MACAY HOLDINGS
INCORPORATED

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **MACAY HOLDINGS, INC. AND SUBSIDIARIES** 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, 2020** and **2019,** in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has not realistic alternative but to do so.

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

The Board of Directors reviews and approves the financial statements and submit the same to the stockholders or members.

Sycip, Gorres, Velayo and Co., the independent auditor, appointed by the stockholders has audited the consolidated financial statements of the Company in accordance the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Very truly yours,
Macay Holdings, Inc.

ALFREDO M. YAO	**ANTONIO I. PANAJON**	**RENATO J. JAMLANG**
Chairman of the Board	President	Controller

Subscribed and sworn to before me this 20 MAY 2022 day of ____________ in the city of MAKATI Metro Manila Philippines. Affiant exhibiting his/hers/their respective IDs.

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Page No 70
Book No 216
Series of 2022

ATTY. RAYMOND A. RAMOS
COMMISSION NO. M-239
NOTARY PUBLIC FOR MAKATI CITY
UNTIL JUNE 30, 2022 PER B.M. NO. 3795
11 KALAYAAN AVENUE EXTENSION,
BARANGAY WEST REMBO, MAKATI CITY
SC Roll No. 62179/04-26-2013
IBP NO. 171365/01-03-2022/Pasig City
PTR NO. MKT 8852502/01-03-2022/Makati City
MCLE Compliance No. VI-0007878/4-06-2018

C O V E R   S H E E T

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W 0 0 0 0 0 9 9 8

COMPANY NAME

M A C A Y   H O L D I N G S ,   I N C .   A N D

S U B S I D I A R I E S

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

1 3 7   Y a k a l   S t r e e t ,   S a n   A n t o n i o

V i l l a g e ,   M a k a t i   C i t y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A C F S	S E C	N/ A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	(02) 893-0733	N/A

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
388	4th Wednesday of June	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
RENATO J. JAMLANG	rjjamlang@macayholdings.com.ph	(02) 893-0733	N/A

CONTACT PERSON's ADDRESS

137 YAKAL STREET, SAN ANTONIO VILLAGE, MAKATI CITY

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

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

SGV
Building a better working world

SyCip Gorres Velayo & Co.
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1226 Makati City
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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Macay Holdings, Inc.
137 Yakal Street, San Antonio Village
Makati City

Opinion

We have audited the consolidated financial statements of Macay Holdings, 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 (PFRSs).

Basis for Opinion

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimating Useful Life of Deferred Pallets and Containers

In accordance with its policy, the Group reviews annually the estimated useful life of its deferred pallets and containers based on the profile of the assets and aging analysis. The estimation of useful life is based on internal technical evaluation done on a collective basis, and the Group's experience with similar assets in so far as breakages and bottle turn over are concerned. We consider this as a key audit matter because estimating the useful life of deferred pallets and containers requires significant judgment and estimation by management. In addition, this estimate has significant impact on the consolidated financial statements, particularly on amortization and impairment assessment and testing of deferred pallets and containers. The carrying value of deferred pallets and containers amounted to ₱1,722.04 million and ₱1,920.37 million, respectively.

See Notes 3 and 9 to the consolidated financial statements for the related disclosures.

Audit response

We obtained an understanding of the Group's process in estimating the useful life of its deferred pallets and containers. We evaluated the competence, capabilities and objectivity of management's specialist who performed the bottle aging analysis. We evaluated the appropriateness of the methodology used in the aging analysis. We checked whether the samples selected for the aging analysis covers all bottle types and plant locations. We also performed an analysis of the relationship of the Group's acquisition of deferred pallets and containers, forecasted sales volume and production requirement to corroborate the Group's estimation of useful life of deferred pallets and containers.

Accounting for the Acquisition of Artermisplus Express, Inc.

In August 2020, the Parent Company entered into a share purchase agreement with Kitchen City Pte. Ltd. (KCPTL) for the purchase of 100% shares of Artemisplus Express Inc. doing business in the name of name "Kitchen City" (AEI), a food concessionaire. On September 23, 2020 the acquisition of shares was completed after the fulfillment of agreed closing conditions as provided under the agreement.

The acquisition was accounted for as a business combination under PFRS 3, *Business Combinations*, which required the identification of the acquired assets and liabilities of AEI and the determination of their fair values. In 2020, the Group reported the identified assets and liabilities from the acquisition based on provisional assessment of fair values while the Group sought an independent valuation of the assets and liabilities of AEI. In 2021, the final purchase price allocation was finalized, with resulting fair value of identified net assets amounting to ₱260.29 million. The Group recognized customer relationships of ₱189.66 million and related deferred tax liability amounting to ₱47.42 million and adjusted the goodwill to reflect the resulting residual amount of ₱1,558.30 million. The Group employed judgement and estimates in the allocation of purchase price to the fair values of the identifiable assets and liabilities of AEI. Further, the valuation of the acquired customer relationships and goodwill required the use of assumptions such as revenue from existing customers, churn rate and discount rate.

Refer to Notes 3 and 11 to the consolidated financial statements for the detailed disclosure.

Audit Response

We reviewed the share purchase price agreement between the Parent Company and KCPTL, and the management's identification of AEI's assets and liabilities. We reviewed the final purchase price allocation prepared by the Group's external specialist. We considered management's use of external specialists in relation to the determination of the fair value the acquired net assets of AEI including customer relationships. We evaluated the external specialist's competence, capabilities and objectivity by considering their qualifications, experience and reporting responsibilities. With the involvement of our internal specialist, we reviewed the methodology and assumptions used in the determination of fair values of AEI's intangible assets. For the customer relationships, we evaluated the relevant information supporting the revenue from existing customers, customer churn rate and discount rate. We also inspected sample contracts of existing customers of AEI. We also tested the parameters used in the determination of the discount rates against market data. We likewise reviewed the disclosures in the notes to the consolidated financial statements.

Impairment Testing of Goodwill and Other Intangible Assets

As of December 31, 2021, the Group recognized goodwill and customer relationship attributable to the acquisition of Artemisplus Express, Inc. in 2020 amounting to ₱1,588.30 million and ₱183.74 million, respectively. As required under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Group is required perform impairment test on customer relationships when circumstances indicate that the carrying amount is impaired and annual impairment tests on goodwill. The impairment test on goodwill and customer relationship is significant to our audit because the balance of goodwill and customer relationship is material to the consolidated financial statements and the determination of the recoverable amount of cash-generating unit (CGU) to which goodwill and customer relationship is attributed involves significant judgment and assumptions about the future result of the business.

The significant assumptions used in determining the recoverable amount of CGU, specifically discount rate, revenue growth rate, cost of sales ratio and operating expenses ratio, are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the coronavirus pandemic.

The Group's disclosures about goodwill and other intangible assets are included in Note 11 to the consolidated financial statements.

Audit Response

With the involvement of our internal specialist, we evaluated the key assumptions such as the discount rates, revenue growth rate, cost of sales ratio and operating expenses ratio that were used to estimate the discounted cash flows of the CGU where management attributes the goodwill. We evaluated these key assumptions based on our understanding of the CGU's business plans and by reference to historical information and relevant market data. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about the assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A or Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of our auditor's 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 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 to 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 auditor's 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 auditor's report is Ana Lea C. Bergado.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0660-AR-4 (Group A)
October 22, 2019, valid until October 21, 2022
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-063-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853473, January 3, 2022, Makati City

May 19, 2022

MACAY HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,105,067,967**	₱2,278,529,907
Short term investments (Note 4)	**1,111,596,724**	–
Trade and other receivables (Note 5)	**527,142,753**	487,837,083
Inventories (Note 6)	**939,619,066**	983,638,023
Other current assets (Note 7)	**570,619,668**	232,648,346
Total Current Assets	**4,254,046,178**	3,982,653,359
Noncurrent Assets		
Property, plant and equipment (Note 8)	**1,383,107,771**	1,472,594,926
Right-of-use assets (Note 21)	**191,484,411**	322,898,635
Deferred pallets and containers (Note 9)	**1,722,352,478**	1,920,268,265
Goodwill and other intangible assets (Note 11)	**1,742,037,824**	1,747,964,798
Deferred tax assets - net (Notes 11 and 23)	**83,305,374**	43,863,041
Other noncurrent assets (Note 7)	**307,376,303**	586,421,445
Total Noncurrent Assets	**5,429,664,161**	6,094,011,110
TOTAL ASSETS	**₱9,683,710,339**	₱10,076,664,469
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 12)	**₱1,565,921,623**	₱1,835,054,707
Short-term loans payable (Note 13)	**32,135,818**	40,043,281
Dividends payable (Note 14)	**2,695,818**	2,695,818
Long-term loans payable - current portion (Note 13)	**34,270,666**	1,464,729
Lease liability - current (Note 21)	**195,878,936**	143,552,294
Total Current Liabilities	**1,830,902,861**	2,022,810,829
Noncurrent Liabilities		
Long-term loans payable - noncurrent portion (Note 13)	**171,253,363**	6,851,423
Lease liability - noncurrent (Note 21)	**39,357,041**	226,782,241
Retirement liability (Note 22)	**115,039,035**	117,617,494
Total Noncurrent Liabilities	**325,649,439**	351,251,158
TOTAL LIABILITIES	**2,156,552,300**	2,374,061,987
Equity		
Capital stock (Note 14)	**1,068,393,223**	1,068,393,223
Additional paid-in capital	**1,153,568,289**	1,153,568,289
Stock dividends for distribution (Note 14)	**224,362,576**	224,362,576
Remeasurement gain on retirement liability (Note 22)	**55,547,462**	35,883,240
Retained earnings (Note 14)	**5,025,286,489**	5,220,395,154
TOTAL EQUITY	**7,527,158,039**	7,702,602,482
TOTAL LIABILITIES AND EQUITY	**₱9,683,710,339**	₱10,076,664,469

See accompanying Notes to Consolidated Financial Statements.

MACAY HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
REVENUES			
Sale of goods (Notes 15 and 20a)	**₱7,812,615,898**	₱9,076,550,335	₱10,438,627,340
Sale of services (Note 15)	**1,154,410,254**	242,597,200	–
Tolling revenues (Notes 15 and 20a)	–	549,587	1,585,485
	8,967,026,152	9,319,697,122	10,440,212,825
COST OF SALES AND SERVICES (Note 16)			
Cost of sales	**(6,503,610,053)**	(7,275,142,590)	(8,481,591,942)
Cost of services	**(798,843,411)**	(198,803,155)	–
GROSS PROFIT	**1,664,572,688**	1,845,751,377	1,958,620,883
EXPENSES			
Selling and marketing (Note 17)	**1,125,596,139**	1,206,589,233	1,315,109,795
General and administrative (Note 18)	**778,257,171**	562,366,510	392,437,006
	1,903,853,310	1,768,955,743	1,707,546,801
OTHER INCOME (CHARGES)			
Interest expense (Notes 13 and 21)	**(38,320,155)**	(42,387,474)	(52,231,226)
Interest income (Note 4)	**24,864,342**	51,656,089	88,488,974
Foreign exchange gains (losses) - net	**18,754,588**	(15,481,444)	(10,246,054)
Gain on bargain purchase (Note 10)	–	6,682,786	–
Share in net income (loss) in joint venture (Note 10)	–	2,816,214	(7,589,403)
Others (Note 19)	**6,026,839**	14,511,161	17,003,322
	11,325,614	17,797,332	35,425,613
INCOME (LOSS) BEFORE INCOME TAX	**(227,955,008)**	94,592,966	286,499,695
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 23)			
Current	**9,733,279**	40,359,329	74,229,038
Deferred	**(42,579,622)**	(19,350,560)	(13,983,059)
	(32,846,343)	21,008,769	60,245,979
NET INCOME (LOSS)	**(195,108,665)**	73,584,197	226,253,716
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (loss) on retirement benefits, net of tax (Note 22)	**19,664,222**	(6,645,279)	(22,918,253)
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱175,444,443)**	₱66,938,918	₱203,335,463
EARNINGS PER SHARE			
Basic/Diluted Earnings (Loss) Per Share (Note 26)	**(₱0.18)**	₱0.07	₱0.21

See accompanying Notes to Consolidated Financial Statements.

MACAY HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock	Additional Paid-in Capital	Stock Dividend for Distribution	Remeasurement Gain on Retirement Liability	Retained Earnings		Total
					Appropriated	Unappropriated	
Balances at January 1, 2019	**₱1,068,393,223**	**₱1,153,568,289**	**₱224,362,576**	**₱65,446,772**	**₱1,400,000,000**	**₱3,734,235,886**	**₱7,646,006,746**
Net income	–	–	–	–	–	226,253,716	226,253,716
Other comprehensive loss (Note 22)	–	–	–	(22,918,253)	–	–	(22,918,253)
Total comprehensive income	–	–	–	(22,918,253)	–	226,253,716	203,335,463
Dividends declared (Note 14)	–	–	–	–	–	(213,678,645)	(213,678,645)
Reversal of appropriation (Note 14)	–	–	–	–	(1,400,000,000)	1,400,000,000	–
Appropriation (Note 14)	–	–	–	–	1,006,000,000	(1,006,000,000)	–
Balances at December 31, 2019	**1,068,393,223**	**1,153,568,289**	**224,362,576**	**42,528,519**	**1,006,000,000**	**4,140,810,957**	**7,635,663,564**
Net income	–	–	–	–	–	73,584,197	73,584,197
Other comprehensive loss (Note 22)	–	–	–	(6,645,279)	–		(6,645,279)
Total comprehensive income	–	–	–	(6,645,279)	–	73,584,197	66,938,918
Reversal of appropriations (Note 14)	–	–	–	–	(1,006,000,000)	1,006,000,000	–
Balances at December 31, 2020	**1,068,393,223**	**1,153,568,289**	**224,362,576**	**35,883,240**	–	**5,220,395,154**	**7,702,602,482**
Net loss	–	–	–	–	–	(195,108,665)	(195,108,665)
Other comprehensive income (Note 22)	–	–	–	19,664,222	–	–	19,664,222
Total comprehensive income	–	–	–	19,664,222	–	(195,108,665)	(175,444,443)
Balances at December 31, 2021	**₱1,068,393,223**	**₱1,153,568,289**	**₱224,362,576**	**₱55,547,462**	**₱–**	**₱5,025,286,489**	**₱7,527,158,039**

See accompanying Notes to Consolidated Financial Statements.

MACAY HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**(₱227,955,008)**	₱94,592,966	₱286,499,695
Adjustments for:			
Depreciation and amortization (Notes 8, 9, 16, 17, 18 and 21)	**1,004,700,182**	1,050,561,020	1,304,015,721
Interest expense (Notes 13 and 21)	**38,320,155**	42,387,474	52,231,226
Retirement benefit expense (Note 22)	**32,754,947**	25,963,278	18,375,355
Interest income (Note 4)	**(24,864,342)**	(51,656,089)	(88,488,974)
Unrealized foreign exchange losses (gains) - net	**(18,754,588)**	15,481,444	10,246,054
Revaluation loss in interest in a joint venture (Note 10)	**–**	11,861,275	–
Gain on bargain purchase (Note 10)	**–**	(6,682,786)	–
Share in net loss (income) of joint venture (Note 10)	**–**	(2,816,214)	7,589,403
Operating income before working capital changes	**804,201,346**	1,179,692,368	1,590,468,480
Decrease (increase) in:			
Trade and other receivables	**(28,866,398)**	133,420,099	(5,056,676)
Inventories	**83,589,314**	(7,421,704)	25,683,458
Other assets	**23,087,360**	12,420,843	(79,050,055)
Decrease in trade and other payables	**(250,770,951)**	(91,070,363)	(514,630,819)
Net cash generated from operations	**631,240,671**	1,227,041,243	1,017,414,388
Interest received	**14,425,070**	53,909,685	92,075,714
Income taxes paid, including creditable withholding taxes (Note 23)	**(9,955,203)**	(19,253,448)	(100,754,964)
Interest paid (Notes 13 and 21)	**(38,320,155)**	(42,387,474)	(52,231,226)
Contributions paid to plan assets (Note 22)	**(10,000,000)**	–	(9,164,921)
Net cash provided by operating activities	**587,390,383**	1,219,310,006	947,338,991
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturities (placement) of short-term investments	**(1,111,596,724)**	–	139,912,324
Additions to:			
Deferred pallets and containers (Note 9)	**(435,442,140)**	(242,013,394)	(536,288,617)
Property, plant and equipment (Notes 8)	**(210,637,181)**	(172,264,462)	(216,618,542)
Increase in other noncurrent assets	**(76,586,209)**	(5,606,681)	(16,119,462)
Proceeds from disposal of property and equipment (Note 8)	**3,006,392**	114,021	
Acquisition of a subsidiary – net of cash acquired (Note 11)	**–**	(1,964,721,765)	–
Step acquisition of a subsidiary – net of cash acquired (Note 10)	**–**	19,635,694	–
Net cash used in investing activities	**(1,831,255,862)**	(2,364,856,587)	(629,114,297)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availment of short-term loan (Notes 13 and 25)	**412,993,526**	467,796,521	503,063,031
Availment of long-term loans (Notes 13 and 25)	**200,000,000**	1,114,730	–
Payments of short-term loans (Notes 13 and 25)	**(420,900,989)**	(470,329,595)	(552,135,567)
Payments of long-term loans (Notes 13 and 25)	**(2,792,123)**	–	–
Payment of principal portion of lease liabilities (Notes 21 and 25)	**(137,651,463)**	(114,837,144)	(260,926,333)
Cash dividends paid (Note 14 and 25)	**–**	–	(213,678,645)
Net cash provided by (used in) financing activities	**51,648,951**	(116,255,488)	(523,677,514)

(Forward)

	Years Ended December 31		
	2021	2020	2019
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**₱18,754,588**	(₱15,481,444)	(₱10,246,054)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(1,173,461,940)**	(1,277,283,513)	(215,698,874)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,278,529,907**	3,555,813,420	3,771,512,294
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,105,067,967**	₱2,278,529,907	₱3,555,813,420

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

Macay Holdings, Inc. (the Parent Company or MHI) is a company incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on October 16, 1930 primarily to reflect the business of a holding company. Under its amended Articles of Incorporation, the corporate life of the Parent Company was extended for another 50 years up to October 16, 2030. The shares of stock of MHI are listed and traded as “MACAY” on the Philippine Stock Exchange (PSE) starting 2013.

