

# **MACAY HOLDINGS, INC. AND SUBSIDIARIES**

Consolidated Financial Statements  
For the Nine Months Ended September 30, 2023 and 2022  
and Third Quarter of 2023 and 2022

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P W 0 0 0 0 0 9 9 8

COMPANY NAME

MACAY HOLDINGS, INC. AND
SUBSIDIARIES

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

137 Yakal Street, San Antonio
Village, Makati City

Form Type

A A F S

Department requiring the report

S E C

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address: -, Company's Telephone Number: (02) 893-0733, Mobile Number: N/A, No. of Stockholders: 388, Annual Meeting (Month / Day): 4th Wednesday of June, Calendar Year (Month / Day): December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person: Mr. Renato J. Jamlang, Email Address: rjjamlang@macayholdings.com.ph, Telephone Number: (02) 893-0733, Mobile Number: 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.

NOTE 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 shall not excuse the corporation from liability for its deficiencies.



Remarks: Please use BLACK ink for scanning purposes.

**SECURITIES AND EXCHANGE COMMISSION  
SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE**

1. For the quarterly period ended: **30 September 2023**
2. Commission identification number: **PW-998**
3. BIR Tax Identification No: **000-410-269-000**
4. Exact name of issuer as specified in its charter: **MACAY HOLDINGS, INC.**
5. Province, country or other jurisdiction of incorporation or organization  
**Securities and Exchange Commission, Pasay City, Metro Manila, Philippines**
6. Industry Classification Code:  Use Only)
7. Address of issuer's principal office Postal Code  
**137 Yakal Street, San Antonio Village, Makati City** **1203**
8. Issuer's telephone number, including area code: **(632) 893-0733**
9. Former name, former address and former fiscal year, if changed since last report  
-
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of Shares of common Stock Outstanding	Amount of debt outstanding (Unpaid Subscription)
Common Share	1,068,393,223	None

11. Are any or all of the securities listed on a Stock Exchange?  
Yes  No   
If yes, state the name of such Stock Exchange and the class/es of securities listed therein:  
**THE PHILIPPINE STOCK EXCHANGE, INC.**
12. Indicate by check mark whether the registrant:
  - (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)  
  
Yes  No
  - (b) Has been subject to such filing requirements for the past ninety (90) days.  
Yes  No

**PART I--FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

Please see attached Financial Statements and Notes to Financial Statements.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**


Please see attached MD & A

**SIGNATURES**

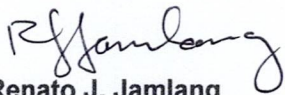
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **MACAY HOLDINGS, INC.**

Signature and Title:

  
**Antonio I. Panajon**  
President

Date:

  
**Renato J. Jamlang**  
Controller / Compliance Officer

Date:

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

	September 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	P1,430,234,104	P2,081,697,880
Short-term Investment	–	470,000,000
Trade and other receivables	1,392,189,329	715,476,419
Inventories	1,377,695,680	1,597,446,250
Other current assets	746,206,790	708,967,408
<b>Total Current Assets</b>	<b>4,946,325,903</b>	<b>5,573,587,957</b>
<b>Noncurrent Assets</b>		
Property, plant and equipment	1,520,081,491	1,509,736,148
Right-of-use assets	71,468,694	90,633,268
Deferred pallets and containers	2,196,803,818	1,413,732,360
Goodwill and other intangible assets	4,124,364,043	1,737,296,246
Deferred tax assets – net	56,516,097	56,416,971
Other noncurrent assets	318,437,046	325,554,810
<b>Total Noncurrent Assets</b>	<b>8,287,671,189</b>	<b>5,133,369,803</b>
<b>TOTAL ASSETS</b>	<b>P13,233,997,092</b>	<b>P10,706,957,760</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables	P3,275,915,528	P2,655,479,766
Short-term loans payable	368,895,286	205,979,089
Dividends payable	2,695,818	2,695,818
Long-term loans payable – current portion	258,194,424	35,013,560
Lease liability – current	28,937,393	38,875,083
Income tax payable	32,634,218	2,330,232
<b>Total Current Liabilities</b>	<b>3,967,272,667</b>	<b>2,940,373,548</b>
<b>Noncurrent Liabilities</b>		
Long-term loans payable - noncurrent portion	1,400,920,392	145,133,612
Retirement liability	91,219,141	90,384,593
Lease Liability – noncurrent portion	48,609,240	70,053,080
<b>Total Noncurrent Liabilities</b>	<b>1,540,748,773</b>	<b>305,571,285</b>
<b>TOTAL LIABILITIES</b>	<b>5,508,021,440</b>	<b>3,245,944,833</b>

