employees under the Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

The movements in the balance of Advances to Officers and Employees account are as follows:

	2021	2020
Balance at beginning of year	**P 44,299,252**	P 33,518,316
Additions - net	**59,146,778**	10,780,936
Balance at end of year	**P 103,446,030**	P 44,299,252

23.5 Advances from Related Parties

AGI and other entities within the AGI Group, and other related parties grant cash advances to the Group for its working capital, investment and inventory purchases requirements. These advances are unsecured, noninterest-bearing and repayable in cash upon demand. The outstanding balance as of December 31, 2021 and 2020 amounting to P3.1 million is presented as Advances from related parties under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

23.6 Advances to Ultimate Parent Company

The Group made unsecured cash advances to AGI for its investment activities, which were payable in cash upon demand. There were no additional cash advances in 2021, 2020 and 2019. The outstanding balance as of December 31, 2020, which is presented as Advances to ultimate parent company under the Trade and Other Receivables account in the 2020 consolidated statement of financial position (see Note 6), was fully collected in 2021.

23.7 Management Services

EDI had a management agreement with Condis for consultancy and advisory services in relation to the operation, management, development and maintenance of its distillery plant, which was transferred to Progreen when the distillery plant was leased to Progreen starting 2017.

Total management fees incurred are presented as part of Outside services under the Costs of Goods Sold account in the consolidated statements of comprehensive income (see Note 19). The outstanding liability as of December 31, 2021 and 2020 is presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16). The related liabilities are unsecured, noninterest-bearing and payable upon demand.

23.8 Key Management Personnel Compensation

The compensation of key management personnel for employee services is shown below.

	2021	2020	2019
Short-term benefits	**P 212,314,988**	P 203,237,736	P 213,788,841
Share options	**10,022,174**	4,212,485	4,212,485
Post-employment defined benefits	**9,755,432**	14,979,300	18,403,514
	P 232,092,594	P 222,429,521	P 236,404,840

23.9 Retirement Plan

The Group's retirement funds for its post-employment defined benefit plan is administered and managed by a trustee bank. The fair value and the composition of the plan assets as of December 31, 2021 and 2020 are presented in Note 21.3. These plan assets do not include EMP Group's own financial instruments. The retirement fund neither provides any guarantee or surety for any obligation of the Group nor its investments covered by any restrictions or liens.

23.10 Purchase of Land

In 2016, the Group entered into a contract to purchase certain parcels of land located in Iloilo and Cebu from Megaworld for a total consideration of P206.0 million inclusive of VAT. As of December 31, 2020, the full cash payments made by the Group were presented as part of Advances to suppliers under the Other Non-current Assets account in the 2020 consolidated statement of financial position (see Note 11.2). In 2021, the legal title and the risks and rewards of ownership over the parcels of land have been transferred to the Group; hence, the cost of related properties was recorded as Land acquisition by the Group.

In 2014, the Group made cash payments to certain related party under common ownership for the acquisition of certain parcels of land located in Davao. However, the planned acquisition was temporarily suspended by both parties. The advanced payment amounting to P144.8 million as of December 31, 2020 was presented as part of Advances to suppliers under the Other Non-current Assets account in the 2020 consolidated statement of financial position (see Note 11.2). In 2021, the sale was finalized for total consideration of P153.0 million inclusive of VAT and titles of ownership over the said parcels of land were transferred to the Group; hence the cost of related properties was reclassified as Land acquisition.

In 2019, the Group also purchased parcels of land located in Legazpi City from a certain related party amounting to P47.1 million. The acquired land was paid in full in 2019.

In 2020, the Group purchased parcels of land located in Tanza, Cavite from a related party for total consideration of P273.2 million excluding VAT. The Group already paid P271.2 million as of December 31, 2020, which was presented as part of Advances to suppliers under the Other Non-current Assets account in the 2020 consolidated statement of financial position (see Note 11.2). In 2021, the acquisition was fully paid and titles of ownership over the said parcels of land were transferred to the Group; hence the related properties were reclassified as Land acquisition.

23.11 Perpetual Notes

In 2018, the Group acquired Megaworld Perpetual Notes amounting to P1.2 billion (see Note 7). The investment was sold in 2019 and the Group recognized a gain on disposal amounting to P16.4 million, which is presented as part of Other income under the Revenues and Other Income section of the 2019 consolidated statement of comprehensive income (see Note 18). The Group also recognized interest income from these financial instruments amounting to P29.4 million in 2019.

23.12 Purchase and Sale Commitment

On December 27, 2020, the Group signed a letter of intent with Global One, a related party under common ownership, for the sale of its land and building for a total purchase price of €16.6 million (see Note 13).

24. EQUITY

24.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2021	2020	2019	**2021**	2020	2019
Common shares – P1 par value						
Authorized – 20.0 billion shares						
Issued and outstanding:						
Balance at beginning of year	**15,772,710,138**	15,759,165,376	15,985,015,876	**P 12,496,806,994**	P 12,754,551,764	P 14,392,623,076
Treasury shares – at cost (Notes 2.24 and 24.2)	**(101,718,800)**	13,544,762	(225,850,500)	**(1,002,129,721)**	(257,744,770)	(1,638,071,312)
Balance at end of year	**15,670,991,338**	15,772,710,138	15,759,165,376	**P 11,494,677,273**	P 12,496,806,994	P 12,754,551,764

The BOD of the PSE approved the listing of the common shares of the Parent Company on October 16, 2011.

On December 19, 2011, the Parent Company issued through initial public offering ("IPO") an additional 22.0 million shares with an offer price of P4.50 per share. The Parent Company incurred P10.9 million IPO-related costs, P4.2 million of which was charged against APIC and the balance of P6.7 million was recognized as part of other operating expenses. Net proceeds from the IPO amounted to P90.8 million.

On December 27, 2012, the Parent Company issued additional 6.0 million shares with an offer price of P5.50 per share through a private placement.

On June 19, August 27 and September 5, 2013, the Parent Company's BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of EMP from P100.0 million divided into 100.0 million shares to P20.0 billion divided into 20.0 billion shares both with par value of P1.00 per share. On July 4, 2013, the Parent Company's BOD approved the issuance of 6.5 million shares at par value to two foreign investors. On August 28, 2013, AGI and other investors subscribed to an aggregate of 14.9 billion shares. Under the terms of AGI's subscription, the Parent Company acquired all of EDI shares held by AGI.