In August 2020, the Parent Company entered into share purchase agreement with Kitchen City Pte. Ltd. for the purchase of 100% shares of Artemisplus Express Inc. (trade name “Kitchen City”) [AEI], a food concessionaire. On September 23, 2020 the acquisition of shares was completed after the fulfillment of agreed closing conditions as provided under the agreement (see Note 11).

ARC Holdings, Inc. (ARCHI, a subsidiary) has 50% interest with Asiawide Kalbe Philippines, Inc. (AKPI), a joint venture. In October 2020, the ARCHI purchased the remaining 50% interest of AKPI from Kalbe International Pte. Ltd. (Kalbe), making AKPI wholly owned by ARCHI (see Note 10).

The Parent Company is 84.79% owned by Mazy’s Capital, Inc. (MCI, a Filipino Corporation) as of December 31, 2021 and 2020. Public ownership is 15.21% as of December 31, 2021 and 2020.

MCI is 42.86% owned by Mega Asia Bottling Corporation (Mega Asia) and 57.14% owned by Zest-O Corporation (Zest-O). Mega Asia is an entity under common control while Zest-O is the ultimate parent company of the Group.

The Parent Company owns 100% interest and operates as the holding company of ARC Refreshments Corporation (ARCRC), a beverage company, AEI, food concessionaire, and ARCHI, a holding company.

The registered office address and principal place of business of the Parent Company is 137 Yakal Street, San Antonio Village, Makati City, Philippines 1203.

The Parent Company and its subsidiaries are collectively referred to in the notes to the consolidated financial statements as the “Group”.

The accompanying consolidated financial statements of the Group as of December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, were approved and authorized for issue by the Board of Directors (BOD) on May 19, 2022.

2. Basis of Preparation, Statement of Compliance and Changes in Accounting Policies

Basis of Preparation
The accompanying consolidated financial statements have been prepared under the historical cost basis. The consolidated financial statements are presented in Philippine peso (₱), which is the Parent Company’s functional currency. All amounts are rounded off to the nearest ₱, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31 of each year.

Below are the Group's subsidiaries and percentage of ownership:

	Percentage of Ownership			
	2021		2020	
	Direct	**Indirect**	Direct	Indirect
ARC Refreshments Corporation (ARCRC)	**100%**	**–**	100%	–
Artemisplus Express, Inc. (AEI)	**100%**	**–**	100%	–
ARC Holdings, Inc. (ARCHI)	**100%**	**–**	100%	–
Asiawide Kalbe Philippines, Inc. (AKPI)	**–**	**100%**	–	100%

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only, if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation differences recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the parent's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

<u>Changes in Accounting Policies</u>

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncement starting January 1, 2021.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond June 30, 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:
  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

  The Group adopted the amendments beginning April 1, 2021. The Group applied the practical expedient where rent concessions as a result of Covid-19 pandemic that meets the criteria above shall not be considered as a lease modification. This includes forgiveness of rent which were recognized in profit or loss in the year when the event or condition that triggers those change sin lease payments occur.

In 2021, the Group received rent concessions from lessors amounting to ₱5.72 million accounted for as negative variable lease payments in profit or loss (see Note 21).

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):
  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
  - Relief from discontinuing hedging relationships
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

  The Group shall also disclose information about:
  - The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
  - Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

  The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Group is not required to restate prior periods. The adoption of the amendment did not impact the Group's financial statement as of December 31, 2021.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. Adoption of the applicable pronouncements is not expected to have a significant impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs* 2018-2020 Cycle
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*
  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Summary of Significant Accounting Policies

Revenue

Revenue from contracts with customers is recognized when control of goods or services are transferred to the customers at an amount that reflects the consideration which the Group expects to be entitled to in exchange for those goods or services. Control refers to the ability of the customer to direct and obtain substantially all the transferred product benefits. Also, it implies that the customer has the ability to prevent a third-party from directing the use and obtaining substantially all the benefits of the transferred product. The Group consider the following five-step model in accounting for its revenue from contract with customers.

Determine the contract in a revenue arrangement
The Group accounts for a contract when it meets the following criteria: (a) the parties have approved the contract and are committed to perform their respective obligations; (b) each party's rights regarding the goods or services to be transferred can be identified; (c) payment terms can be identified; (d) the contract has commercial substance; and (e) the collectability of consideration is probable.

Identify the related performance obligation in a contract
At contract inception, the Group assesses the goods or services promised in a contract with a customer and identifies as a performance obligation each promise to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. A good or service is distinct if it is capable of being distinct by providing a benefit to the customer either on its own or together with other resources that are readily available to the customer and the promised good or service is separately identifiable from other promises in a contract.

Determine the transaction price
The Group determines the transaction price in a contract as the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (e.g. value added tax). In determining the transaction price, the Group considers the terms of the contract with customers and the Group's customary business practice.

If the consideration promised in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to a customer. The Group estimates the amount of variable consideration in a contract either using the expected value or the sum of probability weighted amounts in a range of possible consideration amounts or the single most likely amount in a range of possible consideration amounts. The Group includes the estimated variable consideration in the transaction price only if it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group has no variable considerations related to its contracts with customers.

The Group accounts for consideration payable to a customer as a reduction of the transaction price and, therefore, of revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the Group.

Perform an allocation of the transaction price to performance obligation
If the contract has two or more performance obligation, the Group allocates the total transaction price in a contract to each of the performance obligation in an amount based on the estimated relative standalone selling prices of the promised goods or services underlying each performance obligation.

Recognize revenue upon satisfaction of performance obligation
The Group recognizes revenue in a contract with customer only when it satisfies an identified performance obligation by transferring a promised good or service to a customer. The Group considers a good or service to be transferred when the customer obtains control. Considering the terms of the contract and type of performance obligation, the Group assesses that it satisfies its performance obligation in a contract with customer, and therefore recognize revenue, either over time or point in time. The Group satisfies performance obligation over time if one of the following criteria are met: (a) as the Group performs, the customer simultaneously receives and consumes the benefits provided by the Group's performance; (b) the Group's performance creates or enhances an asset (e.g., work in progress) that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. For performance obligation satisfied over time, the Group measures the progress towards complete satisfaction of its performance obligation in a contract with customer using input method or output method. For performance obligation not satisfied over time, the Group recognizes revenue at the point in time the control over goods or services have been transferred to the customer.

If the Group enters into an arrangement that does not meet the criteria for a contract above, the Group recognizes revenue only when either: (1) the Group has no remaining obligations to transfer goods or services and substantially all of the consideration has been received by the Group and is non-refundable; or (2) the contract has been terminated and the consideration received is non-refundable.

The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring to the customers.

Sale of Goods
Most of the Group's revenue arises from its contract for sale of goods (e.g. RC Cola products and frozen meals). Revenue from sale of goods is recognized at a point when control of the goods is transferred to the customer, generally on delivery and acceptance of the goods.

Sale of Services
Sale of services pertains to revenue from canteen concession arrangement and sub-concession arrangements.

Revenue from canteen concession is recognized at point in time when control is transferred to the customer, which is normally when the order is served.

Revenue from sub-concession arrangements pertains to commission revenue that arises from transactions which the Group acts as a third-party collecting agent and consist of the net amount in the Group retains from sale from sub-concession's goods. Revenue from sub-concession arrangements is recognized as earned upon performance of the service(e.g., sale of sub-concession's goods).

Tolling Revenues
Revenue from tolling services is recognized over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs. The Group determined that the output method is the best method in measuring progress for tolling services because there is a direct relationship between the value to the customer of the services transferred to date and the transfer of service to the customer.

Interest Income
Interest income from bank deposits and short-term investments is recognized as it accrues using the effective interest rate (EIR) method.

Cost and Expense Recognition
Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrences of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are generally recognized when the expense arises following the accrual basis of accounting.

Cost of Sales
Cost of sales, which comprise mainly of purchases of raw materials and related production cost, are recognized on a monthly basis in relation with the recognition of the related revenue arising from the sale.

Cost of Services
Cost of services which mainly pertain to the cost of tolling services. This is recognized when the cost is incurred.

Selling and Marketing Expenses
Selling and marketing expenses consist of costs associated with the development and execution of marketing promotion activities and all expenses connected with selling, servicing and distributing Group products.

General and Administrative Expenses
General and administrative expenses are incurred in the normal course of business and are generally recognized when the services are used or the expenses arise.

Current and Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.
A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents
Cash includes cash on hand and with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of placement and that are subject of an insignificant risk of change in value.

Short-term Investments
Short-term investments are investments with maturities of less than one year but did not meet the definition of cash equivalents.

Financial Instruments
Financial instruments are recognized in the statement of financial position when the Group becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using trade date accounting.

Financial assets
Initial recognition and measurement
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group only has financial assets at amortized cost as of December 31, 2021 and 2020.

Financial assets at amortized cost
The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.
The Group's financial assets at amortized cost includes cash and cash equivalents and trade and other receivables.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The cash and cash equivalents are maintained in financial institution graded by the external credit rating agency and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from the credit rating agency both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities
Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

As of December 31, 2021 and 2020, the Group's financial liabilities include trade and other payables, dividend payables, loan payables and lease liabilities. It does not have financial liabilities at fair value through profit or loss or derivatives designated as hedging instruments in an effective hedge.

Subsequent measurement
After initial recognition, trade and other payables, dividends payable, and interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss.

Derecognition of Financial Instruments

Financial asset

A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- The rights to receive cash flows from the assets have expired;
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amount and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the weighted-average method and includes expenditures incurred in bringing the materials and supplies to their existing location and condition. NRV is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Any write-down of materials, supplies, spare parts and finished goods to NRV is recognized as an expense in consolidated statement of comprehensive income in the year incurred.

The Group provides allowance for inventory losses on finished goods and raw materials whenever utility of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Investment in a Joint Venture

A joint venture is a type joint arrangement whereby the parties that have joint control of an arrangement, and have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

Under the equity method, the interest is initially recognized at cost. The carrying amount is increased or decreased to recognize the Group's share of the profits and losses of the joint venture after the date of the acquisition.

The consolidated statement of comprehensive income reflects the Group's share of the results of operations of the joint venture. Any change in OCI of the joint venture is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues its share of further losses.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its interests in joint ventures. At each reporting date, the Group determines whether there is objective evidence that the interest in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, then recognizes the loss as "Share in net income/losses of a joint venture" in the consolidated statement of comprehensive income.

Upon loss of joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognized in the statement of comprehensive income.

When the Group obtains control over a joint venture, the Group remeasures any previously held interest in joint venture at fair value immediately prior to obtaining control. Any gain or loss from remeasurement is recognized in profit or loss.

Property, Plant and Equipment
Property, plant and equipment, except land, are carried at cost less accumulated depreciation, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property, plant and equipment consists of construction cost, and its purchase price, including import duties and nonrefundable purchase taxes and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent costs that can be measured reliably are added to the carrying amount of the asset when it is probable that future economic benefits associated with the asset will flow to the Group. The costs of day-to-day servicing of an asset are recognized as an expense in the period in which they are incurred.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life.

The average estimated useful lives of property, plant and equipment are as follows:

Category	Number of Years
Machinery and equipment	10
Vehicles	4 to 5
Waste water facility	2-5
Laboratory equipment	2
Tools	3 to 5
Office and other equipment	2-5

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

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

When assets are disposed of, or are permanently withdrawn from use and no future economic benefits are expected from their disposals, the cost and accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in statement of comprehensive income. Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.

Construction in progress under "Property, plant and equipment" is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and are available for use.

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The average estimated useful life of right-of-use assets are as follows:

Category	Number of Years
Land	More than one year to 7 years
Building	2-6
Office space	2-5
Transportation equipment	5

Right-of-use assets are subject to impairment. Refer to the accounting policies in section "Impairment of non-financial assets."

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Deferred Pallets and Containers
The Group purchases returnable containers (i.e. beverage bottles) that are being circulated in the normal course of trade. The containers are initially recorded at cost. These containers are presented as “Deferred pallets and containers” in the statement of financial position, and are carried at cost less accumulated amortization and any impairment in value. The cost of the containers less the salvage value, which is equal to the deposit value of the container, is subjected to amortization over four (4) years representing the trip life of the containers. Amortization of “Deferred pallets and containers” is included under “Cost of sales and services” account in the statement of comprehensive income.

Amortization of bottles, and shells and pallets commences once they are available for use over the estimated useful life of four (4) years. An allowance is provided for excess, unusable and obsolete returnable bottles and cases based on the specific identification method.

Acquisition of a Business and Goodwill
An acquisition of a business (i.e. an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return directly to investors) is a business combination. Business combinations are accounted for using the acquisition method of accounting. The acquired identifiable tangible and intangible assets, liabilities and contingent liabilities are measured at their fair values at the date of the acquisition. Any excess of the acquisition cost over the net fair value of the identifiable assets acquired and liabilities is recognized as goodwill.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the business acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Company accounts for the combination using provisional fair values. Adjustments to those provisional fair values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its impairment test of goodwill at least annually.

Customer Relationship

Customer relationship is an intangible asset acquired separately which is measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, customer relationship is carried at cost, less any accumulated amortization and accumulated impairment loss.

The useful lives of customer relationship are assessed as finite with a useful life of 40 years.

Customer relationship is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Impairment of Nonfinancial Assets
Property, plant and equipment, deferred pallets and containers and customer relationship are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its estimated recoverable amount, the asset or cash generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the non-financial asset. For an asset that does not generate largely independent cash inflows, the estimated recoverable amount is determined for the CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement of comprehensive income.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used value in use to assess the recoverable amount of an asset.

Recovery of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The recovery is recorded in the consolidated statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Input Value-Added Tax (VAT)
Input VAT represents VAT imposed to the Group by its suppliers for the acquisition of goods and services as required by the Philippine taxation laws and regulations.

Input taxes under “Other current assets” account is stated at its estimated NRV and will be used to offset against the Group’s output VAT liabilities. Output VAT is the amount of VAT calculated and charged on the Group’s own sale of goods and services to third parties.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued and outstanding. When the shares are sold at premium the difference between the proceeds and the par value is credited to “Additional paid-in capital”.

Retained Earnings
Retained earnings represent all accumulated profits or losses of the Group and dividend distributions, if any, to shareholders of the Parent Company and other capital adjustments. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date.

Stock Dividends for Distribution
Stock dividends for distribution represents the stock dividend declared and approved by the BOD and stockholders which will be issued to stockholders and reclassified to capital stock upon approval by SEC. The stock dividends for distribution is classified as equity.

Provisions
Provisions are generally recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Retirement Benefits Asset (Liability)
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

Foreign Currency-denominated Transactions
Transactions in foreign currencies are recorded using the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange at the reporting date. Foreign exchange differences between rate at transaction date and rate at settlement date or reporting date are recognized in the consolidated statement of comprehensive income. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Income Taxes

Current Income Tax

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

Deferred Tax

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences, carry forward benefit of unused tax credits to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Earnings Per Share ("EPS")

Basic EPS is calculated by dividing income applicable to common shares by the weighted average number of common shares outstanding during the year with retroactive adjustments for stock dividends. Diluted EPS is computed in the same manner as basic EPS, however, net income attributable to common shares and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential common shares.