\*Forward

	<b>September 30, 2023 (Unaudited)</b>	December 31, 2022 (Audited)
<b>Equity</b>		
Capital stock	<b>1,068,393,223</b>	1,068,393,223
Additional paid-in capital	<b>1,153,568,289</b>	1,153,568,289
Stock dividends for distribution	<b>224,362,576</b>	224,362,576
Other comprehensive income		
<i>Remeasurement gain on retirement liability</i>	<b>80,042,745</b>	80,042,745
<i>Cumulative translation adjustment</i>	<b>24,544,863</b>	–
Retained earnings		
<i>Appropriated</i>	–	–
<i>Unappropriated</i>	<b>5,175,063,956</b>	4,934,646,094
<b>Total Equity</b>	<b>7,725,975,652</b>	7,461,012,927
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P13,233,997,092</b>	P10,706,957,760

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

	For the nine months ended (Unaudited)		For the Quarter Ended (Unaudited)	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)	3 <sup>rd</sup> Quarter, 2023 (Unaudited)	3 <sup>rd</sup> Quarter, 2022 (Unaudited)
<b>REVENUES</b>	<b>₱9,316,091,715</b>	₱9,138,631,036	<b>₱2,996,190,144</b>	₱3,633,216,555
<b>COST OF SALES AND SERVICES</b>	<b>6,976,624,042</b>	7,309,557,154	<b>2,265,357,785</b>	2,902,190,271
<b>GROSS PROFIT</b>	<b>2,339,467,673</b>	1,829,073,882	<b>730,832,359</b>	731,026,284
<b>EXPENSES</b>				
Selling and marketing	<b>951,890,872</b>	1,030,413,243	<b>262,511,699</b>	363,436,919
General and administrative	<b>1,138,248,745</b>	798,541,187	<b>373,460,811</b>	294,016,258
	<b>2,090,139,617</b>	1,828,954,430	<b>635,972,510</b>	657,453,177
<b>OTHER INCOME (CHARGES)</b>				
Interest income	<b>6,841,589</b>	22,628,929	<b>2,676,314</b>	8,569,311
Interest expense	<b>(92,744,341)</b>	(19,091,273)	<b>(31,274,191)</b>	(5,546,728)
Foreign exchange gains (losses) - net	<b>12,829,024</b>	40,700,946	<b>17,115,482</b>	17,766,149
Gain on bargain purchase	<b>92,398,062</b>	-	<b>777,658</b>	-
Others	<b>5,856,943</b>	4,394,697	<b>3,256,789</b>	(233,744)
	<b>25,181,277</b>	48,633,299	<b>(7,447,948)</b>	20,554,988
<b>INCOME (LOSS) BEFORE INCOME TAX</b>	<b>274,509,333</b>	48,752,751	<b>87,411,901</b>	94,128,095
<b>PROVISION FOR (BENEFIT) FROM INCOME TAX</b>				
Current	<b>34,374,940</b>	14,622,536	<b>11,336,557</b>	7,407,424
Deferred	<b>(283,469)</b>	(9,813,162)	<b>3,625,842</b>	12,791,381
	<b>34,091,471</b>	4,809,374	<b>14,962,399</b>	20,198,805
<b>NET INCOME (LOSS)</b>	<b>240,417,862</b>	43,943,377	<b>72,449,502</b>	73,929,290
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>				
Remeasurement gains (loss) on retirement benefits, net of tax	-	-	-	-
Foreign currency translation gains (loss)	<b>24,544,864</b>	-	<b>35,506,279</b>	-
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>₱264,962,726</b>	₱43,943,377	<b>₱107,955,781</b>	₱73,929,290
<b>EARNINGS PER SHARE</b>				
Basic/Diluted Earnings Per Share	<b>₱0.23</b>	₱0.04	<b>₱0.07</b>	₱0.07