On September 17, 2013, AGI launched an offering of 1.8 billion EMP shares, which is approximately 12.0% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the net proceeds was directly remitted to EMP as an additional subscription price from AGI under the terms of the amended agreement with AGI; such amount is recorded as APIC in EMP's books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two of EMP's minority corporate stockholders which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owns 87.55% of EMP as of December 31, 2013.

On December 4, 2014, the Parent Company issued additional 1.1 billion common shares with an offer price of P11.0 per share through private placement (see Note 15). This resulted to a decrease in AGI's ownership from 87.55% to 81.46% as of December 31, 2014. The excess of the subscription price over the par value amounting to P11.2 billion was recorded as APIC.

On November 28, 2017, the Parent Company issued 122.4 million common shares at P6.80 per share in consideration of the accrued interest on ELS amounting to P832.3 million (see Note 15). The excess of accrued interest over the par value amounting to P709.9 million was recorded as part of APIC (see Note 2.24).

On February 5, 2020, the Parent Company issued 253.3 million shares to Arran for the Tranche 1 Conversion of the ELS (see Notes 15 and 24.2). Consequently, Conversion Options amounting to P47.7 million was transferred to APIC.

On December 3, 2021, Tranche 2 Conversion of the ELS amounting to P3,443.8 million was transferred into equity with the shares to be issued in 2022. Consequently, the ELS is reported as Deposit on Future Subscription – Equity-Linked Securities (see Note 15).

As of December 31, 2021 and 2020, the quoted closing price per share is P20.80 and P10.10, respectively, and there are 135 and 152 holders in 2021 and 2020, respectively, which include nominee accounts, of the Parent Company's total issued and outstanding shares. The percentage shares of stock owned by the public are 15.01% and 15.73% as of December 31, 2021 and 2020, respectively.

24.2 Treasury Shares

On May 12, 2017, the Parent Company's BOD authorized the buy-back of EMP's common shares of up to P5.0 billion for a term of 2 years commencing on May 16, 2017 and ending on May 16, 2019. On May 7, 2019, the buy-back program of the Parent Company's common shares of up to P3.0 billion was extended for 12 months ending May 16, 2020. On May 16, 2020, the BOD approved another 12-month extension ending on May 16, 2021 under the same terms and conditions.

On April 12, 2021, the Parent Company's BOD authorized a buy-back program of EMP's common shares of up to P1.0 billion ending on December 31, 2021 under the same terms and conditions as the previous ones. The allotment was fully used up by the end of June 30, 2021.

As of December 31, 2021 and 2020, the Parent Company has spent P6.12 billion, including trading charges, to purchase a total of 759.20 million shares and P5.11 billion to purchase a total of 657.48 million shares, respectively, under the buy-back program. In 2021, 2020 and 2019, the Parent Company has repurchased 101.7 million, 174.2 million and 225.9 million shares for P1.0 billion, P2.1 billion and P1.6 billion, respectively. Out of these, a total of 253.3 million shares had been issued to Arran for the Tranche 1 Conversion pursuant to the exercise of its right to convert under Second Amendment of the ELS (see Note 15).

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired (see Note 24.3).

24.3 Declaration of Dividends

The details of the Parent Company's cash dividend declarations in 2021, 2020 and 2019 are as follows:

Date of Declaration	Date of Stockholders' Record	Payable Date	Dividend per Share	Total
August 2, 2021	August 13, 2021	September 8, 2021	P 0.1100	P1,731,011,836
March 8, 2021	March 19, 2021	April 15, 2021	0.0900	1,425,437,103
January 4, 2021	January 15, 2021	February 3, 2021	0.1200	1,900,582,805
August 5, 2020	August 18, 2020	September 3, 2020	0.1100	1,751,016,634
December 17, 2019	January 7, 2020	January 20, 2020	0.0500	787,958,269

The Parent Company's buy-back program restricts the Parent Company's retained earnings for distribution as dividends up to the cost of the treasury shares (see Note 24.2).

The outstanding dividends payable as of December 31, 2019 amounting to P779.2 million, net of final withholding taxes ("FWT") of P8.7 million, had been fully paid on January 20, 2020. There were no unpaid dividends as of December 31, 2021 and 2020.

24.4 Employee Share Option

On November 7, 2014, the BOD approved an employee share option plan ("ESOP") for qualified employees of the Group. The ESOP was adopted by the shareholders on December 15, 2014 ("Plan Adoption Date"). On August 17, 2021, the BOD approved certain amendments to the plan.

The options shall generally vest on the 60th birthday or the date of retirement of the option holder provided that the option holder had continuously served as an employee for eleven years after the option offer date or three years for option holder who has continuously served for at least 20 years before the option offer date, and may be exercised within five years from vesting date, subject to the terms and conditions of the amended ESOP. The exercise price shall be at most a 15% discount from the volume weighted average closing price of the Parent Company's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, share options were granted to certain key executives of EDI to subscribe to 118.0 million common shares of the Parent Company, at an exercise price of P7.00 per share.

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified employees to subscribe to 20.0 million and 55.0 million common shares of the Parent Company, at an exercise price of P10.10 and P10.65 per share, respectively.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	11 - 20.23 years
Share price at grant date	P8.90 - P15.50
Exercise price at grant date	P7.00 - P10.65
Average fair value of option at grant date	P3.26 - P7.59
Average standard deviation of share price returns	10.24% - 13.13%
Average dividend yield	1.08% - 1.10%
Average risk-free investment rate	4.44% - 4.89%

The underlying expected volatility was determined by reference to historical prices of the Parent Company's shares over a period of one year.

Share option benefits expense, which is included as part of Salaries and employee benefits under the General and Administrative Expenses account, amounting to P44.9 million in 2021 and P27.0 million each in 2020 and 2019 was recognized (see Note 21.2), while the corresponding credit to Share Options Outstanding account is presented as part of Equity Attributable to Owners of the Parent Company under the Equity section of the consolidated statements of financial position.

24.5 Appropriation of Retained Earnings

In 2017, the Group appropriated a portion of its retained earnings amounting to P600.0 million for capital expenditures at the glass manufacturing plant. On January 22, 2019, the Group appropriated additional P200.0 million for a project expected to be completed in 2022. In 2021, the Group reversed the appropriated retained earnings of P800.0 million. Also, in 2021, the Group appropriated P1,200.0 million for the rehabilitation of furnace and other capital expenditures for the glass manufacturing plant which are expected to be completed in 2025.