Contingently issuable ordinary shares are ordinary shares issuable for little or no cash or other consideration upon the satisfaction of specified conditions in a contingent share agreement. Contingently issuable shares are treated as outstanding and are included in the calculation of basic earnings per share and diluted earnings per only from the date when all necessary conditions are satisfied (i.e. the events have occurred). If the conditions are not satisfied, the number of contingently issuable shares included in the diluted earnings per share calculation is based on the number of shares that would be issuable if the end of the period were the end of the contingency period.

Segment Reporting
A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the Chief Operating Decision Maker (CODM), to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. Financial information on segment reporting is presented in Note 27.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires the Group to make judgments and estimates that affect amounts reported in the financial statements and related notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from such estimates.

Judgments
In the process of applying the Group's accounting policies, management has made the judgment below, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Determining the Lease Term of Contracts with Renewal and Termination options
The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of land and office spaces with shorter non-cancellable period. The Company typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of land and office spaces with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised (see Note 21).

Determination if consideration paid to customer is for distinct goods or services
The Group determines that the consideration paid to customers is not a payment for a distinct goods or services in consideration of the following:
- the standalone selling price of the good or service arising from the various programs for which the consideration is paid cannot be reasonably estimated;

- the various programs for the customers are highly interdependent with existing contracts with customers for sale of goods or services; and
- the Group does not obtain control of the goods or service from the various programs with customers to which payment was made.

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

Estimating Useful Life of Deferred Pallets and Containers
In accordance with its policy, the Group reviews annually the estimated useful life of its deferred pallets and containers based on the profile of the assets and scuff level analysis. The estimation of useful life is based on internal technical evaluation done on a collective basis, and the Group's experience with similar assets in so far as breakages and trip lives are concerned. Based on the reassessment made by the Group, there was no change in the estimated useful life of deferred pallets and containers.

The carrying value of deferred pallets and containers as at December 31, 2021 and 2020 amounted to ₱1,722.35 million and ₱1,920.27 million, respectively (see Note 9).

Determination of Purchase Price Allocation
On September 23, 2020, the Group acquired AEI for the total consideration ₱2,008.25 million (see Note 11). The Group accounts for the acquired business using the acquisition method, which required extensive use of accounting judgements and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any excess in the purchase price over the fair market values of the net assets acquired is recorded as goodwill in the consolidated statement of financial position. In identifying the assets acquired and liabilities assumed, management has determined that part of the assets being acquired pertains to the customer relationships amounting to ₱189.66 million.

Management has measured the customer relationships based on the valuation report prepared by the external valuation specialist. The customer relationships were valued using the Multi-period Excess Earnings Method (MEEM) wherein the fair value of customer relationships is based on forecasted income from existing customers. Significant assumptions and estimates used include churn rate, discount rate based on available market data and earnings before income tax rate.

The acquisition of AEI resulted in the recognition of customer relationship and goodwill from the excess of the acquisition cost over the fair value of net assets acquired (see Note 11)

Impairment of Goodwill, Customer Relationships, Property and Equipment and Right-of-Use Assets
The Group determines whether goodwill, customer relationships, property and equipment and right-of-use assets are impaired. For goodwill, the impairment testing is performed annually as at December 31 and when circumstances indicate that the carrying amount is impaired. For property and equipment, customer relationships and right-of-use assets, impairment testing is performed when circumstances indicate that the carrying amount is impaired. The impairment testing requires an estimation of the recoverable amounts, which is the FVLCD or VIU of the CGU whichever is higher, to which the goodwill, property and equipment and right-of-use assets belongs.

In determining the recoverable amount of these assets, the management estimates the VIU of the CGU to which goodwill are allocated and/or the VIU of the CGU to which the property and equipment, customer relationship and right-of-use assets belong. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Group uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. Other assumptions used in projecting the future cash flows include open outlets, customer yield and costs goods and services, among others.

As of December 31, 2021, and 2020, the Group has determined that goodwill and customer relationships and property and equipment and right-of-use assets are recoverable based on the computed VIU (see Note 11).

Goodwill amounted to ₱1,558.30 million as of December 31, 2021 and 2020. Property and equipment amounted to ₱1,383.11 million and ₱1,472.59 million, customer relationships amounted to ₱183.74 million and ₱189.66 million, and right-of-use assets amounted to ₱191.48 million and ₱322.90 million, as of December 31, 2021 and 2020, respectively (see Notes 8, 11 and 21).

Estimating Impairment Losses on Inventories
The Group maintains allowance for inventory losses at a level considered adequate to reflect the cost of materials and supplies over its NRV. The Group recognizes materials and supplies at NRV whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. Increase in the NRV of materials and supplies will increase cost of materials and supplies but only to the extent of their original acquisition costs.

As at December 31, 2021 and 2020, the carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to ₱939.62 million and ₱983.64 million, respectively (see Note 6).

Estimating Useful Lives of Customer Relationships
The Group estimates the useful lives of customer relationships based on the period over which the assets are expected to be available for use which represents the number of years that the customers are expected to remain. The Group reviews the estimated useful lives based on the factors that include asset utilization, external technical valuation and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the aforementioned factors. A reduction in the estimated useful lives of customer relationships would increase amortization expenses and decrease noncurrent assets.
There is no change in the estimated useful lives of customer relationship from the effectivity of the acquisition. The carrying values of customer relationships amounted to ₱183.74 million and ₱189.66 million, respectively (see Note 11).

Estimating Useful Lives of Property, Plant and Equipment
The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The carrying amounts of property, plant and equipment, excluding land and construction-in-progress, amounted to ₱1,161.01 million and ₱1,222.84 million as at December 31, 2021 and 2020, respectively (see Note 8).

Estimating Salvage Value of Deferred Pallets and Containers
In determining the estimated salvage value of deferred pallets and containers, management takes into account the most reliable evidence available at the time the estimates are made. The salvage value is equal to the amount the Group would receive currently if the assets were already of the age and in the condition expected at the end of estimated trip life.

The carrying value of deferred pallets and containers as of December 31, 2021 and 2020 amounted to ₱1,722.35 million and ₱1,920.27 million, respectively (see Note 9).

Estimating Retirement Benefits Cost
The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuation. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. These assumptions are described in Note 22 to the consolidated financial statements.
The Group's retirement liability amounted to ₱115.04 million and ₱117.62 million as of December 31, 2021 and 2020, respectively. Retirement benefits cost amounted to ₱32.75 million, ₱25.96 million and ₱18.38 million in 2021, 2020 and 2019, respectively (see Note 22).

Provision for Expected Credit Losses of Trade and Other Receivables
The Group uses a provision matrix to calculate ECLs for trade and other receivables. The provision rates are based on days past due for individual customer. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., consumer price index rate) are expected to deteriorate over the next year which can lead to an increased number of customer defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Trade and other receivables amounted to ₱438.04 million and ₱487.84 million as of December 31, 2021 and 2020, respectively (see Note 5).

Leases - Estimating the Incremental Borrowing Rate
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The Group's lease liabilities amounted to ₱235.24 million and ₱370.33 million as of December 31, 2021 and 2020, respectively. (see Note 21).

4. Cash and Cash Equivalents and Short-term Investments

Cash and cash equivalents

	2021	2020
Cash on hand and with banks	**₱503,150,109**	₱718,414,765
Cash equivalents	**601,917,858**	1,560,115,142
	₱1,105,067,967	₱2,278,529,907

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents consist of short-term placements which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term placement rates.

Short-term investments
Short-term investments have maturities of more than three (3) months to one (1) year and earn annual interest rates that ranged from 1.35% to 4.75% in 2021. As of December 31, 2021, the Group has short-term investment totaling to ₱1,111.60 million (nil in 2020).

Interest income
Interest income on cash and cash equivalents and short-term investments amounted to ₱24.86 million, ₱51.66 million and ₱88.49 million in 2021, 2020 and 2019, respectively.

5. Trade and Other Receivables

	2021	2020
Trade (Notes 11 and 15)	**₱443,224,515**	₱425,420,239
Due from related parties (Note 20)	**98,929,599**	80,901,966
Receivables from officers and employees	**47,668,307**	34,560,217
Accrued interest receivables	**11,635,950**	1,196,678
Receivables from government	**7,394,023**	9,274,367
Insurance receivables	**1,214,678**	1,176,463
Others	**15,064,543**	25,670,457
	625,131,615	578,200,387
Less allowance for impairment losses	**97,988,862**	90,363,304
	₱527,142,753	₱487,837,083

“Trade receivables” are non-interest bearing and are generally on 7 to 60 days term.

“Receivables from officers and employees” represent loans, cash advances and other receivables from employees.

“Others” include incentives and marketing support from suppliers, and reimbursement from customers, among others.

Movement of impairment losses on trade receivables, receivables from officers and employees and due from related parties are as follows:

	2021	2020
Beginning balance	**₱90,363,304**	₱90,363,304
Provision (Note 18)	**28,121,740**	−
Reversal (Note 17)	**(20,496,182)**	−
	₱97,988,862	₱90,363,304

For the year ended December 31, 2021, the Group recognized provision for impairment losses on receivables from officers and employees and due from related parties amounting to ₱28.12 million (nil in 2020 and 2019). For the years ended December 31, 2021 and 2019, the Group recognized reversal of impairment losses on trade receivables amounting to ₱20.50 million and ₱7.61 million, respectively (nil in 2020) [see notes 17 and 18].

6. **Inventories**

	2021	2020
Inventories at NRV:		
Spare parts and supplies	**₱263,730,951**	₱253,072,088
Raw materials	**12,625,144**	15,788,858
Inventories at cost:		
Crushed shells and resin	**49,722,237**	87,923,385
Raw materials (Note 11)	**448,324,266**	412,907,614
Finished goods	**165,216,468**	213,946,078
	₱939,619,066	₱983,638,023

The cost of spare parts and supplies carried at net realizable value amounted to ₱276.92 million and ₱260.95 million as of December 31, 2021 and 2020, respectively.

Raw materials acquired from AKPI in October 2020 valued at NRV totaled to ₱15.79 million (see Note 10). As of December 31, 2021, the remaining raw materials of AKPI that are valued at NRV totaled to ₱12.63 million.

The movement in the allowance for inventory obsolescence at December 31 are as follows:

	2021	2020
Balance at beginning of year	**₱7,874,294**	₱11,308,628
Provisions (reversal) [Note 16]	**5,310,741**	(3,212,062)
Write-offs	−	(222,272)
	₱13,185,035	₱7,874,294

The Group recognized provision for inventory obsolescence amounting to ₱5.31 million and ₱4.14 million for the years ended December 31, 2021 and 2019, respectively (nil in 2020) (see Note 16). The Group also recognized a reversal in allowance for inventory obsolescence amounting to ₱3.21 million in 2020 (nil in 2021 and 2019) (see Note 16).

Cost of materials used presented under "Cost of sales" and "Cost of services" amounted to ₱4,659.38 million, ₱5,269.31 million and ₱6,291.76 million in 2021, 2020 and 2019, respectively (see Note 16).

7. Other Assets

	2021	2020
Current:		
Prepaid taxes and licenses	**₱103,540,844**	₱135,889,019
Security deposits	**322,463,218**	–
Advances to suppliers	**55,188,277**	31,616,919
Input VAT	**31,743,802**	7,834,570
Supplies	**29,213,204**	28,705,546
Prepaid insurance	**21,234,560**	11,468,231
Prepaid rent	**6,107,940**	7,329,869
Others	**1,127,823**	9,804,192
	₱570,619,668	₱232,648,346

	2021	2020
Noncurrent:		
Deferred input VAT	**₱184,886,128**	₱182,261,043
Security deposits	**58,738,914**	364,266,498
Creditable withholding tax	**38,373,539**	–
Deposits with suppliers	**17,725,073**	33,792,928
Others	**7,652,649**	6,100,976
	₱307,376,303	₱586,421,445

"Prepaid taxes and licenses" pertains mainly to prepaid excise tax and creditable withholding taxes.

"Prepaid insurance" represents share in the health insurance coverage of regular employees, as well as fire and property insurance which are amortized over the period of the contract.

"Prepaid rent" pertains to payments made in advance for rentals of billboard advertisements, staff house and office rental covering a period of not more than one (1) year.

"Security deposits" pertain to various rental deposits for the lease of land and building to certain lessor which shall answer for any and all unpaid obligations of the Group to the lessor, as well as for any damage to the leased premises at the end of lease term. Security deposit under "Other current assets" pertains to leases that will end in 2022. The remaining security deposits are classified under "Other noncurrent assets".

"Deposits with suppliers" pertain to deposits related to electricity supply and maintenance which are refundable upon termination of the related contracts, advances to suppliers for acquisition of machinery and equipment by the Group and advances made to brokers for the release of imported goods.

"Others" consist of other prepaid expense and computer supplies.

8. Property, Plant and Equipment

2021

	Land	Building	Machinery and Equipment	Vehicles	Wastewater Facility	Kitchen and Laboratory Equipment	Tools	Leasehold Improvements	Office and Other Equipment	Construction in Progress	Total
Cost:											
Balances at beginning of year	**₱112,749,237**	**₱107,124,739**	**₱1,848,247,977**	**₱766,086,393**	**₱42,236,460**	**₱69,181,520**	**₱28,338,518**	**₱112,965,225**	**₱87,678,892**	**₱137,004,741**	**₱3,311,613,702**
Additions	**–**	**6,471,429**	**47,871,938**	**37,841,405**	**19,643**	**9,234,163**	**12,549,687**	**12,774,917**	**24,335,205**	**59,538,794**	**210,637,181**
Transfers	**–**	**1,843,649**	**80,986,352**	**–**	**–**	**–**	**–**	**–**	**4,365,782**	**(87,195,783)**	**–**
Disposal	**–**	**–**	**–**	**(9,258,327)**	**–**	**–**	**(1,788)**	**–**	**–**	**–**	**(9,260,115)**
Balances at end of year	**112,749,237**	**115,439,817**	**1,977,106,267**	**794,669,471**	**42,256,103**	**78,415,683**	**40,886,417**	**125,740,142**	**116,379,879**	**109,347,752**	**3,512,990,768**
Accumulated depreciation:											
Balances at beginning of year	**–**	**7,846,063**	**1,087,084,586**	**595,718,634**	**20,553,902**	**19,426,765**	**17,800,652**	**21,983,696**	**68,604,478**	**–**	**1,839,018,776**
Depreciation	**–**	**5,509,114**	**153,164,876**	**62,068,492**	**3,729,124**	**24,791,601**	**8,338,157**	**19,444,926**	**20,071,654**	**–**	**297,117,944**
Disposal	**–**	**–**	**–**	**(6,251,935)**	**–**	**–**	**(1,788)**	**–**	**–**	**–**	**(6,253,723)**
Balances at end of year	**–**	**13,355,177**	**1,240,249,462**	**651,535,191**	**24,283,026**	**44,218,366**	**26,137,021**	**41,428,622**	**88,676,132**	**–**	**2,129,882,997**
Net book values	**₱112,749,237**	**₱102,084,640**	**₱736,856,805**	**₱143,134,280**	**₱17,973,077**	**₱34,197,317**	**₱14,749,396**	**₱84,311,520**	**₱27,703,747**	**₱109,347,752**	**₱1,383,107,771**

2020

	Land	Building	Machinery and Equipment	Vehicles	Wastewater Facility	Kitchen and Laboratory Equipment	Tools	Leasehold Improvements	Office and Other Equipment	Construction in Progress	Total
Cost:											
Balances at beginning of year	₱112,749,237	₱105,215,330	₱1,858,259,936	₱718,916,707	₱41,978,304	₱13,447,298	₱16,484,354	₱38,384,147	₱65,213,801	₱5,212,340	₱2,975,861,454
Assets acquired through business combination (see Notes 10 and 11)	–	–	–	18,341,158	–	50,546,156	10,945,540	70,852,378	14,464,555	–	165,149,787
Additions	–	1,909,409	70,482,608	30,488,741	258,156	5,188,066	910,412	3,728,700	8,000,536	51,297,834	172,264,462
Transfers	–	–	(80,494,567)	–	–	–	–	–	–	80,494,567	–
Disposal	–	–	–	(1,660,213)	–	–	(1,788)	–	–	–	(1,662,001)
Balances at end of year	112,749,237	107,124,739	1,848,247,977	766,086,393	42,236,460	69,181,520	28,338,518	112,965,225	87,678,892	137,004,741	3,311,613,702
Accumulated depreciation:											
Balances at beginning of year	–	2,513,306	925,336,579	531,094,303	16,853,514	10,959,616	14,326,514	17,443,793	52,221,022	–	1,570,748,647
Depreciation	–	5,332,757	161,748,007	66,172,311	3,700,388	8,467,149	3,474,138	4,539,903	16,383,456	–	269,818,109
Disposal	–	–	–	(1,547,980)	–	–	–	–	–	–	(1,547,980)
Balances at end of year	–	7,846,063	1,087,084,586	595,718,634	20,553,902	19,426,765	17,800,652	21,983,696	68,604,478	–	1,839,018,776
Net book values	₱112,749,237	₱99,278,676	₱761,163,391	₱170,367,759	₱21,682,558	₱49,754,755	₱10,537,866	₱90,981,529	₱19,074,414	₱137,004,741	₱1,472,594,926

Fully depreciated assets that are still being used in the operations have an aggregate cost of ₱1,078.45 million and ₱967.93 million in 2021 and 2020, respectively.