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

	For the nine months ended (Unaudited)	
	September 30, 2023 (Unaudited)	September 30, 2022 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	<b>₱274,509,333</b>	₱48,752,750
Adjustment for:		
Depreciation and amortization	<b>616,538,655</b>	679,664,832
Interest expense	<b>92,744,341</b>	
Retirement benefit expense	<b>834,548</b>	17,564,914
Interest income	<b>(92,398,035)</b>	(40,700,946)
Unrealized foreign exchange losses (gains)	<b>(12,829,024)</b>	19,091,273
Gain on Bargain Purchase	<b>(6,841,589)</b>	(22,628,929)
Operating income before working capital changes	<b>872,558,229</b>	701,743,894
Decrease (increase) in:		
Short-term investments	<b>470,000,000</b>	641,596,724
Trade and other receivables	<b>(285,588)</b>	(320,201,965)
Inventories	<b>219,750,570</b>	(58,388,286)
Other current assets	<b>(31,038,357)</b>	(96,278,426)
Decrease in:		
Trade and other payables	<b>321,817,960</b>	496,469,441
Other liabilities	<b>-</b>	230,990
Net cash generated from operations	<b>1,852,802,814</b>	1,365,172,372
Interest received	<b>6,841,587</b>	22,628,512
Income taxes paid, including creditable withholding taxes	<b>(3,886,611)</b>	(2,709,463)
Interest paid	<b>(92,744,341)</b>	(19,091,274)
Net cash from operating activities	<b>1,763,013,449</b>	1,366,000,147
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Decrease (increase) in other noncurrent assets	<b>6,576,889</b>	12,232,823.00
Additions to:		
Deferred pallets and containers	<b>(1,128,349,174)</b>	(83,522,021)
Property, plant and equipment	<b>(258,344,651)</b>	(270,180,749)
Acquisition of a subsidiary – net of cash acquired	<b>(1,000,481,523)</b>	
Net cash used in investing activities	<b>(2,380,598,459)</b>	(341,469,947)

\*Forward



	<b>For the nine months ended</b>	
	<b>(Unaudited)</b>	
	<b>September 30,</b>	September 30,
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Availment of short-term loan	<b>162,916,197</b>	100,829,609
Availment of long-term loans		-
Payment of short-term loans		-
Payment of long-term loans	<b>(178,242,457)</b>	(17,615,751)
Payment of principal portion of lease liabilities	<b>(31,381,530)</b>	(104,994,796)
Net cash used in financing activities	<b>(46,707,790)</b>	(21,780,938)
<b>EFFECT OF EXCHANGE RATE CHANGES ON</b>		
<b>CASH AND CASH EQUIVALENTS</b>	<b>12,829,024</b>	40,700,946
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(651,463,776)</b>	1,043,450,208
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<b>2,081,697,880</b>	1,105,067,968
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>₱1,430,234,104</b>	₱2,148,518,176

**MACAY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Capital Stock	Additional Paid-in Capital	Stock Dividend for Distribution	Other Comprehensive Income	Retained Earnings		Total
					Appropriated	Unappropriated	
<b>Balances at January 1, 2022</b>	<b>₱1,068,393,223</b>	<b>₱1,153,568,289</b>	<b>₱224,362,576</b>	<b>₱34,945,329</b>	<b>₱-</b>	<b>₱5,041,725,855</b>	<b>₱7,522,995,372</b>
Net income	-	-	-	-	-	(107,079,761)	(107,079,761)
Other comprehensive income	-	-	-	45,097,316	-	-	45,097,316
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,097,316</b>	<b>-</b>	<b>(107,079,761)</b>	<b>(61,982,445)</b>
<b>Balances at December 31, 2022</b>	<b>₱1,068,393,223</b>	<b>₱1,153,568,289</b>	<b>₱224,362,576</b>	<b>₱80,042,645</b>	<b>₱-</b>	<b>₱4,934,646,094</b>	<b>₱7,461,012,927</b>
Net income (loss)	-	-	-	-	-	240,417,862	240,417,862
Other comprehensive income (loss)	-	-	-	24,544,864	-	-	24,544,864
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24,544,864</b>	<b>-</b>	<b>240,417,862</b>	<b>264,962,726</b>
<b>Balances at September 30, 2023</b>	<b>₱1,068,393,223</b>	<b>₱1,153,568,289</b>	<b>₱224,362,576</b>	<b>₱104,587,509</b>	<b>₱-</b>	<b>₱5,175,063,956</b>	<b>₱7,725,975,652</b>