24.6 Subsidiaries with Non-controlling Interest

The composition of NCI account is as follows (see Note 2.24):

	Notes	Percentage of Ownership of NCI	**2021**	2020
DBLC	1.1(p)	50%	**P1,021,025,250**	P 798,380,685
Boozylife	1.1(d)	38%	**(20,855,756)**	(19,869,058)
			P1,000,169,494	P 778,511,627

The summarized information of DBLC, which is considered as material non-controlling interest, before intragroup eliminations, is shown below.

	2021	2020
Current assets	**P 3,369,126,316**	P 3,392,063,886
Non-current assets	**3,429,833,757**	3,334,287,840
Total assets	**P 6,798,960,073**	P 6,726,351,726
Financial Assets	**P 2,331,662,524**	P 2,316,937,895
Current liabilities	**P 2,203,170,324**	P 2,003,207,190
Non-current liabilities	**2,185,012,753**	2,772,822,810
Total liabilities	**P 4,388,183,077**	P 4,776,030,000
Financial liabilities	**P 3,022,334,064**	P 3,573,156,429
Revenues	**P 2,880,332,027**	P 2,429,544,171
Profit for the period attributable to:		
Owners of Parent Company	**P 178,280,699**	P 71,079,935
NCI	**178,280,698**	71,079,934
Profit for the year	**356,561,397**	142,158,869
Other comprehensive loss attributable to:		
Owners of Parent Company	**44,363,865**	(180,398,796)
NCI	**44,363,865**	(180,398,796)
Other comprehensive loss for the year	**88,727,730**	(360,797,592)
Total comprehensive income (loss) for the year	**P 445,289,127**	(P 218,638,723)
Net cash from (used in):		
Operating activities	**P 513,484,528**	P 207,193,843
Investing activities	**(152,405,382)**	305,191,138
Financing activities	**(331,056,622)**	147,546,261
Net cash inflow	**P 30,022,524**	P 364,838,720

No dividends were paid to the NCI in 2021 and 2020.

25. EARNINGS PER SHARE

Earnings per share were computed as follows (see Note 2.24):

	2021	2020	2019
Consolidated net profit attributable to owners of the parent company	**P 9,971,065,303**	P 7,967,261,504	P 6,725,536,563
Divided by the weighted average number of outstanding common shares	**15,839,884,723**	15,845,014,032	15,919,123,588
Basic and diluted earnings per share	**P 0.63**	P 0.50	P 0.42

On November 6, 2015, the Parent Company's BOD granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of EMP, at an exercise price of P7.00 per share (see Note 24.4).

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified employees of EDI to subscribe to 20.0 million and 55.0 million common shares of the Parent Company, at an exercise price of P10.10 and P10.65 per share, respectively (see Note 24.4).

On June 15, 2017, the number of Conversion Shares under the amended ELS instrument was fixed from 480.0 million to 728.3 million (see Note 14). As of December 31, 2021 and 2020, there are 475.0 million shares that have not yet been issued.

The basic and diluted earnings per share are the same because the dilutive effects of potential common shares from the employee share options and convertible ELS are negligible for the periods presented. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

26. COMMITMENTS AND CONTINGENCIES

The Group has entered a purchase and sale commitment with a related party, in the amount of €16.6 million, for the sale of its land and building (see Notes 13 and 23). In addition, the Group has made advances for purchases of land with total contract price of P304.9 million for future construction of warehouses (see Note 23.10).

Except for those provisions recognized (see Note 17) and commitments disclosed above in the consolidated financial statements, there are other commitments and contingent liabilities that arise in the normal course of the Group's operations which are not reflected in the consolidated financial statements. Management is of the opinion that losses, if any, from these commitments and contingencies will not have material effects on the Group's consolidated financial statements.

27. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to certain financial risks which result from its operating activities. The main types of risks are market risk, credit risk, liquidity risk and price risk. There have been no significant changes in the Group's financial risk management objectives and policies during the period.

The Group's risk management is coordinated with AGI, in close cooperation with the BOD appointed by AGI, and focuses on actively securing the Group's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below and in the succeeding pages.

27.1 Market Risk

The Group is exposed to market risk through its use of financial instruments and specifically to foreign currency risk, interest rate risk and certain other price risk which result from its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, Euros, U.K. pounds, and U.S. dollars, which are the entities' functional currencies. Exposures to currency exchange rates arise from the Group's foreign currency-denominated transactions at each entity level. The Group has no significant exposure to other foreign currency exchange rates at each entity level, except for U.S. dollars of EDI and foreign subsidiaries, since these other foreign currencies are not significant to the Group's consolidated financial statements. EDI has cash and cash equivalents in U.S. dollars as of December 31, 2021 and 2020 while the foreign subsidiaries have cash and cash equivalents, receivables and payables in U.S. dollars. To mitigate the Group's exposure to foreign currency risk, non-functional currency cash flows are monitored.

Foreign currency-denominated financial assets and financial liabilities with exposure to foreign currency risk, translated into Philippine pesos at the closing rate, are as follows:

	2021	2020
Financial assets	**P 432,911,894**	P 400,870,827
Financial liabilities	**(2,750,063,007)**	(3,296,647,884)
	(P 2,317,151,113)	(P 2,895,777,057)

The table below illustrates the sensitivity of the Group's consolidated profit before tax with respect to changes in Philippine pesos against U.S. dollar exchange rates. The percentage changes in rates have been determined based on the average market volatility in exchange rates, using standard deviation, in the previous 12 months at a 68% confidence level.

	Reasonably possible change in rate	Effect in consolidated profit before tax	Effect in consolidated equity
2021	**4.11%**	**(P 95,234,911)**	**(P 71,426,183)**
2020	9.50%	(P 275,098,820)	(P 192,569,174)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

(b) Interest Rate Risk

As at December 31, 2021 and 2020, the Group is exposed to changes in market rates through its cash in banks and short-term placements which are generally subject to 30-day repricing intervals (see Note 5). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. The Group's interest-bearing loans are subject to fixed interest rates and are therefore not subject to interest rate risk, except for certain loans that are based on EURIBOR and LIBOR (see Note 14). However, the EURIBOR is currently at a negative rate or a zero rate, and the Group does not see a material interest rate risk in the short-term.

The sensitivity of the Group's profit before tax on its loans arising from LIBOR is analyzed based on a reasonably possible change in interest rates of +/-0.42% in 2021 and +/-2.55% in 2020. These changes in rates have been determined based on the average market volatility in interest rates, using standard deviation, in the previous 12 months, estimated at 99% level of confidence. The sensitivity analysis is based on the Group's financial instruments held at each reporting date, with effect estimated from the beginning of the year. All other variables held constant, if LIBOR increased by 0.42% and 2.55% in 2021 and 2020, profit before tax would have decreased by P9.8 million and P63.4 million, respectively. Conversely, if the interest rates decreased by the same percentages, profit before tax in 2021 and 2020 would have been higher by the same amounts.