Construction in progress account mainly pertains to accumulated costs in relation to the construction of a new production plant in Cebu and Davao plant which is estimated to be completed in 2022 and 2021, respectively. Construction in Davao plant was completed in January 2021.

Depreciation expense charged to operations is as follows:

	2021	2020	2019
Cost of sales and services (see Note 16)	**₱176,854,854**	₱181,962,640	₱190,313,266
Selling and marketing expenses (see Note 17)	**49,033,044**	59,635,620	68,047,644
General and administrative expenses (see Note 18)	**71,230,046**	28,219,849	13,075,895
	₱297,117,944	₱269,818,109	₱271,436,805

9. Deferred Pallets and Containers

2021

	Containers	**Pallets**	**Total**
Net book values - beginning	**₱1,695,961,252**	**₱224,307,013**	**₱1,920,268,265**
Additions	**405,011,061**	**22,355,536**	**427,366,597**
Retirement	**(7,805,744)**	**(44,896,533)**	**(52,702,277)**
Amortization	**(543,261,636)**	**(29,318,471)**	**(572,580,107)**
Net book values - ending	**₱1,549,904,933**	**₱172,447,545**	**₱1,722,352,478**

2020

	Containers	Pallets	Total
Net book values - beginning	₱2,100,092,687	₱214,808,309	₱2,314,900,996
Additions	217,098,932	39,332,618	256,431,550
Amortization	(621,230,367)	(29,833,914)	(651,064,281)
Net book values - ending	₱1,695,961,252	₱224,307,013	₱1,920,268,265

Deferred pallets and containers represent the acquisition cost of pallets and containers plus the incidental cost of importation less any subsequent amortization and impairment. The cost of containers less the estimated salvage value is subjected to amortization.

As of December 31, 2021 and 2020, acquisition of deferred pallets and containers that remained unpaid amounted to ₱7.14 million and ₱28.34 million, respectively. These were treated as noncash investing activities in 2021 and 2020 consolidated statements of cash flows, respectively.

Amortization expense was charged under “Cost of sales and services” (see Note 16).

10. **Interest in a Joint Venture**

In 2011, ARCHI entered into an agreement with Kalbe International Pte. Ltd, to establish a joint venture entity to implement a project for (a) marketing and sale of energy drink in ready to drink form bearing the "extra joss" mark (the product); (b) appointing a toll manufacturer to produce the product; and (c) appointing a distributor to distribute the product, all within the Philippines.

The joint venture entity was incorporated as AKPI which is 50% owned by ARCHI and 50% owned by Kalbe International Pte. Ltd. (Kalbe). Both companies will share equal control and management over the operations of the incorporated joint venture entity. The investment was accounted as investment in a joint venture under equity method of accounting with carrying amount of ₱15.73 million as at December 31, 2019.

On October 12, 2020, ARCHI acquired the 50% interest of AKPI in Kalbe, making AKPI a wholly owned subsidiary of ARCHI.

Accordingly, ARCHI re-measured its original investment in AKPI at fair value which resulted to recognition of revaluation loss amounting to ₱11.86 million in 2020. Subsequently, ARCHI accounted for its 100% interest over AKPI as an investment in subsidiary.

The fair value of AKPI's identifiable assets and liabilities as at the date of acquisition are shown below.

	Fair value recognized on acquisition
Assets:	
Cash and cash equivalents	₱19,642,837
Trade and other receivables	22,568,733
Inventories	18,448,340
Other current assets	8,376,964
Property and equipment (Note 8)	25,783
Right-of-use assets (Note 21)	1,509,681
Other noncurrent assets	84,513
	70,656,851
Liabilities:	
Trade and other payables	55,262,980
Lease liabilities (Note 21)	1,606,359
Retirement liability (Note 22)	407,655
	57,276,994
Fair value of total identifiable net assets	13,379,857
Gain on bargain purchase	(6,682,786)
Fair value of previously held 50% interest in joint venture	(6,689,928)
Purchase consideration	₱7,143

Net cash outflow on acquisition is as follows:

Cash consideration	₱7,143
Less - cash acquired with the subsidiary*	(19,642,837)
Net cash inflow	(₱19,635,694)

**Cash acquired with the subsidiary is included in cash flows from investing activities.*

Had the acquisition taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱1.92 million and the contribution to the net income would have amounted to ₱1.53 million. Since this is a step acquisition, the contribution to the net income for the two-month period ended December 31, 2020 amounted to ₱1.29 million from the date of acquisition.

The movement in net assets arising from step acquisition is considered as non-cash activities in 2020 consolidated statements of cashflows.

The roll-forward analysis of interest in joint venture and accumulated equity in net loss as of December 31, 2020 follows:

Interest in joint venture, cost	₱83,284,425
Less: Equity in net loss of a joint venture	76,594,447
	6,689,978
Excess of consideration paid over share in net assets	11,861,225
Carrying amount of investment in a joint venture before the acquisition of remaining 50% shares	18,551,203
Loss on revaluation of investment in joint venture prior to acquisition of remaining 50% shares (see Note 18)	(11,861,275)
Fair value of 50% interest in a joint venture	6,689,928
Reclassification to investment in subsidiary (see Note 1)	(6,689,928)
Carrying amount of investment in a joint venture	₱–
Accumulated equity in net loss of a joint venture, beginning	(₱79,410,661)
Equity in net income of a joint venture for the period	2,816,214
Accumulated equity in net loss of joint venture prior to the acquisition of remaining 50% shares	(₱76,594,447)

The following table sets out the audited financial information of AKPI as of December 31, 2020:

	2020
Total assets	₱62,078,884
Total liabilities	51,270,927
Equity	10,807,957
Sales	1,916,620
Net loss	(2,571,900)

11. **Business Acquisition**

As disclosed in Note 1, in August 2020, the Parent Company entered into share purchase agreement with Kitchen City Pte. Ltd. for the purchase of 100% shares of AEI, a food concessionaire. On September 23, 2020, the acquisition of shares was completed after the fulfillment of agreed closing conditions as provided under the agreement.

The fair values of AEI's identifiable assets and liabilities acquired and goodwill arising as at the date of acquisition are shown below. The Group recognized in the 2020 consolidated financial statements the net assets acquired from AEI at acquisition date fair value except for the intangible assets acquired which were reported based a provisional assessment of their fair value while the Group sought an independent valuation. The valuation has not been completed by the date the 2020 consolidated financial statements were approved for issue by the Board of Directors.

In 2021, the purchase price allocation was finalized with resulting fair value of identified net amounting to ₱260.29 million. The acquisition date fair values based on provisional and final purchase price allocation are as follows:

	Acquisition date fair value as reported in 2020	Adjustments	Acquisition date fair value based on final purchase price allocation (As restated)
Assets:			
Cash and cash equivalents	₱31,901,567	₱–	₱31,901,567
Trade and other receivables	271,514,236	–	271,514,236
Inventories	113,345,317	–	113,345,317
Other current assets	40,103,063	–	40,103,063
Property and equipment	165,124,004	–	165,124,004
Right-of-use assets	32,691,920	–	32,691,920
Deferred tax assets	14,109,773	–	14,109,773
Customer relationships	–	189,663,135	189,663,135
Other noncurrent assets	29,699,979	–	29,699,980
	698,489,859	189,663,135	888,152,994
Liabilities:			
Trade and other payables	272,204,939	–	272,204,939
Lease liabilities	33,432,747	–	33,432,747
Loan payables	35,852,651	–	35,852,651
Retirement liability	49,295,601	–	49,295,601
Deferred tax liability	–	47,415,785	47,415,784
	390,785,938	47,415,785	438,201,723
Fair value of total identifiable net assets	307,703,921	142,247,350	449,951,271
Goodwill	1,700,549,013	(142,247,350)	1,558,301,663
Purchase consideration	₱2,008,252,934	₱–	₱2,008,252,934

The 2020 comparative information was restated to reflect the adjustment to the provisional amounts. This resulted to recognition of customer relationship and deferred tax liability amounting to ₱189.66 million and ₱47.42 million, respectively. There was also a corresponding reduction in goodwill of ₱142.25 million, resulting to ₱1,558.30 million final goodwill amount from the acquisition The adjustment had no impact on the total noncurrent assets, total assets. Management concluded that the presentation of the consolidated financial statement as at the beginning of the earlier period presented is not required.

Cash flow from acquisition of shares through business combination of AEI follows:

Initial consideration paid	₱1,996,623,332
Less: Cash and cash equivalents acquired through business combination	(31,901,567)
	₱1,964,721,765

**Cash acquired through business combination is included in cash flows from investing activities.*

The additional consideration after the completion of the sale amounting to ₱11.63 million was paid on April 30, 2021.

The movement in net assets arising from business combination is considered as non-cash activities in 2020 consolidated statement of cash flows.

If the acquisition had taken place at the beginning of 2020, revenue contribution for the year ended December 31, 2020 would have been ₱1,487.98 million and contribution to net income would have amounted to ₱40.00 million.
Since the acquisition was completed in September 2020, the contribution to revenue and net income for the three-month period ended December 31, 2020 amounted to ₱328.46 million and ₱6.87 million from the date of acquisition.

The goodwill represents the fair value of expected synergies arising from the business acquisition. The Group's priority was to accelerate the growth of AEI and capitalize on potential synergies with its beverage business under ARCRC.

Impairment testing of Goodwill and other intangible assets
For purposes of impairment testing of goodwill and other intangible assets, the Group considered AEI as the CGU. Based on management evaluation, there is no impairment on goodwill and other intangible assets as at December 31, 2021 and 2020 (see Note 3).

Key assumptions used in the VIU calculation
As of December 31, 2021 and 2020, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU follow:

- *Future revenues and revenue growth rate.* Cash flows projections based on financial budgets approved by management covering a five-year period [(2022-2026) for 2021 and (2022-2025) for 2020].
- *Cost of sales ratio and operating expense ratio.* The assumptions used are based on the past performance of AEI, and expectations in the industry.
- *Long-term growth rate of 3%.* The long-term growth rate is the expected growth rate in the food industry.
- *Discount rate of 12%.* The discount rate used for the computation of the net present value is the weighted average cost of equity and was determined by reference to comparable entities.

Sensitivity to changes in assumptions
A 1% increase in cost of sales ratio and operating expense ratio will cause the carrying values of the CGU including goodwill and other intangible assets to materially exceed their recoverable amounts.

12. Trade and Other Payables

	2021	2020
Trade payables (Note 20)	**₱891,528,561**	₱942,539,856
Due to related parties (Note 20)	**288,844,298**	289,448,080
Containers deposit liability	**141,520,025**	257,898,895
Output VAT payable	**32,482,854**	28,796,123
Non-trade payables	**23,661,967**	39,801,743
Deferred output VAT payable	**994,987**	192,811
Accrued expenses:		
Contracted services and professional fees	**39,791,690**	47,381,197
Advertising and promotions	**37,546,966**	62,904,865
Hauling	**23,971,388**	23,927,574
Salaries and wages	**20,134,412**	13,216,201
Utilities and facilities	**9,728,354**	6,273,530
Withholding taxes	**9,335,021**	12,320,834
Employee benefits	**6,212,700**	4,994,577
Deferred credits	**3,631,441**	37,875,540
Travel, meeting and entertainment	**1,382,908**	1,793,293
Rent (see Notes 20 and 21)	**722,999**	1,096,588
Others	**34,431,052**	64,593,000
	₱1,565,921,623	₱1,835,054,707

"Trade payables" pertains to accounts payable to suppliers from purchases of materials and toll packing used in production. These are noninterest-bearing and with payment terms which are dependent on the supplier's credit terms, which is generally 30 to 90 days.

"Containers deposit liability" consists of cash deposit received by the Group associated with the returnable containers (i.e., beverage bottles) upon sale of product. The cash deposit is paid back to customers upon return of returnable containers or reversed against the salvage value of the deferred containers upon determination that the containers will no longer be returned.

"Non-trade payables" pertains to all non-trade liabilities such as freight services and administration expenses, among others.

"Accrued expenses-others" pertain to accrued freight and handling expenses, among others.

13. **Loans Payable**

Loan payable refers to bank loans and letters of credit from certain financial institutions.

Short-term loans payable
Short term loan payable as of December 31 follows:

	2021	2020
Letters of credit	**₱7,135,818**	₱28,343,281
Short-term bank loans	**25,000,000**	11,700,000
	₱32,135,818	₱40,043,281

Letters of credit
The Group obtained unsecured Letters of Credit (LC) with various banks for its international purchases with terms ranging from 30 days to 3 months and with interest rate of 2.17% to 5.5% per annum in 2021 and 2020.

Short-term bank loan
The Group availed several unsecured short-term bank loans with certain local banks with interest rate ranging from 2.5% to 3.5% in 2021 and 2.5% to 5% in 2020.

Long-term loans payable
AEI has outstanding non-interest bearing loans for the acquisition of various transportation equipment through bank financing. ₱5.52 million and ₱8.32 million remains outstanding as of December 31, 2021 and 2020, respectively. The loans bear an annual effective interest rates ranging from 9.09% to 10.95%. The loan agreements require chattel mortgage on acquired transportation equipment. This was treated as non-cash financing activity in the 2020 consolidated statement of cash flows. As of December 31, 2021 and 2020, the carrying value of property and equipment subjected to a chattel mortgage amounted to ₱0.67 million and ₱1.63 million, respectively.

In 2021, AEI obtained a long-term loan with a bank amounting to ₱200.00 million for the acquisition of food equipment for the expansion of its business. The loan will mature in seven (7) years, inclusive of a grace period of one (1) year on principal payment. The principal payments will be made in quarterly payments starting 2022. The loan is subject to a 5% fixed annual rate. The loan requires AEI to maintain certain financial ratio until termination of the loan.

As of December 31, 2021, AEI has complied with its covenant obligations, including maintaining the required financial ratio.

The balance of long-term loans payable as of December 31, 2021 and 2020 are as follows:

	2021	2020
Current portion	**₱34,270,666**	₱1,464,729
Noncurrent portion	**171,253,363**	6,851,423
	₱205,524,029	₱8,316,152

Total interest expense related to these loans amounted to ₱12.42 million, ₱8.06 million and ₱2.05 million in 2021, 2020 and 2019, respectively.

14. **Equity**

Capital Stock
Details of the Parent Company's capital stock are as follow:

	2021	2020
Common stock:		
Authorized - ₱1 par value	**₱2,100,000,000**	₱2,100,000,000
Issued and outstanding	**1,068,393,223**	1,068,393,223
Preferred stock:		
Authorized - ₱1,000 par value	**₱200,000,000**	₱200,000,000
Issued and outstanding	**–**	–

The following are the salient features of the preferred stock:

a. Cumulative dividend at a rate to be determined solely by the BOD;
b. Nonparticipating in the retained earnings remaining after dividend payments have been made on the preferred shares;
c. Redeemable at such price, within such period, in such manner and under such terms and conditions as may be determined by the BOD; and
d. Non-voting.

As of December 31, 2021, and 2020, the equity holdings of the shareholder groups of the Parent Company are as follows:

	2021		2020	
Shareholder Group	**Number of Shares**	**Percentage of Ownership**	Number of Shares	Percentage of Ownership
MCI	**905,942,329**	**84.79%**	905,942,329	84.79%
Public	**162,450,894**	**15.21%**	162,450,894	15.21%
	1,068,393,223	**100.00%**	1,068,393,223	100.00%

On April 8, 2016, the BOD of the Parent Company approved the increase in authorized capital stock by ₱800 million through the increase of common shares by 800,000,000 shares with a par value of ₱1. At the same time, the BOD approved the declaration of stock dividend equivalent to 21% of issued and outstanding common shares, amounting to ₱224.36 million, to be issued out of the aforementioned increase in authorized capital stock.

In January 2019, SEC approved the application for increase in authorized capital stock of the Parent Company but did not yet approve the ₱224.36 million stock dividends for distribution. Management and the Group's corporate lawyer represented that there were additional documents requested which they have already submitted. As of May 19, 2022, the Group is still awaiting for SEC's approval of the issuance of shares related to the stock dividends.