	Capital Stock	Additional Paid-in Capital	Stock Dividend for Distribution	Other Comprehensive Income	Retained Earnings		Total
					Appropriated	Unappropriated	
<b>Balances at January 1, 2021</b>	<b>₱1,068,393,223</b>	<b>₱1,153,568,289</b>	<b>₱224,362,576</b>	<b>₱35,883,240</b>	<b>₱-</b>	<b>₱5,220,395,154</b>	<b>₱7,702,602,482</b>
Net income	-	-	-	-	-	(195,108,665)	(195,108,665)
Other comprehensive income	-	-	-	19,664,222	-	-	19,664,222
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,664,222</b>	<b>-</b>	<b>(195,108,665)</b>	<b>(175,444,443)</b>
<b>Balances at December 31, 2021</b>	<b>₱1,068,393,223</b>	<b>₱1,153,568,289</b>	<b>₱224,362,576</b>	<b>₱55,547,462</b>	<b>₱-</b>	<b>₱5,025,286,489</b>	<b>₱7,527,158,039</b>
Net income (loss)	-	-	-	-	-	43,943,377	43,943,377
Other comprehensive income (loss)	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,943,377</b>	<b>43,943,377</b>
<b>Balances at September 30, 2022</b>	<b>₱1,068,393,223</b>	<b>₱1,153,568,289</b>	<b>₱224,362,576</b>	<b>₱55,547,462</b>	<b>₱-</b>	<b>₱5,069,229,866</b>	<b>₱7,571,101,416</b>

**MACAY HOLDINGS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED NOTES TO FINANCIAL STATEMENTS**

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**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.

On January 2023, the Parent company, through its 100% owned entity – Macay Global Ventures, Inc. (MGVI), entered into a share purchase agreement with RC Global Ventures, Inc. for the purchase of 100% shares of RC Global Beverages, Inc. (RCGBI). RCGBI owns the rights to the RC Cola brand globally, and has the ability to grant bottling and distribution licenses to bottlers in the continents of Asia, Europe, Africa, the Middle East, and in North and South America, except for the US, Canada, Mexico, and Puerto Rico. Today, RCGBI has existing relationships with 32 bottlers in 49 countries (including the Philippines).

On 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 has been completed after the fulfillment of agreed closing conditions as provided under the agreement.

ARC Holdings, Inc. (ARCHI) 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.

On August 13, 2015, the Parent Company executed a Share Purchase Agreement with all shareholders of ARC Holdings Inc. (ARCHI). ARCHI is the holder of the trademark of Royal Crown Cola, Inc. (RCCI), owner of the RC Cola brand, which was assigned to ARC Refreshments Corporation (ARCRC). The purpose of the acquisition is to consolidate all the licensing, trademark and related rights on the RC Cola brand. All issued and outstanding common shares totaling 1.70 million shares shall be purchased by the Parent Company at P10 per share for a total consideration of P17.00 million. The consideration was settled on November 10, 2016.

As of September 30, 2023 and December 31, 2022, the Parent Company is 84.79% owned by Mazy's Capital, Inc. (MCI, a Filipino Corporation) and 15.12% owned by the public.

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 ARCRC, a beverage company, AEI, 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 September 30, 2023 and 2022 were approved and authorized for issue by the Board of Directors (BOD) on November 13, 2023.

## 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			
	September 30, 2023		2022	
	Direct	Indirect	Direct	Indirect
ARC Refreshments Corporation (ARC)	100%	-	100%	-
Artemisplus Express, Inc. (AEI)	100%	-	-	-
Macay Global Ventures, Inc. (MGVI)	100%	-	-	-
RC Global Beverages, Inc. (RCGBI)	-	100%	-	-
Royal Crown Cola International (RCCI)	-	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.

#### Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2022. Adoption of these pronouncements did not have any significant impact on the Group's financial position or performance.