(c) Other Price Risk

The Group was exposed to other price risk in respect of its financial instruments at FVTPL, which pertain to derivative assets and liabilities arising from foreign exchange margins trading spot and forward contracts. These financial instruments will continue to be measured at fair value based on the index reference provided by certain foreign financial institution and through reference to quoted bid prices, respectively.

The Group believes that the change in foreign exchange rate related to foreign exchange margins trading spot rate and forward contracts will not materially affect the consolidated financial statements. The Group has recognized fair value losses in 2021 and fair value gains in 2020 and 2019 (see Note 7).

27.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments arising from granting advances and selling goods to customers including related parties and placing deposits with banks.

The Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Group's policy is to deal only with creditworthy counterparties.

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the consolidated statements of financial position or in the detailed analysis provided in the notes to the consolidated financial statements, as presented below.

	Notes	**2021**	2020
Cash and cash equivalents	5	**P 9,333,783,438**	P 7,561,169,140
Trade and other receivables – net	6	**14,095,144,617**	16,932,961,674
Property mortgage receivable	11.2	**646,636,072**	613,935,936
Refundable security deposits	11.1, 11.2	**63,917,560**	33,881,156
		P 24,139,481,687	P 25,141,947,906

The Group's management considers that all the above financial assets that are not impaired as at the end of reporting period under review are of good credit quality.

(a) Cash and Cash Equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash and cash equivalents include cash in banks and short-term placements in the Philippines which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(b) Trade and Other Receivables, Property Mortgage Receivable, and Refundable Security Deposits

The Group applies the simplified approach in measuring ECL, which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets).

The expected loss rates for trade receivables are based on the payment profiles of sales over a period of 36 months before December 31, 2021 and 2020, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the Gross Domestic Product and inflation rates to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

On that basis, the loss allowance as at December 31 was determined based on months passed, as follows for trade receivables:

	1-30 Days	31-90 Days	Over 90 Days	Total
December 31, 2021				
Expected loss rate	**0%**	**0%**	**100%**	
Gross carrying amount	**P 9,194,359,031**	**P 4,543,835,632**	**P 192,652,354**	**P13,930,847,017**
Loss allowance	**-**	**-**	**192,652,354**	**192,652,354**
December 31, 2020				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,548,359,708	P 5,152,412,710	P 189,441,284	P14,890,213,702
Loss allowance	-	-	189,441,284	189,441,284
December 31, 2019				
Expected loss rate	0%	0%	100%	
Gross carrying amount	P 9,835,947,974	P 5,687,981,032	P 88,686,826	P15,612,615,832
Loss allowance	-	-	88,686,826	88,686,826

In general, the Group's financial assets are not covered with any collateral or credit enhancement. Accordingly, the Group manages credit risk by setting limits on the amount of risk in relation to a particular customer including requiring payment of any outstanding receivable before a new credit is extended. Such risk is monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the credit manager.

For the advances to the ultimate parent company and refundable security deposits, the lifetime ECL rate is assessed at 0%, as there were no historical credit loss experience from the counterparties. The counterparties have low credit risk and strong financial position and sufficient liquidity to settle its obligations to the Group once they become due. With respect to property mortgage receivable, management assessed that these financial assets have low probability of default since the Parent Company is also a lessee over the same property and can apply such receivable against future lease payments.

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include the cessation of enforcement activity and where the value of any assets that the Group may get from the customers is less than the outstanding contractual amounts of the financial assets to be written-off. There are no write-offs made in 2021 and 2020.

27.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 60-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The contractual maturities of Trade and Other Payables (except for output VAT payable, and withholding tax payables and advances from suppliers under Others) and Interest-bearing Loans reflect the gross cash flows, which approximate the carrying values of the liabilities at the end of each reporting period.

The maturity profile of the Group's financial liabilities as at December 31, 2021 based on contractual undiscounted payments is as follows:

	Current		**Non-current**	
	Within 6 Months	**6 to 12 Months**	**1 to 5 Years**	**More Than 5 Years**
Interest-bearing loans and borrowings	P 734,323,235	P 2,946,647,836	P21,946,907,378	P -
Trade and other payables	17,205,504,621	-	-	-
Lease liabilities	146,261,792	134,778,563	861,533,617	431,965,723
	P18,086,089,648	**P 3,081,426,399**	**P22,808,440,995**	**P 431,965,723**

This compares to the maturity profile of the Group's financial liabilities as of December 31, 2020 as follows:

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More Than 5 Years
Interest-bearing loans and borrowings	P 923,011,978	P 4,767,025,450	P 26,402,067,304	P -
Trade and other payables	14,712,234,860	-	-	-
Equity-linked debt securities	99,750,000	3,443,750,000	-	-
Lease liabilities	130,649,237	120,391,773	841,588,155	864,841,167
	P15,865,646,075	P 8,331,167,223	P27,243,655,459	P 864,841,167

The Group maintains cash to meet its liquidity requirements for up to seven-day periods. Excess cash funds are invested in short-term placements.

28. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

28.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The carrying values and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	**2021** Carrying Values	**2021** Fair Values	2020 Carrying Values	2020 Fair Values
Financial Assets:					
Financial assets at amortized cost:					
Cash and cash equivalents	5	**P 9,333,783,438**	**P 9,333,783,438**	P 7,561,169,140	P 7,561,169,140
Trade and other receivables - net	6	**14,095,144,617**	**14,095,144,617**	16,932,961,674	16,932,961,674
Property mortgage receivable	11.2	**646,636,072**	**646,636,072**	613,935,936	613,935,936
Refundable security deposits	11.1, 11.2	**63,917,560**	**63,917,560**	33,881,156	33,881,156
		P 24,139,481,687	**P 24,139,481,687**	P 25,141,947,906	P 25,141,947,906
Financial assets at FVTPL	7	**P 3,294,192**	**P 3,294,192**	P 52,551,232	P 52,551,232
Financial Liabilities:					
Financial liabilities at amortized cost:					
Interest-bearing loans	14	**P 24,841,430,646**	**P 24,841,430,646**	P 30,380,344,605	P 30,380,344,605
Trade and other payables	11	**17,205,504,621**	**17,205,504,621**	14,712,234,860	14,712,234,860
Equity-linked debt securities	15	**-**	**-**	3,443,750,000	3,443,750,000
Lease liabilities	9.3	**1,092,950,054**	**1,092,950,054**	1,462,894,265	1,462,894,265
		P 43,139,885,321	**P 43,139,885,321**	P 49,999,223,730	P 49,999,223,730

See Notes 2.5 and 2.11 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 27.