Retained Earnings

Dividends
MHI
On August 14, 2019, the Parent Company declared cash dividend of ₱0.20 per share for a total amount of ₱213.68 million in favor of stockholders on record as at September 12, 2019. Cash dividends was paid on October 8, 2019.

The Parent Company has outstanding dividends payable to its shareholders amounting to ₱2.70 million as of December 31, 2021 and 2020.

Appropriations of Retained Earnings
On February 15, 2018, the BOD and stockholders of ARCRC approved the appropriation of retained earnings amounting to ₱1,400.00 million out of ARCRC's unrestricted retained earnings for future business expansion project which include acquisition of new bottles, shells, pallets, property and equipment and construction of plant which will materialize in the next five (5) years.

On July 27, 2019, the BOD and stockholders of ARCRC approved the reversal of ₱1,400 million appropriated retained earnings. On the same date, the BOD and stockholders of ARCRC approved the appropriation of retained earnings amounting to ₱1,006 million out of the unrestricted retained earnings of ARCRC for future business expansion project which was partially spent in the same year for acquiring new bottles, shells, pallets, plant, property and equipment. The business expansion project is expected to materialize within the next five (5) years.

On May 21, 2020, the BOD and stockholders of ARCRC approved the reversal of ₱1,006 million appropriated retained earnings and consequently approved the appropriations amounting to ₱1,199 million out of the unrestricted retained earnings for future business expansion project. On June 24, 2020, the BOD and stockholders of ARCRC approved the reversal of ₱1,199 million appropriated retained earnings.

Unappropriated Retained Earnings
The income of subsidiaries included in the consolidated statements of comprehensive income is not available for dividend declaration unless declared by the subsidiaries. The Parent Company's retained earnings available for dividend declaration as of December 31, 2021 and 2020 amounted to ₱3,455.35 million and ₱3,448.17 million, respectively.

<u>Securities Regulation Code Rule (SRC) Disclosures</u>
Incorporation
Pursuant to the Articles of Incorporation ("AOI") in 1930, as reconstructed after the loss of documents during the Second World War, the Parent Company's authorized capital stock was ₱40,000, divided into 400 shares with par value of ₱100 per share. Its principal stockholder then was Mariano C. Mercado who owned 96 common shares. Other private stockholders owned 4 common shares.

Parent Company listing
The Parent Company listed its shares, with the stock symbol "PTR" in the Manila Stock Exchange and the Makati Stock Exchange on January 28, 1987 following BOD approval of the listing on November 5, 1986. Upon the merger of the two exchanges into the PSE in 1992, the Parent Company signed a listing agreement with PSE for its shares to be listed and traded on the unified exchange also as PTR.

Amendments to the authorized capital stock

Subsequent to the Parent Company filing its AOI in 1930, the Parent Company made the following amendments on its authorized capital stock:

Year	Authorized Capital Stock	Composition	Par Value
1939 [(a)]	₱200,000	2,000 common shares	₱100
1957 [(b)]	₱12,000,000	1,200,000 common shares	₱10
1966	₱30,000,000	3,000,000 common shares	₱10
1973	₱60,000,000	6,000,000 common shares	₱10
1977	₱100,000,000	10,000,000 common shares	₱10
1984	₱110,000,000	11,000,000 common shares	₱10
1987	₱200,000,000	20,000,000 common shares; later divided into 12,000,000 Class "A" common shares and 8,000,000 Class "B" common shares	₱10
1989	₱360,000,000	21,600,000 Class "A" common shares and 14,400,000 Class "B" common shares	₱10
1994	₱700,000,000 divided into ₱500,000,000 common capital and ₱200,000,000 preferred capital [(c)]	32,400,000 Class "A" common shares and 17,600,000 Class "B" common shares; 200,000 preferred shares	₱10 - common; ₱1,000 - preferred
2001	₱250,000,000 divided into ₱50,000,000 common capital and ₱200,000,000 preferred capital	32,400,000 Class "A" common shares and 17,600,000 Class "B" common shares; 200,000 preferred shares	₱1 - common; ₱1,000 - preferred
2002	₱300,000,000 divided into ₱100,000,000 common capital and ₱200,000,000 preferred capital	62,400,000 Class "A" common shares and 37,600,000 Class "B" common shares (later declassified into 100,000,000 authorized common capital); 200,000 preferred shares	₱1 - common; ₱1,000 - preferred
2003	₱1,300,000,000 divided into ₱1,100,000,000 common capital and ₱200,000,000 preferred capital	1,100,000,000 common shares; 200,000 preferred shares	₱1 - common; ₱1,000 - preferred
2010	₱1,500,000,000 divided into ₱1,300,000,000 common capital and ₱200,000,000 preferred capital	1,300,000,000 common shares; 200,000 preferred shares	₱1 - common; ₱1,000 - preferred
2019	₱2,300,000,000 divided into ₱2,100,000,000 common capital and ₱200,000,000 preferred capital	2,100,000,000 common shares; 200,000 preferred shares	₱1 - common; ₱1,000 - preferred

[(a)] Based on a reconstruction of records, including the AOI, in 1948

[(b)] Existing shareholders were issued 150 shares with par value of ₱10 for each share with par value of ₱100 they already held through a stock dividend

[(c)] The creation of the preferred shares of stock was approved by the BOD in its regular meeting on March 18, 1993 and by the shareholders at the annual shareholders' meeting on April 30, 1993. It was subsequently approved by the SEC on January 11, 1994.

Track record of subsequent offerings
Below is a summarized discussion of the Parent Company's track record of registration of securities under the SRC:

						Number of shares after offering	
Year	Date of SEC approval	Type of offering	Number of shares offered	Par value	Offer price	Authorized	Issued and outstanding
2003	April 24, 2003	Rights with warrants offer	499,997,540	₱1.00	₱2.00	1,100,000,000	599,997,048
			99,999,508[d]				629,997,412[g]
			99,999,508[e]	₱1.00	₱2.00[f]		652,477,229[h]
2008	November 24, 2008	Rights offer	296,775,950	₱1.00	₱2.10[f]	1,100,000,000	989,253,179

[d] Warrants
[e] Underlying common shares
[f] Exercise price
[g] After exercise of warrants in 2004
[h] After exercise of warrants in 2005

15. **Revenue**

Disaggregation of revenue

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Sources of revenue

	2021	2020	2019
Sale of goods	**₱7,812,615,898**	₱ 9,076,550,335	₱10,438,627,340
Sale of services			
Canteen concession arrangements	**908,416,499**	155,705,317	–
Frozen	**127,923,500**	22,646,495	–
Catering services	**111,730,242**	63,215,929	–
Sub-concession arrangements	**6,340,013**	1,029,459	–
Tolling revenue	–	549,587	1,585,485
	₱8,967,026,152	₱9,319,697,122	₱10,440,212,825

Timing of recognition of revenue

	2021	2020	2019
Revenue recognized at point in time	**₱8,967,026,152**	₱9,319,147,535	₱10,438,627,340
Revenue recognized over time	–	549,587	1,585,485
	₱8,967,026,152	₱9,319,697,122	₱10,440,212,825

Contract Balances
The Group's trade receivables arising from contracts from customers amounted to ₱443.22 million and ₱425.42 million as of December 31, 2021 and December 31, 2020, respectively.

There are no contract assets and liabilities as of December 31, 2021 and 2020, respectively.

Performance Obligation
The Group assessed that in its contract with customers for sale of goods and service, there is only one performance obligation and that revenue arising from such contract qualify for recognition at the point in time in which control over the goods and services have been transferred to the customer.

For contracts relating to provision of tolling services, the Group assessed that there is only one performance obligation and that revenue arising from such contracts qualify for recognition over time since the customer simultaneously receives and consumes the benefits provided by the Group's performance as it performs tolling services.

16. Cost of Sales and Services

Details of cost of sales follows:

	2021	2020	2019
Materials used (see Note 6)	**₱4,659,375,430**	₱5,269,305,360	₱6,291,758,451
Depreciation and amortization (see Notes 8, 9 and 21)	**784,318,778**	884,537,185	1,107,046,251
Direct labor	**539,473,719**	599,741,123	600,565,166
Personnel expenses and outside services	**118,386,456**	133,297,634	141,098,280
Rent (see Note 21)	**119,604,736**	100,001,040	44,935,506
Specialty contractor (see Note 20b)	**73,500,000**	73,500,000	89,272,789
Repairs and maintenance	**55,256,954**	52,667,169	53,534,712
Gas and utilities	**21,537,112**	21,502,942	27,196,585
Provision for (reversal of) inventory obsolescence (see Note 6)	**5,310,741**	(3,212,062)	4,144,042
Others	**126,846,126**	143,802,199	122,040,160
	₱6,503,610,053	₱7,275,142,590	₱8,481,591,942

Details of cost of services follows:

	2021	2020	2019
Materials used (Note 6)	**₱647,616,430**	₱180,147,957	₱–
Direct labor	**97,008,851**	9,922,127	–
Gas and utilities	**32,063,100**	5,152,717	–
Rent (Note 21)	**12,318,491**	2,385,646	–
Depreciation and amortization (Notes 8, 9 and 21)	**4,869,900**	1,194,708	–
Others	**4,966,639**	–	–
	₱798,843,411	₱198,803,155	₱–

"Others" consists of personnel development expenses and insurance, among others.

17. Selling and Marketing Expenses

	2021	2020	2019
Salaries, wages and benefits	**₱185,313,843**	₱185,301,154	₱174,935,885
Advertising	**179,607,630**	172,107,816	258,745,490
Hauling and loading	**152,074,708**	213,367,287	173,475,980
Outside services	**125,330,590**	163,715,846	172,571,760

(Forward)

	2021	2020	2019
Depreciation (see Notes 8 and 21)	**₱125,638,262**	₱120,412,215	₱175,910,971
Promotions and commissions	**75,605,642**	76,772,521	81,096,320
Gas, oil and fuel	**78,420,013**	73,875,161	84,361,699
Rent (Note 21)	**61,298,452**	54,848,386	38,080,606
Repairs and utilities	**42,861,994**	43,647,925	43,960,194
Travel, transportation and entertainment	**25,081,854**	27,617,306	51,844,038
Taxes, licenses and registrations	**17,941,826**	18,085,075	11,761,600
Complimentary	**9,732,072**	9,690,415	7,733,441
Insurance	**8,912,396**	8,448,574	8,495,826
Freight costs	**5,769,613**	6,307,522	14,090,450
Reversal of impairment on receivables (Note 5)	**(20,496,182)**	–	(7,606,440)
Others	**52,503,426**	32,392,030	25,651,975
	₱1,125,596,139	₱1,206,589,233	₱1,315,109,795

"Others" consist of toll and market fees, freight and handling fees and entertainment and recreation expenses, among others.

18. **General and Administrative Expenses**

	2021	2020	2019
Salaries, wages and benefits	**₱413,712,548**	₱276,787,676	₱204,443,508
Contracted services and professional fees	**103,537,517**	125,137,752	91,947,418
Depreciation (see Notes 8 and 21)	**89,873,242**	44,416,912	21,058,499
Repairs and utilities	**41,585,552**	22,615,882	21,548,354
Provision for impairment on receivables (see Note 5)	**28,121,740**	–	–
Supplies and transportation	**22,911,007**	15,742,709	19,423,667
Taxes, licenses and registrations	**16,690,843**	37,780,723	7,287,595
Meetings and entertainment	**10,450,752**	10,240,200	17,519,780
Sanitary and hauling expenses	**7,868,070**	2,381,132	–
Management fees	**7,044,343**	2,380,152	–
Rent (see Note 21)	**2,422,375**	–	–
Insurance	**1,364,161**	337,682	11,069
Revaluation loss on interest in a joint venture (Note 10)	**–**	11,861,275	–
Others	**32,675,021**	12,684,415	9,197,116
	₱778,257,171	₱562,366,510	₱392,437,006

"Others" consist of donations and miscellaneous expenses, among others.

19. Others

	2021	2020	2019
Sale of scrap materials and cullets	**₱3,963,608**	₱7,755,998	₱15,414,074
Others	**2,063,231**	6,755,163	1,589,248
	₱6,026,839	₱14,511,161	₱17,003,322

Sale of scrap materials and cullets is presented net of selling costs.

Others pertains to incentives earned from suppliers upon reaching certain amount of purchases, among others.

20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are considered to be related if they are subject to common control and common significant influence. Related parties may be individuals or corporate entities. Transactions with related parties are based on terms agreed to by the parties.

Transactions during the years ended December 31 with related parties are set out below:

Category	Year	Revenues	Interest Income	Costs and Expenses	Actual Lease Payments (see Note 21)
Stockholder					
Zest-O Corporation (see Notes 20a)	**2021**	**₱21,226,744**	**₱–**	**₱53,919,057**	**₱29,545,318**
	2020	₱3,435,876	₱–	₱33,505,538	₱24,173,442
	2019	₱519,841	₱–	₱77,953,839	₱32,103,354
Entities under common control:					
Mega Asia Bottling Corporation (see Notes 20b)	**2021**	**–**	**–**	**252,367,074**	**63,724,071**
	2020	–	–	237,036,619	38,041,967
	2019	–	–	337,428,802	202,528,207
AMY Leasing Company (AMY); see Note 20c)	**2021**	**–**	**–**	**717,457**	**655,702**
	2020	–	–	642,974	536,038
	2019	–	–	659,498	510,513
Asiawide Refreshments Corporation (see Notes 20d)	**2021**	**–**	**–**	**19,457,109**	**20,367,048**
	2020	–	–	17,359,004	15,614,737
	2019	–	–	24,436,226	20,286,226
Bev-pack Incorporated. (Bev-pack; see Note20f)	**2021**	–	–	**206,620,775**	–
	2020	–	–	195,583,873	–
	2019	–	–	214,120,452	–
Solmac Marketing Inc. (Solmac; see Note 20g)	**2021**	–	–	**43,563,369**	**8,423,954**
	2020	–	–	39,772,012	6,152,143
	2019	–	–	7,083,240	5,865,640
SMI Development Corporation (see Note 20h)	**2021**	–	–	**7,662,408**	**8,089,320**
	2020	–	–	6,964,679	6,336,634
	2019	–	–	9,631,115	8,057,220

(Forward)

Category	Year	Revenues	Interest Income	Costs and Expenses	Actual Lease Payments (see Note 21)
Philippine Business Bank (PBB, Note 20j)	**2021**	**₱–**	**₱33,894,210**	**₱–**	**₱–**
	2020	₱–	₱48,219,095	₱–	₱–
	2019	₱–	₱23,654,837	₱–	₱–
Asiawide Kalbe Philippines Inc. (see Notes 20i)	**2021**	–	–	–	–
	2020	–	–	–	–
	2019	5,433,074	–	17,533,744	–
	2021	**₱21,226,744**	**₱33,894,210**	**₱584,307,249**	**₱130,805,413**
	2020	₱3,435,876	₱48,219,095	₱530,864,699	₱93,114,613
	2019	₱5,952,915	₱ 23,654,837	₱ 688,846,916	₱ 269,351,160

Outstanding balances as of December 31 with related parties are set out below:

Category	Year	Cash and Cash Equivalents/ Short term investments	Due from Related Parties (see Note 5)	Trade Payables (see Note 12)	Due to Related Parties (see Note 12)	Terms	Conditions
Stockholder							
Zest-O Corporation (see Notes 20a)	**2021**	**₱–**	**₱89,211,642**	**₱–**	**₱67,309,122**	Non-interest bearing; due and demandable	No impairment; Unsecured
	2020	₱–	₱71,177,581	₱–	₱64,862,781		
Entities under common control:							
Mega Asia Bottling Corporation (see Notes 20b)	**2021**	**–**	**549,251**	**–**	**217,609,913**	Non-interest bearing; due and demandable	No impairment; Unsecured
	2020	–	534,251	–	217,761,506		
AMY Leasing Company (AMY); see Note 20c)	**2021**	**–**	**–**	**–**	**–**	Non-interest bearing; due and demandable	Unsecured
	2020	–	–	–	–		
Asiawide Refreshments Corporation (see Notes 20d and e)	**2021**		**5,000**		**2,146,762**	Non-interest bearing; due and demandable	No impairment; Unsecured
	2020	–	5,000	–	4,973,162		
Bev-pack Incorporated. (Bev-pack; see Note20f)	**2021**		**820,491**	**39,995,230**		Non-interest bearing; due and demandable	No impairment; Unsecured
	2020	–	820,491	57,253,053	–		
Solmac Marketing Inc. (Solmac; see Note 20g)	**2021**					Non-interest bearing; due and demandable	Unsecured
	2020	–	–	–	–		
SMI Development Corporation (see Note 20h)	**2021**				**1,778,501**	Non-interest bearing; due and demandable	Unsecured
	2020	–	–	–	1,850,631		
Philippine Business Bank (PBB, Note 20j)	**2021**	**1,690,211,651**	**–**	**–**	**–**	Interest bearing	Secured
	2020	1,796,291,914	21,428	–	–	Interest bearing	Secured
ARC Thailand (see Note 20e)	**2021**	**–**	**8,343,215**	**–**	**–**	Non-interest bearing; due and demandable	Unsecured
	2020	–	8,343,215	–	–		
	2021	**₱1,690,211,651**	**₱98,929,599**	**₱39,995,230**	**₱288,844,298**		
	2020	₱ 1,796,291,914	₱80,901,966	₱57,253,053	₱289,448,080		

a. Zest-O purchased various raw materials from ARCRC amounting to ₱21.23 million, ₱3.44 million, ₱0.52 million in 2021, 2020 and 2019, respectively.