28.2 Offsetting of Financial Assets and Financial Liabilities

Currently, the Group's financial assets and financial liabilities are settled on a gross basis because there is no relevant offsetting arrangement on them as of December 31, 2021 and 2020 (see Note 2.12). In subsequent reporting periods, each party to the financial instruments (particularly those involving related parties) may decide to enter into an offsetting arrangement in the event of default of the other party.

29. FAIR VALUE MEASUREMENT AND DISCLOSURES

29.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- 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); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

29.2 Financial Instruments Measured at Fair Value

The Group's financial instruments measured at fair value pertain to the Group's derivative instruments (see Note 7). These were presented as financial assets at FVTPL amounting to P3.3 million and P52.6 million as of December 31, 2021 and 2020, respectively.

The derivative instruments, which comprise of foreign exchange spots and forward contracts, are included in Level 2. The fair values of derivative financial instruments that are not quoted in an active market are determined through valuation techniques using the net present value computation

29.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table in the succeeding page summarizes the fair value hierarchy of the Group's financial assets and financial liabilities which are not measured at fair value in the consolidated statements of financial position but for which fair value is disclosed.

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 9,333,783,438	P -	P -	P 9,333,783,438
Trade and other receivables	-	-	14,095,144,617	14,095,144,617
Property mortgage receivable	-	-	646,636,072	646,636,072
Refundable security deposits	-	-	63,917,560	63,917,560
	P 9,333,783,438	**P -**	**P 14,805,698,249**	**P 24,139,481,687**
Financial liabilities:				
Interest-bearing loans	P -	P -	P 24,841,430,646	P 24,841,430,646
Trade and other payables	-	-	17,205,504,621	17,205,504,621
Lease liabilities	-	-	1,092,950,054	1,092,950,054
	P -	**P -**	**P 43,139,885,321**	**P 43,139,885,321**

	2020			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 7,561,169,140	P -	P -	P 7,561,169,140
Trade and other receivables	-	-	16,932,961,674	16,932,961,674
Property mortgage receivable	-	-	613,935,936	613,935,936
Refundable security deposits	-	-	33,881,156	33,881,156
	P 7,561,169,140	P -	P 17,580,778,766	P 25,141,947,906
Financial liabilities:				
Interest-bearing loans	P -	P -	P 30,380,344,605	P 30,380,344,605
Trade and other payables	-	-	14,712,234,860	14,712,234,860
Equity-linked debt securities	-	-	3,443,750,000	3,443,750,000
Lease liabilities	-	-	1,462,894,265	1,462,894,265
	P -	P -	P 49,999,223,730	P 49,999,223,730

For financial assets with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to stockholders by pricing products and services commensurately with the level of risk.

The Group monitors capital on the basis of the carrying amount of equity as presented in the face of the consolidated statements of financial position. Capital at the end of each reporting period is summarized as follows:

	2021	2020
Total liabilities	**P 49,798,141,454**	P 55,087,835,919
Total equity	**78,718,235,367**	67,364,316,316
Liabilities-to-equity ratio	**0.63 : 1.00**	0.82 : 1.00

The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

31. SUPPLEMENTAL INFORMATION ON CASH FLOWS

31.1 Reconciliation of Liabilities from Financing Activities

The Group presents below the reconciliation of the Group's liabilities arising from financing activities, which includes both cash and non-cash changes.

	Equity-linked Debt Securities (see Note 15)	Accrued Interest Payable (see Notes 14, 15 and 16)	Interest-bearing Loans (see Note 14)	Lease Liabilities (see Note 9.2)	Total
Balance as of January 1, 2021	P 3,443,750,000	P 72,855,493	P 30,380,344,605	P 1,462,894,265	P 35,359,844,363
Cash flows from financing activities:					
Repayment of loans	-	-	(6,732,937,709)	-	(6,732,937,709)
Proceeds from additional loans obtained	-	-	1,194,023,750	-	1,194,023,750
Repayment of lease liabilities	-	-	-	(601,235,467)	(601,235,467)
Payment of interest expense	-	(765,121,926)	-	(81,073,626)	(846,195,552)
Non-cash financing activities:					
Transfer to equity component	(3,443,750,000)	-	-	-	(3,443,750,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	141,568,711	141,568,711
Lease modification	-	-	-	92,397,741	92,397,741
Interest amortization on lease liabilities	-	-	-	81,073,626	81,073,626
Termination of lease	-	-	-	(2,675,196)	(2,675,196)
Accrual of interest	-	735,190,797	-	-	735,190,797
Balance as of December 31, 2021	**P -**	**P 42,924,364**	**P 24,841,430,646**	**P 1,092,950,054**	**P 25,977,305,064**
Balance as of January 1, 2020	P 5,280,000,000	P 141,479,085	P 31,939,838,586	P 2,021,932,115	P 39,383,249,786
Cash flows from financing activities:					
Repayment of loans	-	-	(2,741,784,226)	-	(2,741,784,226)
Proceeds from additional loans obtained	-	-	1,182,290,245	-	1,182,290,245
Repayment of lease liabilities	-	-	-	(216,881,185)	(216,881,185)
Payment of interest expense	-	(502,451,033)	-	(95,519,833)	(597,970,866)
Non-cash financing activities:					
Conversion of ELS	(1,836,250,000)	-	-	-	(1,836,250,000)
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	41,491,316	41,491,316
Lease modification	-	-	-	(383,647,981)	(383,647,981)
Interest amortization on lease liabilities	-	-	-	95,519,833	95,519,833
Accrual of interest	-	433,827,441	-	-	433,827,441
Balance as of December 31, 2020	P 3,443,750,000	P 72,855,493	P 30,380,344,605	P 1,462,894,265	P 35,359,844,363

	Equity-linked Debt Securities (see Note 15)	Accrued Interest Payable (see Notes 14, 15 and 16)	Interest-bearing Loans (see Note 14)	Lease Liabilities (see Note 9.2)	Total
Balance as of January 1, 2019	P 5,258,801,592	P 72,730,168	P 34,014,800,228	P -	P 39,346,331,988
Effect of adoption of PFRS 16	-	-	-	1,476,157,235	1,476,157,235
Cash flows from financing activities:					
Repayment of loans	-	-	(3,226,111,642)	-	(3,226,111,642)
Proceeds from additional loans obtained	-	-	1,151,150,000	-	1,151,150,000
Repayment of lease liabilities	-	-	-	(237,157,272)	(237,157,272)
Payment of interest expense	-	(585,733,890)	-	(119,902,633)	(705,636,523)
Non-cash financing activities:					
Additions to lease liabilities in exchange for increased right-of-use assets	-	-	-	782,932,152	782,932,152
Interest amortization on lease liabilities	-	-	-	119,902,633	119,902,633
Accrual of interest	21,198,408	654,482,807	-	-	675,681,215
Balance as of December 31, 2019	P 5,280,000,000	P 141,479,085	P 31,939,838,586	P 2,021,932,115	P 39,383,249,786

31.2 Supplemental Information on Non-cash Activities

The following discusses the supplemental information on non-cash investing and financing activities as presented in the consolidated statements of cash flows for the years ended December 31, 2021, 2020 and 2019:

- In 2021, certain advances to suppliers amounting to P602.0 million were reclassified as Land acquisition (see Notes 9.1 and 23.10).

- Share option benefits expense amounting to P44.9 million in 2021 and P27.0 million each in 2020 and 2019 was recognized with corresponding credits to Share Options account (see Notes 21.2 and 24.4).

- In 2021, Tranche 2 of the ELS amounting to P3,443.8 million was transferred to Deposit on Future Stock Subscription – Equity-linked Securities for future issuance of shares. In 2020, Tranche 1 of the ELS amounting to P1,836.3 million was converted into capital stock taken from the treasury shares. Correspondingly, conversion options amounting to P47.7 million in 2020 were reclassified to APIC (see Notes 15 and 24).

- In 2021 and 2020, the Group recognized additional right-of-use assets and lease liabilities amounting to P141.6 million and P41.5 million, respectively. In addition, the Group and its lessors have agreed for certain lease modifications pertaining to leased plant and warehouses, which were not accounted for as a separate lease. Accordingly, the modification resulted in the remeasurement of both lease liabilities and right of-use assets amounting to P92.4 million and P383.6 million, respectively (see Note 9.2).

32. EVENT OCCURING AFTER THE END OF REPORTING PERIOD

On February 28, 2022, the Conversion Period to issue 475.0 million ELS shares to Arran per the ELS Instrument was modified to May 15, 2022 (see Note 15).

Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Consolidated Financial Statements

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The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries ("the Group") for the year ended December 31, 2021, on which we have rendered our report dated April 22, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) are presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and are not a required part of the basic consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information are the responsibility of the Group's management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 22, 2022

EMPERADOR INC. AND SUBSIDIARIES
List of Supplementary Information
December 31, 2021

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule A - Financial Assets
December 31, 2021
(Amounts in Philippine Pesos)

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount	Amount Shown in the Consolidated Statement of Financial Position	Value Based on Market Quotation at Statement of Condition Date	Income Received and Accrued
FINANCIAL ASSETS AT AMORTIZED COST				
Cash and cash equivalents		P 9,333,783,438	P 9,333,783,438	P 86,442,812
Trade and other receivables - net		14,095,144,617	14,095,144,617	-
Property mortgage receivable		646,636,072	646,636,072	598,958,144
Refundable security deposits		63,917,560	63,917,560	-
GRAND TOTAL		**P 24,139,481,687**	**P 24,139,481,687**	**P 685,400,956**

EMPERADOR INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2021

(Amounts in Philippine Pesos)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts paid (collected)	Amounts written off	Current	Not current	
Advances to Officers and Employees (under the "Trade and Other Receivables" account)	P 44,299,252	P 59,146,778	P -	P -	P 103,446,030	P -	P 103,446,030

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule C - Amounts of Receivable/Payable from/to Related Parties which are Eliminated During the Consolidation of Financial Statements
December 31, 2021
(Amounts in Philippine Pesos)

TERMS & CONDITIONS:

All receivables/payables are unsecured, noninterest-bearing, collectible/payable on demand, unimpaired and generally settled in cash.