   ARCRC entered into various lease agreements with Zest-O Corporation for the use of its land and building facilities, and machinery and equipment located in Luzon (see Note 21). Total depreciation expense on right-of-use assets and interest expense on lease liabilities amounted to ₱26.31 million and ₱4.69 million in 2021, ₱19.73 million and ₱7.09 million in 2020 and ₱27.79 million and ₱9.23 million in 2019, respectively.

Zest-O Corporation has tolling arrangements with ARCRC as a contract packer and filler for carbonated beverages in Polyethylene Terephthalate (PET) bottles. Total tolling expense amounted to ₱0.21 million in 2021 and ₱6.69 million in 2020 (nil in 2019).

ARCRC also purchased various raw materials from Zest-O amounting to ₱9.02 million in 2021 (nil in 2020 and 2019).

ARCRC also incurred its share on utilities expense on the leased properties amounting to ₱13.69 million in 2021 (nil in 2020 and 2019).

b. ARCRC entered into various lease agreements with Mega Asia Bottling Corporation for the use of its land and building situated in various locations in the country (see Note 21). Total depreciation expense on right-of-use assets and interest expense on lease liabilities amounted to ₱25.83 million and ₱4.60 million in 2021, ₱32.91 million and ₱7.06 million in 2020 and ₱189.62 million and ₱18.30 million in 2019, respectively. Total rent expense from short-term lease amounted to ₱148.01 million in 2021, ₱123.57 million in 2020 and ₱40.14 million in 2019 (see Note 21).

   Mega Asia Bottling Corporation also provides specialty contractor services in all plants except Cabuyao. Under the agreement, ARCRC shall pay a fixed monthly service fee totaling of ₱73.50 million, ₱73.50 million and ₱89.27 million in 2021, 2020 and 2019, respectively (see Note 15).

   ARCRC also purchased spare parts supplies from Mega Asia amounting to ₱0.42 million in 2021 (nil in 2020 and 2019).

c. The Parent Company entered into lease agreement with AMY Leasing Company for the use of its office space in Makati City (see Note 21).Total depreciation on right-of-use asset amounted to ₱0.52 million in 2021, 2020 and 2019, respectively. Total interest expense on lease liability amounted to ₱0.11 million, ₱0.12 million and ₱0.14 million in 2021, 2020 and 2019 respectively. Rent expense on the new short-term lease amounted to ₱0.09 million in 2021.

d. ARCRC entered into a lease agreement with Asiawide Refreshments Corporation for the use of its land and building situated in Sitio Puting Bato, Inarawan, Antipolo City. Total depreciation on right-of-use assets and interest expense on lease liability amounted to ₱16.18 million and ₱3.11 million in 2021, ₱12.50 million and ₱4.70 million in 2020 and ₱18.18 million and ₱6.07 million in 2019, respectively (see Note 21).

   ARCRC also incurred its share in electricity and telecommunication costs to the leased properties amounting to ₱0.17 million, ₱0.16 million and ₱0.19 million in 2021, 2020 and 2019, respectively.

e. The Parent Company made advances to ARC Thailand in 2017 and 2018 for various expenditures totaling to ₱8.34 million and remained outstanding as of December 31, 2021 and 2020 .

   Impairment losses on due from ARC Thailand was provided in 2021 amounting to ₱8.34 million (nil in 2020) [see Note 18].

f. Bev-pack Incorporated supplies the caps for ARCRC's production of 800 ml bottled softdrinks. Total purchases made amounted to ₱206.62 million, ₱195.58 million and ₱214.12 million in 2021, 2020 and 2019, respectively.

g. ARCRC has a lease agreement with Solmac Marketing Inc. for its corporate office in Makati City (see Note 21). Rental security deposit amounted to ₱1.14 million, ₱1.23 million and ₱1.23 million as of December 31, 2021, 2020 and 2019, respectively. Total depreciation on right-of-use assets and interest expense on lease liabilities amounted to ₱5.27 million and ₱1.42 million in 2021, ₱5.19 million and ₱1.75 million in 2020 and ₱5.23 million and ₱1.85 million in 2019, respectively.

   ARCRC also incurred its association dues and water utilities in relation to the leased properties amounting to ₱0.96 million in 2021 and ₱1.49 million in 2020 (nil in 2019).

   ARCRC purchased labeling materials from Solmac amounting to ₱35.91 million in 2021 and ₱30.92 million in 2020 (nil in 2019).

h. On February 1, 2014, ARCRC entered into a lease agreement with SMI for the use of its 16,398 sq. meter land in Antipolo. Total depreciation on right-of-use asset and interest expense on lease liability amounted to ₱6.43 million and ₱1.23 million in 2021, ₱5.10 million and ₱1.87 million in 2020 and ₱7.22 million and ₱2.41 million in 2019, respectively (see Note 21).

i. ARCRC was contracted to be the toll manufacturer of AKPI for its carbonated beverages starting February 1, 2014. Under the terms of the agreement, Asiawide Kalbe Philippines, Inc. shall pay a variable fee per case of finished goods produced and delivered. Total tolling revenue earned in 2019 amounted to ₱5.43 million.

   In 2020, AKPI became a subsidiary of ARCHI. Revenue of ARCRC from AKPI is eliminated for consolidated financial statements (see Note 10).

j. The Group has cash and cash equivalents with Philippine Business Bank that earns average interest rate of 0.1875% to 5.25 %.

k. The compensation of key management personnel are as follows:

	2021	2020	2019
Salaries and wages	**₱28,339,675**	₱29,309,916	₱28,886,911
Allowances and benefits	**2,658,482**	1,408,644	2,438,197
	₱30,998,157	₱30,718,560	₱31,325,108

21. Lease Agreements

The Group has lease contracts for various items of land, building, office space and other equipment used in its operations. Leases of land and office spaces generally have lease terms between one (1) and six (6) years, while other equipment generally have lease terms between one (1) and three (3) years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also has certain leases of machinery with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

The rollforward analysis of the right-of-use assets as of and for the year ended December 31, 2021 and 2020 follows:

2021

**Retirements arise from the end of the lease term in 2021.*

	Land	Building	Office Space	Total
Cost				
Beginning balance	**₱664,731,514**	**₱58,173,245**	**₱38,882,551**	**₱761,787,310**
Additions	**6,550,865**	**2,757,033**	**–**	**9,307,898**
Retirements*	**(178,016,044)**	**–**	**–**	**(178,016,044)**
Ending balance	**493,266,335**	**60,930,278**	**38,882,551**	**593,079,164**
Accumulated Depreciation				
Beginning balance	**402,824,325**	**27,491,211**	**8,573,139**	**438,888,675**
Depreciation (Notes 16, 17 and 18)	**116,312,322**	**16,511,518**	**7,898,282**	**140,722,122**
Retirements*	**(178,016,044)**	**–**	**–**	**(178,016,044)**
Ending balance	**341,120,603**	**44,002,729**	**16,471,421**	**401,594,753**
Net Book Value	**₱152,145,732**	**₱16,927,549**	**₱22,411,130**	**₱191,484,411**

2020

	Land	Building	Office Space	Total
Cost				
Beginning balance	₱628,744,346	₱37,277,554	₱5,243,283	₱671,265,183
Assets acquired through business combination (Notes 10 and 11)	–	–	34,201,601	34,201,601
Additions	35,987,168	20,895,691	1,108,053	57,990,912
Termination	–	–	(1,670,386)	(1,670,386)
Ending balance	664,731,514	58,173,245	38,882,551	761,787,310
Accumulated Depreciation				
Beginning balance	271,970,175	12,981,849	961,999	285,914,023
Depreciation (Notes 16, 17 and 18)	130,854,150	14,509,362	8,093,696	153,457,208
Termination	–	–	(482,556)	(482,556)
Ending balance	402,824,325	27,491,211	8,573,139	438,888,675
Net Book Value	₱261,907,189	₱30,682,034	₱30,309,412	₱322,898,635

The rollforward analysis of lease liability follows:

	2021	2020
Beginning balance	**₱370,334,534**	₱417,161,136
Acquired through business combination (Notes 10 and 11)	**–**	35,039,106
Additions	**8,272,897**	57,990,912
Interest expense	**25,904,547**	34,330,910
Termination	**–**	(1,240,898)
COVID-19 rent concessions	**(5,719,991)**	(23,778,577)
Payments	**(163,556,010)**	(149,168,054)
	235,235,977	370,334,535
Less: current portion	**(195,878,936)**	(143,552,294)
Non-current lease liability	**₱39,357,041**	₱226,782,241

The following are the amounts recognized in the statement of comprehensive income:

	2021	2020	2019
Depreciation expense of right-of-use assets	**₱135,002,131**	₱129,678,630	₱285,914,023
Interest expense on lease liabilities	**25,904,547**	34,330,910	49,875,173
Rent expenses on short-term leases	**195,644,054**	157,235,072	83,016,112
Gain on terminated lease	**–**	(53,068)	–
Total amount recognized in statement of income	**₱356,550,732**	₱321,191,544	₱418,805,308

Depreciation expense charged to operations as follows:

	2021	2020	2019
Cost of sales and services (see Note 16)	**₱39,753,717**	₱52,704,972	₱170,068,092
Selling and marketing expenses (see Note 17)	**76,605,218**	60,776,595	107,863,327
General and administrative expenses (see Note 18)	**18,643,196**	16,197,063	7,982,604
	₱135,002,131	₱129,678,630	₱285,914,023

Rent expense on short-term leases charged to operations are as follows:

	2021	2020	2019
Cost of sales and services (see Note 16)	**₱131,923,227**	₱102,386,686	₱44,935,506
Selling and marketing expenses (see Note 17)	**61,298,452**	54,848,386	38,080,606
General and administrative expenses (see Note 18)	**2,422,375**	–	–
	₱195,644,054	₱157,235,072	₱83,016,112

In 2021 and 2020, the Group received rent concessions from lessors amounting to ₱5.72 million and ₱23.78 million, respectively accounted for as negative variable lease payments in the statement of comprehensive income.

Future minimum lease payments as follow:

	2021	2020	2019
Within one year	**₱141,545,051**	₱172,378,886	₱314,630,850
More than one year	**218,536,865**	255,692,595	422,027,937
	₱360,081,916	₱428,071,481	₱736,658,787

Details of the Group's lease commitments follows:

Lease Agreements with Mega Asia, a related party (see Note 20)

a. ARCRC leases a piece of land and building located in Pampanga for three (3) years commencing from February 1, 2014 to January 31, 2017 and was extended for another 3-year lease until January 31, 2020 and was further extended to January 31, 2023.

b. ARCRC leases a piece of land and building located in Cagayan de Oro, Misamis Oriental for three (3) years commencing from February 1, 2014 to January 31, 2017 and was extended for another 3-year lease until January 31, 2020. The lease was subsequently renewed for one year in 2020 and another one year in 2021.

c. ARCRC leases a piece of land and building located in Pangasinan for three (3) years commencing from February 1, 2014 to January 31, 2017 and was extended for another 3-year lease until January 31, 2020. The lease was subsequently renewed for one year in 2020 and another one year in 2021.

d. ARCRC leases a piece of land and building located in Isabela for three (3) years commencing from February 1, 2014 to January 31, 2017 and was extended for another 3-year lease until January 31, 2020. The lease was subsequently renewed for one year in 2020 and another one year in 2021.

e. ARCRC leases a piece of land and building located in Davao for three (3) years commencing from February 1, 2014 to January 31, 2017 and was extended for another 3-year lease until January 2020. The lease was subsequently renewed for one year in 2020 and another one year in 2021.

f. ARCRC leases a piece of land and building located in Cabuyao, Laguna for one (1) year commencing from February 1, 2018 to January 31, 2019, renewable upon mutual agreement of the parties. The lease was extended to January 31, 2020 and further extended to January 31, 2021.

The above lease agreements require the Group to pay rental security deposits amounted to ₱349.82 million and ₱350.35 million as of December 31, 2021 and 2020 (see Note 7).

Lease Agreements with Zest-O, a related party (see Note 20)

On February 1, 2017, ARCRC leases a piece of land and building on which the manufacturing plant and administrative office of the Company are located in Kaybiga, Novaliches, Quezon City for a period of three (3) years up to 2020 further extended until 2023.

Lease Agreements with Solmac, a related party (see Note 20)

a. Solmac Marketing Inc. is the owner of the building where the corporate office of ARCRC is located. ARCRC occupies 14 units with average rental of ₱341.20 per sq. meter for 2021 and 2020. Average rental for 2019 was ₱275.61 per sq. for 12 units.

   Rental security deposit amounted to ₱1.14 million and ₱1.23 million as of December 31, 2021 and 2020, respectively.

Others

a. ARCRC entered into a lease agreement with Asiawide, a related party, for a lease of a piece of land and building located at Km. 27 Sitio Puting Bato, Inarawan, Antipolo City. The lease shall be for three (3) years commencing from February 1, 2014 to January 31, 2017 and was extended until 2020. The lease was further extended to January 31, 2023.

b. ARCRC entered into a lease agreement with SMI, a related party, for a lease of a piece of land in Antipolo City. The lease shall be for three (3) years commencing from February 1, 2017 to January 31, 2020 and was further extended until 2023.

c. ARCRC entered into various lease agreements from third parties for lease of land and office space located in various locations. Total depreciation and interest expense recognized in relation to these leases amounted to ₱46.63 million and ₱8.41 million in 2021, ₱45.75 million and ₱11.06 million in 2020, and ₱36.81 million and ₱11.81 million in 2019, respectively. Rental security deposit amounted to ₱11.49 million and ₱11.50 million as of December 31, 2021 and 2020, respectively.

Date of Lease Agreement	**Location**	**Leased Property**	**Lease Term**
January 16, 2015	Mandaue City, Cebu	Piece of land	5 years
February 15, 2016	Kawit, Cavite	Piece of land	3 years; extended until 2023
July 1, 2016	Cebu City	Office space	2 years; extended until 2019
April 1, 2017	San Jose, Nueva Ecija	Piece of land	6 years
August 1, 2017	Paco, Manila	Piece of land	6 years
August 1, 2017	Paco, Manila	Piece of land	6 years
October 15,2017	Gerona, Tarlac	Piece of land	6 years
November 1, 2017	Iguig, Isabela	Piece of land	6 years
December 1, 2018	Cainta, Rizal	Warehouse building	2 years
July 15, 2019	Cainta, Rizal	Piece of land	1.5 years
January 16, 2020	Mandaue City, Cebu	Piece of land	5 years
November 1, 2020	Cainta, Rizal	Office space	1.5 years
October 1, 2021	Sincang, Bacolod	Warehouse building	5 years

d. On August 20, 2015, the Parent Company entered into a lease agreement with AMY Leasing Company for the use of its office space in Makati City. The contract is for the period of five years which was subsequently extended until January 1, 2025 under the same term. The rental fee is subject to annual escalation rate of 5%.

e. On October 5, 2021, the Parent Company entered into a new lease agreement with AMY Leasing Company for the use of additional office space in Makati City. The contract is for the period of one (1) year renewable upon mutual agreement of both parties. The lease contract was accounted for as short-term lease.

f. On March 1, 2016, AEI has entered into a lease agreement with FTI for the lease of the corporate office and commissary. The lease term will end on December 31, 2020 and is subject to 5% annual escalation per year starting the second year of lease term. The monthly lease payments provided in the agreement amounts to ₱0.34 million, exclusive of 12% management fee and output VAT. AEI leases commercial spaces which it occupies for its operations during the period of the lease with option to renew as per agreement.

g. On January 1, 2020, AEI renewed its lease agreement that will end on December 31, 2025 and is subject to 5% annual escalation per year starting the second year of lease term. The monthly lease payments provided in the agreement amounts to 0.46 million, exclusive of 12% management fee and output VAT.

h. On June 20, 2019, AEI has entered into a lease agreement with Assumption Antipolo, Inc. for the lease of the canteen space. The lease term will end on April 20, 2022. The monthly fixed rate lease payments provided in the agreement amounts to ₱0.12 million.

i. On August 1, 2019, AEI has entered into a lease agreement with Everest Academy, Inc. for the lease of the canteen space. The lease term will end on July 30, 2022 and is subject to 5% annual escalation per year. The monthly fixed rate lease payments provided in the agreement amounts to ₱0.03 million.