Name and designation of debtor	Affected accounts	Balance at beginning of year	Additions	Deductions		Ending balance		Balance at the end of the period
				Amounts collected	Amounts written off	Current	Non current	
Emperador Distillers, Inc.	Trade and other payables	P 3,749,646,626	P 2,347,141,814	(P 3,749,646,626)	P -	P 2,347,141,814	P -	P 2,347,141,814
Emperador International, Ltd.	Trade and other receivables	3,749,646,626	2,347,141,814	(3,749,646,626)	-	2,347,141,814	-	2,347,141,814
Emperador Distillers, Inc.	Trade and other payables	1,780,032	7,321,220	(1,780,032)	-	7,321,220	-	7,321,220
Whyte and Mackay Group Limited	Trade and other receivables	1,780,032	7,321,220	(1,780,032)	-	7,321,220	-	7,321,220
Emperador Distillers, Inc.	Trade and other payables	165,013,074	239,587,908	(165,013,074)	-	239,587,908	-	239,587,908
Bodegas Fundador S.L.U.	Trade and other receivables	165,013,074	239,587,908	(165,013,074)	-	239,587,908	-	239,587,908
Emperador Distillers, Inc.	Trade and other payables	679,708,717	-	(178,393,604)	-	501,315,113	-	501,315,113
Anglo Watsons Glass, Inc.	Trade and other receivables	679,708,717	-	(178,393,604)	-	501,315,113	-	501,315,113
Alcazar De Bana Holdings Company, Inc.	Trade and other payables	6,417,900	5,795,564,668	(6,417,900)	-	5,795,564,668	-	5,795,564,668
Emperador Distillers, Inc.	Trade and other receivables	6,417,900	5,795,564,668	(6,417,900)	-	5,795,564,668	-	5,795,564,668
Emperador Distillers, Inc.	Trade and other payables	109,099,745	184,211,409	(109,099,745)	-	184,211,409	-	184,211,409
Tradewind Estates, Inc.	Trade and other receivables	109,099,745	184,211,409	(109,099,745)	-	184,211,409	-	184,211,409
Emperador Distillers, Inc.	Trade and other payables	9,253,200	-	(9,253,200)	-	-	-	-
Alcazar De Bana Holdings Company, Inc.	Trade and other receivables	9,253,200	-	(9,253,200)	-	-	-	-
Emperador Distillers, Inc.	Trade and other receivables	8,924,507	14,413,360	(8,924,507)	-	14,413,360	-	14,413,360
Boozylife, Inc.	Trade and other payables	6,901,929	9,671,872	(6,901,929)	-	9,671,872	-	9,671,872
Progreen Agricorp, Inc.	Trade and other payables	1,824,351	4,548,692	(1,824,351)	-	4,548,692	-	4,548,692
Anglo Watsons Glass, Inc.	Trade and other payables	198,227	192,796	(198,227)	-	192,796	-	192,796
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
The Bar Beverage, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Cocos Vodka Distillers Philippines, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	1,875,000	-	-	-	1,875,000	-	1,875,000
Zabana Rum Company, Inc.	Subscription receivable	1,875,000	-	-	-	1,875,000	-	1,875,000
Emperador Distillers, Inc.	Subscription payable	25,270	-	-	-	25,270	-	25,270
Alcazar De Bana Holdings, Inc.	Subscription receivable	25,270	-	-	-	25,270	-	25,270
Emperador Inc.	Trade and other payables	749,337,960	24,435,586	-	-	773,773,546	-	773,773,546
Emperador International, Ltd.	Trade and other receivables	749,337,960	24,435,586	-	-	773,773,546	-	773,773,546
Emperador Inc.	Trade and other payables	246,500,000	-	(246,500,000)	-	-	-	-
Emperador Distillers, Inc.	Trade and other payables	246,500,000	-	(246,500,000)	-	-	-	-
Emperador International, Ltd.	Trade and other receivables	176,925,000	-	(176,925,000)	-	-	-	-
Emperador Distillers, Inc.	Trade and other receivables	176,925,000	-	(176,925,000)	-	-	-	-
Whyte and Mackay Group Limited	Trade and other payables	71,981,074	106,351,796	(71,981,074)	-	106,351,796	-	106,351,796
Bodegas Fundador S.L.U.	Trade and other receivables	71,981,074	106,351,796	(71,981,074)	-	106,351,796	-	106,351,796
Bodegas Fundador S.L.U.	Trade and other payables	19,596,626	17,082,552	(19,596,626)	-	17,082,552	-	17,082,552
Whyte and Mackay Group Limited	Trade and other receivables	19,596,626	17,082,552	(19,596,626)	-	17,082,552	-	17,082,552
Emperador Inc.	Trade and other receivables	-	1,111,500,000	-	-	1,111,500,000	-	1,111,500,000
Emperador Distillers, Inc.	Trade and other payables	-	1,111,500,000	-	-	1,111,500,000	-	1,111,500,000

EMPERADOR INC. AND SUBSIDIARIES

SEC Released Revised SRC Rule 68

Annex 68-J

Schedule D - Long-term Debt

December 31, 2021

(Amounts in Philippine Pesos)

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption"Current portion of long-term debt" in related balance sheet	Amount shown under caption"Long-Term Debt" in related balance sheet
Interest-bearing loans	P 24,841,430,646	P 3,411,082,346	P 21,430,348,300

EMPERADOR INC. AND SUBSIDIARIES
SEC Released Revised SRC Rule 68
Annex 68-J
Schedule G - Capital Stock
December 31, 2021

Title of Issue	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers and employees	Others
Capital stock - P1 par value	20,000,000,000	15,736,471,238	668,000,000	13,374,050,500	7	2,362,420,731

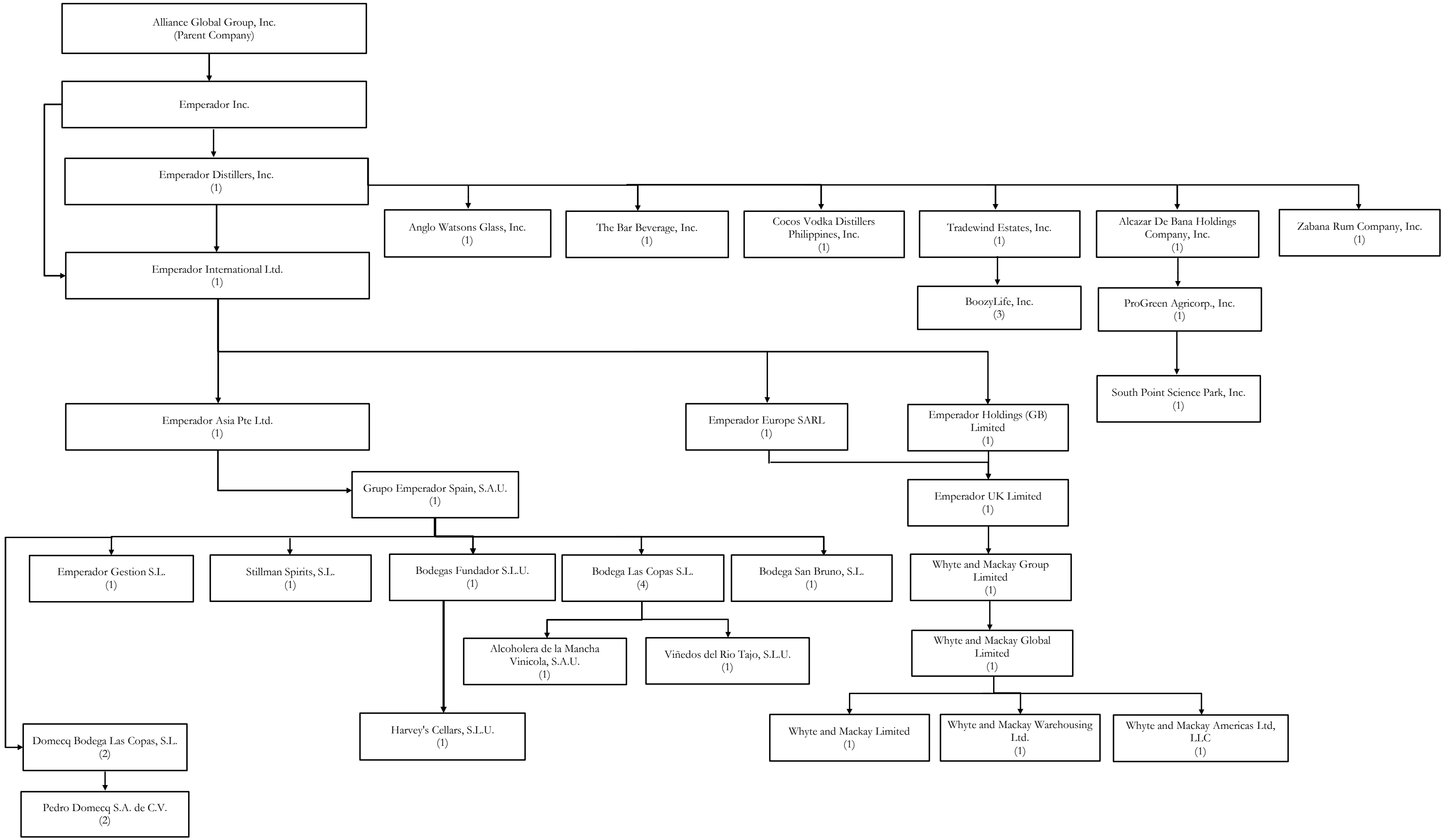
EMPERADOR INC.