22. Retirement Liability

The Group has a funded, noncontributory defined benefit retirement plan covering substantially all of its regular employees. The defined retirement benefit obligation is determined using the projected unit credit method. There was no plan termination, curtailment or settlement for the years ended December 31, 2021, 2020 and 2019.

The net retirement benefits costs recognized in the consolidated statements of comprehensive income for the years ended December 31, 2021 2020 and 2019 are as follows:

	2021	2020	2019
Service cost	**₱28,201,368**	₱25,280,886	₱19,078,169
Net interest cost (income)	**4,553,579**	682,392	(702,814)
Retirement benefits costs	**₱32,754,947**	₱25,963,278	₱18,375,355

Retirement liability recognized in the statements of financial position as of December 31, 2021 and 2020 are as follows:

	2021	2020
Present value of defined benefit obligation	**₱202,643,129**	₱218,243,850
Fair value of plan assets	**(87,604,094)**	(100,626,356)
Balance at end of year	**₱115,039,035**	₱117,617,494

The present value of defined benefit retirement obligation as of December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	**₱218,391,965**	₱131,542,046
Liability acquired through business combination (Notes 10 and 11)	–	49,703,256
Service cost	**28,201,368**	25,280,886
Interest cost	**8,337,130**	5,852,613
Benefits paid	**(27,945,593)**	(1,943,216)
Remeasurement loss (gain) due to change in:		
Financial assumptions	**(33,950,561)**	10,346,910
Demographic assumptions	**(155,973)**	–
Experience adjustments	**9,764,793**	(2,538,645)
Balance at end of year	**₱202,643,129**	₱218,243,850

The changes in fair value of plan assets are as follows:

	2021	2020
Balance at beginning of year	**₱100,626,356**	₱99,084,342
Contributions	**10,000,000**	–
Interest income	**3,783,551**	5,170,221
Benefits paid	**(25,265,583)**	(1,943,216)
Actuarial loss from experience adjustments	**(1,540,230)**	(1,684,991)
Balance at end of year	**₱87,604,094**	₱100,626,356

The plan assets are being held by trustee bank and placed with an insurance company. The investing decisions of the Plan are made by certain officers duly authorized by the BOD. The latest actuarial valuation report is as of December 31, 2021.

The net plan assets as of December 31, 2021 and 2020 are as follows:

	2021	2020
Cash and cash equivalents	**₱17,227,118**	₱7,207,593
Investment in common fund of insurance company	**70,376,976**	93,418,763
	₱87,604,094	₱100,626,356

The cumulative amount of remeasurement gain as of December 31, 2021 and 2020 follows:

	2021	2020
Beginning balance	**₱51,261,772**	₱60,755,028
Remeasurement loss on defined benefit obligation	**24,341,741**	(7,808,265)
Remeasurement loss on plan assets	**(1,540,230)**	(1,684,991)
Balance at end of year	**74,063,283**	51,261,772
Tax effect	**(18,515,821)**	(15,378,532)
Cumulative remeasurement gain, net of tax	**₱55,547,462**	₱35,883,240

The principal assumptions used to determine the retirement benefit obligation as of December 31 are as follows:

	2021	2020
Discount rate	**3.76% to 5.18%**	3.76% to 4.06%
Future salary increases	**2.00% to 5.00%**	2% to 5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase	Increase (decrease) in defined benefit obligation	
Assumptions	(decrease)	**2021**	2020
Discount rate	1%	**(₱23,617,427)**	(₱26,729,522)
	-1%	**28,505,327**	32,499,050
Salary increase rate	1%	**28,330,539**	31,881,257
	-1%	**(24,019,574)**	(26,858,868)

The average duration of the retirement at the end of the reporting date is 20 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	2020
More than 1 year to 5 years	**₱53,188,378**	₱49,198,482
More than 5 years to 10 years	**107,224,956**	90,480,737

23. **Income Taxes**

The current provision for income tax in 2021 and 2020 represents the regular corporate income tax or minimum corporate income tax, whichever is higher.

The components of the Group's net deferred tax assets as of December 31, 2021 and 2020 are as follows:

	2021	2020
Items recognized in profit or loss		
Deferred tax asset:		
Net operating loss carry over (NOLCO)	**₱56,041,671**	₱–
Retirement benefits liability	**47,275,580**	50,663,780
Allowance for impairment loss on receivables	**24,497,217**	27,108,992
Excess of lease liabilities over right-of-use Assets	**10,937,892**	14,230,770
Unrealized foreign exchange loss	**5,215,297**	8,508,376
Allowance for inventory obsolescence and condemnation	**3,296,259**	2,362,288
Unamortized past service costs	**491,319**	840,131
Excess of MCIT over RCIT	–	2,943,020
Deferred tax liability on customer relationships (Note 11)	**(45,934,040)**	(47,415,784)
	101,821,195	59,241,573
Items recognized directly in other comprehensive income		
Deferred tax liability on retirement liability	**(18,515,821)**	(15,378,532)
Net deferred tax asset	**₱83,305,374**	₱43,863,041

The reconciliation of income tax computed based on the statutory income tax rate to the provision for income tax in the consolidated statement of comprehensive income is as follows:

	2021	2020	2019
Income tax at statutory tax rates	**(₱56,988,752)**	₱28,377,890	₱85,949,908
Adjustments in income tax resulting from:			
Effect of remeasurement of current income tax arising from change in tax rate due to CREATE Act	**11,904,192**	–	–
Interest income already subjected to final tax	**(6,216,086)**	(15,496,827)	(26,546,692)
Differences in tax due to optional standard deduction	–	–	(2,081,564)
Nondeductible expenses	**4,312,609**	4,938,550	647,506
Share in net loss (income) of a joint venture	–	(844,864)	2,276,821
Movements in temporary differences for which no deferred tax assets were recognized	**14,141,694**	4,034,020	–
	(₱32,846,343)	₱21,008,769	₱60,245,979

The Group did not recognize deferred income tax assets for the items presented below. Management believes that it may not be probable that sufficient taxable income will be available in the future against which the tax benefits can be realized prior to their expiration or reversal.

	2021	2020	2019
Excess of MCIT	**₱16,903,089**	₱174,004	₱–
NOLCO	**1,005,443**	1,005,443	–
Revaluation loss on its investment in a joint venture	**11,861,275**	11,861,275	–
	₱29,769,807	₱13,040,722	₱–

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(b) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

Details of NOLCO which pertains to ARCHI, MHI and ARCRC follows:

	Beginning Balance	Addition	Ending Balance	Expiry Year
2021	₱–	₱224,166,689	₱224,166,689	2026
2020	1,005,443	–	1,005,443	2025
	₱1,005,443	₱224,166,689	₱225,172,132	

Details of MCIT which pertains to MHI and ARCRC as follows:

	Beginning Balance	Addition	Ending Balance	Expiry Year
2021	₱–	₱13,786,065	₱13,786,065	2024
2020	3,117,024	–	3,117,024	2023
	3,117,024	13,786,065	16,903,089	

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.
The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding Php5.0 million and with total assets not exceeding Php100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event as at December 31, 2020. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower RCIT rate of 20%-25% or MCIT rate of 1% effective July 1, 2020.

For the current year, the impact of the implementation of the CREATE Act on the Group's deferred income tax benefit and net deferred tax asset arising from the reduction of corporate income tax rate from 30% to 25% amounted to ₱15.21 million. Current income tax and prepaid income tax decreased by ₱5.874 million.

24. **Financial Risk Management and Capital Management**

The main purpose of the Group's dealings in financial instruments is to fund its operations, capital expenditures and financing activities.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and foreign currency risk.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls and to monitor and assess risks and compliance to internal control, identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

Management addresses the risks faced by the Group in the preparation of its annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk and Quality
Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's credit risk exposure arises principally from the possibility that the counterparties may fail to fulfill their agreed obligations. To manage such risk, the Group monitors its receivables on an ongoing basis. The objective is to reduce the risk of loss through default of counterparties.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, receivables, short-term investments and security deposits, the Group's exposure to credit risk arises from a possible default of the counterparties with a maximum exposure equal to the carrying amounts of these instruments.

An impairment analysis is performed at each reporting date. The mechanics of the ECL calculations and key elements are, as follows:

Probability of default (PD) is an estimate of the likelihood of default over a given time horizon.

Exposure at default (EAD) is an estimate of the exposure at a future default date taking into account expected changes in the exposure after the reporting date.

Loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time.

Financial assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan despite collection efforts. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

Financial assets that are over 30 days or more are not considered in default when the reason for non-payment was due to administrative oversight or other reasonable circumstances rather than resulting from financial difficulty of the borrower.

An impairment analysis is performed using a provision matrix for trade and other receivables to measure expected credit losses. The provision rates are based on days past due of customers. Generally, trade and other receivables are written-off if past due for more than a year and are not subjected to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables, receivables from officers and employees and due from related parties as of December 31, 2021 and 2020 using a provision matrix:

December 31, 2021:

	Days Past Due				
	Current	**1-30 Days**	**31-60 Days**	**>60 Days**	**Total**
Expected credit loss rate	**0.0% to 0.95%**	**1.78%**	**3.88%**	**36.71% to 100%%**	
Estimated total gross carrying amount at default	**₱267,029,054**	**₱58,859,791**	**₱2,121,685**	**₱261,811,890**	**₱589,822,421**
Expected credit loss	**761,628**	**1,045,758**	**82,348**	**96,099,128**	**97,988,862**

December 31, 2020:

	Days Past Due				
	Current	1-30 Days	31-60 Days	>60 Days	Total
Expected credit loss rate	0.0% to 4.75%	9.34%	27.23%	32.86% to 100%	
Estimated total gross carrying amount at default	₱217,735,575	₱66,255,553	₱20,559,357	₱236,331,937	₱540,882,422
Expected credit loss	909,340	6,188,123	5,598,456	77,667,385	90,363,304

The Group's other financial assets at amortized cost are composed of cash and cash equivalent, short term investment and security deposit. For cash and cash equivalents and short-term investments which are maintained in financial institution graded by the external credit rating agency, the Group applies the low credit risk simplification where the Group measures the ECL on a 12-month basis based on the PD and LGD which are publicly available. The Group also evaluates the credit rating of the banks and other financial institutions to determine whether the debt instruments has significantly increased in credit risk and to estimate ECLs.

For security deposit, the Group limits its exposure on credit risk by engaging to related parties or third parties with good credit standing and reputation in the industry. It is the Group's policy to measure ECL on this financial assts on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Group considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

Liquidity Risk

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

The table below shows the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	2021				
	Due and Demandable	**Within 6 Months**	**6 to 12 Months**	**Over 1 year**	**Total**
Cash and cash equivalents	**₱503,150,109**	**₱601,917,858**	**₱–**	**₱–**	**₱1,105,067,967**
Short term investment	**–**	**1,111,596,724**	**–**	**–**	**1,111,596,724**
Trade and other receivables*	**460,342,392**	**19,132,054**	**–**	**–**	**479,474,446**
Security deposits	**–**	**–**	**322,463,218**	**58,738,914**	**381,202,132**
	963,492,501	**1,732,646,636**	**322,463,218**	**58,738,914**	**3,077,341,269**
Trade and other payables**	**(1,516,896,282)**	**–**	**–**	**–**	**(1,516,896,282)**
Short-term loans payable***	**–**	**(12,634,180)**	**(25,625,724)**	**–**	**(38,259,904)**
Lease liabilities****	**–**	**(72,124,959)**	**(69,420,092)**	**(218,536,865)**	**(360,081,916)**
Long-term loans payable***	**–**	**–**	**34,270,666**	**195,531,948**	**(229,802,614)**
Dividends payable	**(2,695,818)**	**–**	**–**	**–**	**(2,695,818)**
	(1,519,592,100)	**(84,759,139)**	**(129,316,483)**	**(414,068,813)**	**(2,147,736,534)**
Liquidity Position (Gap)	**₱(556,099,599)**	**₱1,647,887,498**	**₱193,146,736**	**₱(355,329,899)**	**₱929,604,735**

**Excluding receivables from officers and employees amounting to ₱47.67 million*
***Excluding statutory payables amounting to ₱49.03 million*
****Inclusive of future interest payment*
*****Undiscounted minimum lease payment and inclusive of future interest payment*

	2020				
	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 year	Total
Cash and cash equivalents	₱739,191,110	₱1,539,338,797	₱–	₱–	₱2,278,529,907
Trade and other receivables*	432,544,630	20,732,236	–	–	453,276,866
Security deposits	–	–	–	364,266,498	364,266,498
	1,171,735,740	1,560,071,033	–	364,266,498	3,096,073,271
Trade and other payables**	(1,776,037,034)	–	–	–	(1,776,037,034)
Short-term loans payable***	–	(40,105,335)	–	–	(40,105,335)
Lease liabilities****	–	(80,273,932)	(92,104,954)	(255,692,595)	(428,071,481)
Long-term loans payable***	–	(1,024,442)	(911,995)	(6,919,146)	(8,855,583)
Dividends payable	(2,695,818)	–	–	–	(2,695,818)
	(1,778,732,852)	(121,403,709)	(93,016,949)	(262,611,741)	(2,255,765,251)
Liquidity Position (Gap)	(₱606,997,112)	₱1,438,667,324	(93,016,949)	₱101,654,757	₱840,308,020

**Excluding receivables from officers and employees amounting to ₱34.56 million*
***Excluding statutory payables amounting to ₱59.02 million*
****Inclusive of future interest payment*
*****Undiscounted minimum lease payment and inclusive of future interest payment*

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group uses the Peso (₱) as its functional currency and is therefore exposed to foreign exchange movements, primarily on the US Dollar ($). The Group follows a policy to manage this risk by closely monitoring its cash flow position and by providing forecast on its exposures in non-peso currency.

The balances of the Group's financial assets and liabilities denominated in foreign currency translated in Philippine peso, as of December 31, 2021 and 2020, are as follows:

	2021			
	Original Currency in $	**Translated in ₱**	**Original Currency in €**	**Translated in ₱**
Financial assets:				
Cash and cash equivalents	**$6,040,502**	**₱308,056,324**	**€5,077**	**₱294,430**
Receivables	**1,131**	**57,677**	**–**	**–**
Financial liabilities:				
Trade and other payables	**(975,586)**	**(49,745,135)**	**–**	**–**
Net exposure	**$5,066,047**	**₱258,368,866**	**€5,077**	**₱294,430**

	2020			
	Original Currency in $	Translated in ₱	Original Currency in €	Translated in ₱
Financial assets:				
Cash and cash equivalents	$7,087,117	₱340,345,172	€3,534	₱207,410
Receivables	1,432	68,771	–	–
Financial liabilities:				
Trade and other payables	(1,780,998)	(85,523,524)	–	–
Net exposure	$5,307,551	₱254,890,419	€3,534	€207,410

As of December 31, 2021, and 2020, the exchange rate of Philippine peso (₱) to USD is ₱50.99 and ₱48.02, respectively, while the exchange rate for EUR is ₱57.993 and ₱58.69, respectively.

The table below demonstrates the sensitivity to a reasonably possible change in ₱ to $ and ₱ to Euro (€) exchange rates, with all other variables held constant, of the Group's income before income tax. There is no other impact on the Group's equity other than those affecting the statement of comprehensive income.

	Change in exchange rate			
	$ strengthens by 5%	$ weakens by 5%	€ strengthens by 5%	€ weakens by 5%
Increase (decrease) in income before income tax				
2021	₱12,918,443	(₱12,918,443)	₱14,722	(₱14,722)
2020	₱12,744,521	(₱12,744,521)	₱10,371	(₱10,371)

Fair Values of Financial Instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

The following financial assets and liabilities have carrying values that approximate their fair values as of December 31, 2021 and 2020:

Cash and cash equivalents, Trade and other receivables, Trade and other payables, Short-term loans payable, Customer deposits and Dividends Payable

The carrying amounts of cash and cash equivalents, trade and other receivables, security deposit, trade and other payables, short-term loans payable, customer deposits and dividends payable approximate their fair values due to the short-term maturity of these financial instruments.

Long-term loans payable
Estimated fair values are based on the discounted value of future cash flows using the applicable rates for similar types of loans. Interest rates used in discounting cash flows ranged from 3.48% to 8.0% in 2021 and 2020 using the remaining terms to maturity.

Capital Management
The Group maintains a capital base to cover risks inherent in the business. The primary objective of the Group's capital management is to increase the value of shareholders' investment. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure upon commencement of its operations.

The BOD has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry. No changes were made in the objectives, policies or processes during the years ended December 31, 2021, 2020 and 2019.

The following table summarizes what the Group considers as its total capital as of December 31:

	2021	2020
Capital stock	**₱1,068,393,223**	₱1,068,393,223
Additional paid-in capital	**1,153,568,289**	1,153,568,289
Retained earnings	**5,025,286,489**	5,220,395,154
	₱7,247,248,001	₱7,442,356,666

25. **Notes to Consolidated Statement of Cash flows**

Disclosed below is the rollforward of liabilities under financing activities:

December 31, 2021:

		Non-cash Change				
	Beginning Balance	**Additions**	**Others**	**Cash Inflow**	**Cash Outflow**	**Ending Balance**
Lease liabilities	**₱370,334,534**	**₱8,272,897**	**(₱5,719,991)**	**₱–**	**(₱137,651,463)**	**₱235,235,977**
Short-term loans	**40,043,281**	**–**	**–**	**412,993,526**	**(420,900,989)**	**32,135,818**
Long-term loans	**8,316,152**	**–**	**–**	**200,000,000**	**(2,792,123)**	**205,524,029**
Dividend payable	**2,695,818**	**–**	**–**	**–**	**–**	**2,695,818**
	₱421,389,785	**₱8,272,897**	**(₱5,719,991)**	**₱612,993,526**	**(₱561,344,575)**	**₱475,591,642**

December 31, 2020:

		Non-cash Change				
	Beginning Balance	Additions	Others	Cash Inflow	Cash Outflow	Ending Balance
Lease liabilities	₱417,161,136	₱93,030,018	(₱25,019,475)	₱–	(₱114,837,144)	₱370,334,535
Short-term loans	13,925,126	28,651,229	–	467,796,521	(470,329,595)	40,043,281
Long-term loans	–	7,201,422	–	1,114,730	–	8,316,152
Dividend payable	2,695,818	–	–	–	–	2,695,818
	₱433,782,080	₱128,882,669	(₱25,019,475)	₱468,911,251	(₱585,166,739)	₱421,389,785

December 31, 2019:

		Non-cash Change				
	Beginning Balance	Dividend Declaration	Additions	Cash Inflow	Cash Outflow	Ending Balance
Lease liabilities	₱676,100,288	₱–	₱1,987,181	₱–	(₱260,926,333)	₱417,161,136
Short-term loans	62,997,662	–	–	503,063,031	(552,135,567)	13,925,126
Dividend payable	2,695,818	213,678,645	–	–	(213,678,645)	2,695,818
	₱741,793,768	₱213,678,645	₱1,987,181	₱503,063,031	(1,026,740,545)	433,782,080

See Notes 10 and 11 for the noncash investing activities.

26. Basic/Diluted Earnings (Loss) Per Share

Basic and dilutive earnings (loss) per share is computed as follows:

	2021	2020	2019
Net income (loss)	**(₱195,108,665)**	₱73,584,197	₱226,253,716
Weighted average number of common shares outstanding	**1,068,393,223**	1,068,393,223	1,068,393,223
Basic and diluted earnings (loss) per share	**(₱0.18)**	₱0.07	₱0.21

As at December 31, 2021 and 2020, there are no potential ordinary shares that have a dilutive effect on the basic EPS of the Parent Company. The Group did not include the stock dividends for distribution in the calculation of EPS pending the approval of the Philippine SEC to effect the issuance of the related stock dividends (Note 14).

27. Segment Information

The business segment is determined as the primary segment reporting format as the Group’s risk and rates of return are affected predominantly by each operating segment.

Management monitors the operating results of the business for purposes of making decisions about resource allocation and performance assessment.

For management purpose, the Group is organized into only one operating division, food industry, which primarily consists of operations from ARCRC, AEI and AKPI.

Net sales, net income, total assets and total liabilities of the food industry segment as at and for the years ended December 31, 2021, 2020 and 2019, respectively, are as follows:

(in millions)	**Food Industry**			**Others**			**Elimination**			**Consolidation**		
	2021	2020	2019	**2021**	2020	2019	**2021**	2020	2019	**2021**	2020	2019
Net sales - external customers	**₱8,996**	₱9,322	₱10,440	**₱-**	₱48	₱87	**(₱28)**	(₱50)	(₱87)	**₱8,967**	₱9,320	₱10,440
Cost of sales and services	**7,322**	7,492	8,482	**-**	-	-	**(28)**	(18)	-	**7,295**	7,474	8,482
Net income (loss)	**(199)**	48	155	**9**	1,019	771	**(5)-**	(993)	(700)	**(195)**	74	226
	-						-			-		
Other information												
Total assets	**6,299**	6,836	6,945	**5,929**	5,940	4,911	**(2,544)**	(2,699)	(2,181)	**9,682**	10,077	9,675
Total liabilities	**2,204**	2,559	2,017	**12**	33	22,840	**(59)**	(218)	(22,818)	**2,157**	2,374	2,039
Interest expense	**41**	15	52	**-**	-	-	**3**	27	**-**	**38**	42	52
Provision for (benefit from) income tax	**(29)**	25	53	**(2)**	(4)	7	**(1)**	-	**-**	**(32)**	21	60

28. **Other Matters**

Continuing COVID-19 pandemic

The Philippines has been placed in a stringent community quarantine, varying in terms of degree and location since the COVID-19 outbreak in 2020. The global pandemic has caused disruptions to businesses and economic activities, and its impact on businesses continues to evolve, including but not limited to additional costs for implementation of COVID-19 protocols, and administrative challenges in billings and collections.

In response, the Group took various measures to manage the risk and uncertainties brought by the outbreak such as implementation of work from home arrangement for employees, adoption of office and site continuity plan guidelines, implementation of minimum public health standards in all workplaces and COVID-19 information campaign and test procedures.

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

To the Board of Directors and Shareholders
Macay Holdings, Inc.
137 Yakal Street, San Antonio Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Macay Holdings, Inc. and its Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 19, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Ana Lea C. Bergado

Ana Lea C. Bergado
Partner
CPA Certificate No. 80470
Tax Identification No. 102-082-670
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 0660-AR-4 (Group A)
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PTR No. 8853473, January 3, 2022, Makati City

May 19, 2022

MACAY HOLDINGS, INC. AND SUBSIDIARIES

INDEX TO THE SUPPLEMENTARY SCHEDULES
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

Annex A: Reconciliation of Retained Earnings Available for Dividend Declaration

Annex B: Map Showing Relationships between and among the Companies in the Group, its Ultimate Parent Company and its Subsidiaries

Annex C: Supplementary Schedules Required by Annex 68-J

- Schedule A. Financial Assets
- Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
- Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements
- Schedule D. Long-term Debt
- Schedule E. Indebtedness to Related Parties
- Schedule F. Guarantees of Securities of Other Issuers
- Schedule G. Capital Stock

Annex A

MACAY HOLDINGS, INC.

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2021

Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning of the year	₱3,456,780,840
Less: Deferred tax assets	(8,610,760)
Unappropriated retained earnings, as adjusted to available for dividend distribution, beginning of the year	3,448,170,080
Add: Net income actually earned/realized during the period	
Net income during the period closed to retained earnings	9,430,745
Less: Non-actual/unrealized income net of tax	
Equity in net income of associate/joint venture	–
Unrealized foreign exchange gain – (after tax) except those attributable to cash and cash equivalents)	–
Unrealized actuarial gain	–
Fair value adjustment (mark-to-market) gains	–
Adjustment due to deviation from PFRS-gain	–
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–
	–
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	
Adjustment due to deviation from PFRS-loss	
Loss on fair value adjustment of investment property (after tax)	
Net income actually earned during the period	9,430,745
Add (less):	
Dividend declarations during the period	–
Appropriations of retained earnings during the period	–
Reversal of appropriations	–
Effect of prior period adjustments	–
Movement in deferred tax assets	(2,249,978)
	(2,249,978)
Total retained earnings available for dividend declaration, end of the year	₱3,455,350,845

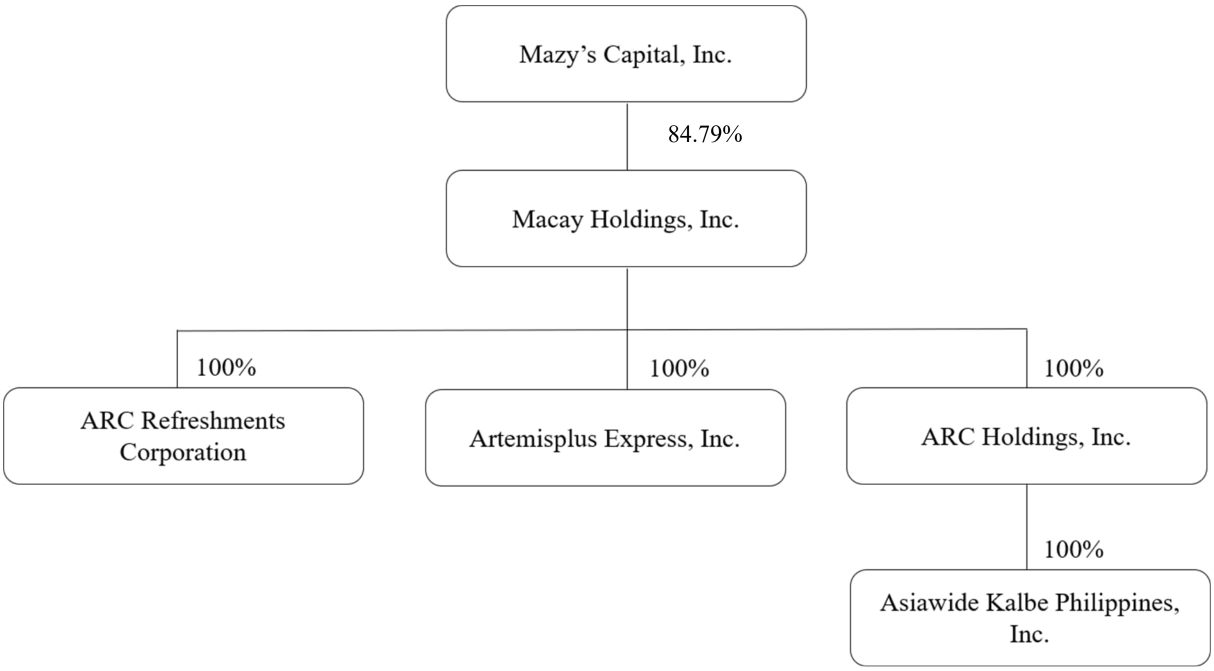
Note: In accordance with SEC Financial Reporting Bulletin No. 14, the reconciliation is based on the Parent Company financial statements.

Annex B

MACAY HOLDINGS, INC. AND SUBSIDIARIES

MAP SHOWING RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND ITS SUBSIDIARIES

DECEMBER 31, 2021



MACAY HOLDINGS, INC. AND SUBSIDIARIES
SUPPLEMENTARY SCHEDULES REQUIRED BY ANNEX 68-J
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2021

Bellow are the additional information and schedules required by Revised Securities Regulation Code Rule 68. The information is presented for purpose of filing with the SEC and is not required parts of the basic consolidated financial statements.

Schedule A. Financial Assets
Below is the schedule of financial assets of the Group as of December 31, 2021:

	Name of issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received or accrued
Cash and cash equivalents	N/A	₱1,105,067,967	₱1,105,067,967	₱11,426,630
Short term investments	N/A	1,111,596,724	1,111,596,724	13,437,712
Trade and other receivables				
Trade receivables	N/A	443,224,515	434,881,300	–
Due from related parties	N/A	98,929,599	98,929,599	–
Receivables from officers and employees	N/A	47,668,307	47,668,307	–
Others	N/A	25,964,548	25,964,548	–
Security deposits	N/A	381,202,132	381,202,132	–
		₱3,213,653,792	₱3,213,653,792	₱24,864,342

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)

Below is the schedule of amounts owed by officers and employees of the Group with balances above ₱100,000.

Amounts owed by Officers and Employees

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non-current	Balance at the end of the period
Officers and employees	₱13,132,472	₱4,884,579	–	–	–	₱18,017,051

Below is the schedule of amounts owed by related parties of the Group.

Amounts owed by Related Parties

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Current	Non-current	Balance at the end of the period
Zest-O	₱71,177,581	₱24,221,582	(₱229,687)	₱89,211,642	₱–	₱89,211,642
Philippine Business Bank	21,428		(21,428)	–		–
ARC Thailand	8,343,215	–	–	8,343,215	–	8,343,215
Bev-pack, Inc.	820,491	–	–	820,491	–	820,491
Asiawide	5,000	–	–	5,000	–	5,000
Mega Asia	534,251	–	–	549,251	–	549,251
	₱80,901,966	–	(₱251,115)	₱98,929,599	–	₱98,929,599

Schedule C. Amounts Receivable from Related Parties which are Eliminated During the Consolidation of Financial Statements

Below is the schedule of receivables with related parties which are eliminated in the consolidated financial statements as at December 31, 2021.

Receivables from related parties which are eliminated during the consolidation (under Trade and other receivables)

Name and designation of debtor	Balance at beginning of period	Additions	Amount collected	Amount written off	Current	Noncurrent	Balance at end of period
ARC Refreshments, subsidiary	₱38,800,000	₱–	(₱34,920,000)	₱–	₱3,880,000	₱–	₱3,880,000
Artemisplus Express, Inc.	143,575,000	–	(139,771,451)	–	3,803,549	–	3,803,549
	₱182,375,000	₱–	(₱174,691,451)	₱–	₱7,683,549	₱–	₱7,683,549

Schedule D. Long-term Debt

As of December 31, 2021, the Group has outstanding long-term debts as follows:

Long-term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "current portion of long-term" in related balance sheet	Amount shown under caption "long-term debt" in related balance sheet
Car loan with an annual effective interest rate of 9.09% to 10.95% that will mature in five (5) years	₱5,524,029	₱1,270,666	₱4,253,363
Peso term loan that will mature in seven (7) years	200,000,000	33,000,000	167,000,000

Schedule E. Indebtedness to Related Parties

Below is the Group's indebtedness to related parties.

Indebtedness to related parties

Name of related party	Balance at beginning of period	Balance at end of period
Mega Asia	₱217,761,506	₱217,609,913
Zest-O	64,862,781	67,309,122
Bev-pack	57,253,053	39,995,230
Asiawide	4,973,162	2,146,762
SMI Development Corporation	1,850,631	1,778,501
	₱346,701,133	₱328,839,528

Schedule F. Guarantees of Securities of Other Issuers

As of December 31, 2021, the Group does not guarantee any securities as indicated in the table below.

Guarantees of Securities of Other Issuers

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

Not Applicable

The Group does not have any guarantees of securities of other issuing entities by the issuer for which the consolidated financial statement is filed.

Schedule G. Capital Stock

	2021	2020
Common stock:		
Authorized - ₱1 par value	**₱2,100,000,000**	₱2,100,000,000
Issued and outstanding	**₱1,068,393,223**	₱1,068,393,223
Preferred stock:		
Authorized - ₱1,000 par value	**₱200,000,000**	₱200,000,000
Issued and outstanding	**₱–**	₱–

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INDEPENDENT AUDITOR'S REPORT ON
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

To the Board of Directors and Shareholders
Macay Holdings, Inc.
137 Yakal Street, San Antonio Village, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Macay Holdings, Inc. and its Subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated May 19, 2022. Our audits were made for the purpose of forming an opinion on the basic 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 (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

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PTR No. 8853473, January 3, 2022, Makati City

May 19, 2022

MACAY HOLDINGS, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE ON FINANCIAL SOUNDNESS INDICATORS AS AT DECEMBER 31, 2021

Below are the financial ratios that are relevant to the Group for the years ended December 31, 2021 and 2020:

Financial ratios		**2021**	2020
Current ratio	Current assets / Current liabilities	**2.32**	1.97
Acid test ratio	Cash and receivables / current liabilities	**0.89**	1.38
Solvency ratio	Net income plus depreciation and amortization / Total liabilities	**0.38**	0.58
Debt-to-equity ratio	Total liabilities* / Total equity	**0.29**	0.31
Asset-to-equity ratio	Total asset / Total equity	**1.29**	1.31
Interest rate coverage ratio	Net income before interest expense and taxes / Interest expense	**(4.95)**	3.20
Return on equity	Net income / Total equity	**(0.03)**	0.01
Return on asset	Net income / Total asset	**(0.02)**	0.01
Net profit margin ratio	Net income / Total revenue	**(0.02)**	0.01

**Including both total current and noncurrent liabilities*