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Schedule H - Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2021

Unappropriated Retained Earnings at Beginning of Year		P 5,429,982,461
Retained Earnings Restricted for Treasury Shares		(3,277,983,720)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		2,151,998,741
Net Income per Audited Financial Statements		4,924,646,685
Other Transactions During the Year		
Acquisition of treasury shares	(P 1,002,129,721)	
Dividends declared	(5,057,031,744)	(6,059,161,465)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 1,017,483,961**

EMPERADOR INC. AND SUBSIDIARIES
Map Showing the Relationship Between Emperador Inc.
and its Related Parties
December 31, 2021



Legend

Relationship with Emperador Inc.

(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (62%)
(4) Jointly Controlled Entity

EMPERADOR INC. AND SUBSIDIARIES
SCHEDULE J - AGING SCHEDULE OF TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2021
(Amounts in Thousand Philippine Pesos)

Trade Receivables		
Current	P	11,052,339
1 to 30 days		1,972,140
31 to 60 days		197,110
Over 60 days		516,606
Total		13,738,195
Other receivables		6,607,660
Balance at December 31, 2021	**P**	**20,345,855**

P&A
Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

The Board of Directors and Stockholders
Emperador Inc. and Subsidiaries
(A Subsidiary of Alliance Global Group, Inc.)
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Emperador Inc. and Subsidiaries ("the Group") as of and for the years ended December 31, 2021 and 2020, on which we have rendered our report dated April 22, 2022. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes 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 basic 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 of December 31, 2021 and 2020 and for each of the two years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

April 22, 2022

EMPERADOR INC. AND SUBSIDIARIES
Supplemental Schedule of Financial Soundness Indicators
December 31, 2021 and 2020

Ratio	Formula	2021	Formula	2020
Current ratio	Total Current Assets divided by Total Current Liabilities Total Current Assets 64,945,196,090 Divide by: Total Current Liabilities 23,523,397,598 Current ratio 2.76	2.76	Total Current Assets divided by Total Current Liabilities Total Current Assets 61,961,497,661 Divide by: Total Current Liabilities 25,808,376,366 Current ratio 2.40	2.40
Acid test ratio	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 64,945,196,090 Less: Inventories 34,013,144,005 Other Current Assets 1,249,119,654 Quick Assets 29,682,932,431 Divide by: Total Current Liabilities 23,523,397,598 Acid test ratio 1.26	1.26	Quick assets (Total Current Assets less Inventories and Other Current Assets) divided by Total Current Liabilities Total Current Assets 61,961,497,661 Less: Inventories 30,959,999,370 Other Current Assets 1,373,977,625 Quick Assets 29,627,520,666 Divide by: Total Current Liabilities 25,808,376,366 Acid test ratio 1.15	1.15
Solvency ratio	Earnings before interest, taxes, depreciation and amortization ("EBITDA") divided by Total Debt EBITDA 15,225,034,395 Divide by: Total Debt 24,841,430,646 Solvency ratio 0.61	0.61	Earnings before interest, taxes, depreciation and amortization ("EBITDA") divided by Total Debt EBITDA 11,552,031,236 Divide by: Total Debt 33,824,094,605 Solvency ratio 0.34	0.34
Debt-to-equity ratio	Total Debt divided by Total Equity Total Debt 24,841,430,646 Divide by: Total Equity 78,718,235,367 Debt-to-equity ratio 0.32	0.32	Total Debt divided by Total Equity Total Debt 33,824,094,605 Divide by: Total Equity 67,364,316,316 Debt-to-equity ratio 0.50	0.50
Assets-to-equity ratio	Total Assets divided by Total Equity Total Assets 128,516,376,821 Divide by: Total Equity 78,718,235,367 Assets-to-equity ratio 1.63	1.63	Total Assets divided by Total Equity Total Assets 122,452,152,235 Divide by: Total Equity 67,364,316,316 Assets-to-equity ratio 1.82	1.82
Interest rate coverage ratio	Earnings before interest and taxes ("EBIT") divided by Interest expense EBIT 13,677,890,688 Divide by: Interest expense 782,713,575 Interest rate coverage ratio 17.47	17.47	Earnings before interest and taxes ("EBIT") divided by Interest expense EBIT 9,984,705,419 Divide by: Interest expense 548,979,806 Interest rate coverage ratio 18.19	18.19
Liabilities-to-equity ratio	Total Liabilities divided by Total Equity Total Liabilities 49,798,141,454 Divide by: Total Equity 78,718,235,367 Liabilities-to-equity ratio 0.63	0.63	Total Liabilities divided by Total Equity Total Liabilities 55,087,835,919 Divide by: Total Equity 67,364,316,316 Liabilities-to-equity ratio 0.82	0.82
Return on equity	Net Profit divided by Total Equity Net Profit 10,148,359,305 Divide by: Total Equity 78,718,235,367 Return on equity 0.13	0.13	Net Profit divided by Total Equity Net Profit 8,036,639,957 Divide by: Total Equity 67,364,316,316 Return on equity 0.12	0.12

Ratio	Formula	2021	Formula	2020
Return on assets	Net Profit divided by Average Total Assets Net Profit 10,148,359,305 Divide by: Average total Assets 125,484,264,528 Return on assets 0.08	0.08	Net Profit divided by Average Total Assets Net Profit 8,036,639,957 Divide by: Average total Assets 124,249,745,722 Return on assets 0.06	0.06
Net profit margin	Net Profit divided by Total Revenue Net Profit 10,148,359,305 Divide by: Total Revenue 55,936,272,323 Net profit margin 0.18	0.18	Net Profit divided by Total Revenue Net Profit 8,036,639,957 Divide by: Total Revenue 52,834,305,306 Net profit margin 0.15	0.15