- 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*

#### New Accounting Standards, Interpretations and Amendments Effective Subsequent to December 31, 2022

Pronouncements issued but not yet effective are listed below. The Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

##### *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*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

##### *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*

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to 2022 on the Group's financial statements in the period of initial application. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

#### 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).

#### 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.

### *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 consolidated statements 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 consolidated statements 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 Group's financial assets consist of cash and cash equivalents, trade and other receivables and short-term investments classified as 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.

#### *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*

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.

As of September 30, 2023 and December 31, 2022, 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.

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.

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 statements 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. Estimated costs necessary to make the sale is not limited to those that are only incremental but includes costs that the Company must incur to sell its inventories that are not incremental to a particular 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.

### 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
Building	20
Machinery and equipment	10
Vehicles	4 to 5
Waste water facility	2-5
Kitchen and 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 consolidated 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

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.

#### *Lease Modification*

Lease modification is defined as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease (for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term). The Company determines if the lease modification consists of a separate lease. The Company remeasures the lease liability using the incremental borrowing rate at modification date and charge any adjustment to right-of-use asset.

As a practical expedient, a lessee may elect not to assess whether a rent concession occurring as a direct consequence of Covid-19 pandemic is a lease modification and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease 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.

Rent concession from lessors were accounted for as negative variable lease payments in profit or loss in 2023 and 2022.

#### 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 consolidated statements 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 consolidated 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.

Deferred pallets and containers are retired at salvage value when it is withdrawn from use and no future economic benefits are expected, such as in the event of breakage and crushing.

#### 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.

Customer relationship is amortized over the estimated useful economic life of 40 years 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 of disposal (FVLCD) and value in use (VIU). 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.

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.

#### Value-added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statements of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statements of financial position to the extent of the recoverable amount.

Deferred input VAT pertains to input VAT on unpaid purchase of services and accumulated purchases of property and equipment for each month amounting to ₱1 million or more. Deferred input VAT on capital goods is amortized over five (5) years or the life of the property and equipment, whichever is shorter. In accordance with the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act, the amortization of input VAT shall only be allowed until December 31, 2021, after which taxpayers with unutilized input VAT on capital goods purchased or imported shall be allowed to apply the same as scheduled until fully utilized.

#### Containers Deposit Liability

Containers deposit liability is classified as a current liability under trade payables. 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.

#### 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.

### Retirement Benefits Liability

The net defined benefit liability 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.

### 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.

### 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.

#### 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

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### **3. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the consolidated financial statements in accordance with PFRSs 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 as Lessee*

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.

*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 September 30, 2023 and December 31, 2022 amounted to P2,196.80 million and P1,413.73 million, respectively.

*Estimating impairment of goodwill, customer relationships, deferred pallets and containers, property, plant and equipment and right-of-use assets*

The Group determines whether goodwill, customer relationships, deferred pallets and containers, property, plant 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 customer relationships, deferred pallets and containers, property, plant and equipment, 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, customer relationships, deferred pallets and containers, property, plant 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 customer relationships, deferred pallets and containers, property, plant, and equipment, 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 future revenues and revenue growth rate and long-term growth rate, among others.

As of September 30, 2023 and December 31, 2022, the Group has determined that goodwill, customer relationships, deferred pallets and containers, property, plant and equipment and right-of-use assets are recoverable based on the computed VIU.

Goodwill amounted to ₱3,948.93 million and ₱1,558.30 million as of September 30, 2023 and December 31, 2022. Property and equipment amounted to ₱1,520.08 million and ₱1,509.74 million, Deferred pallets and containers amounted to ₱2,196.80 million and ₱1,413.73 million, customer relationships amounted to ₱175.44 million and ₱178.99 million, and right-of use assets amounted to ₱71.47 million and ₱90.63 million, as of September 30, 2023 and December 31, 2022, respectively.

#### *Estimating impairment losses on inventories*

The Group determines the NRV of inventories annually in accordance with the accounting policy stated in Note 2. In determining the NRV, the Company considers the current selling price of the product and the estimated cost to sell. The Company considers any adjustments necessary for obsolescence, which is generally provided with 100% allowance on damage and specifically identified obsolete inventories and 10% allowance for spare parts and supplies aged 6 months and above.

As at September 30, 2023 and December 31, 2022, the carrying amounts of inventories, net of allowance for inventory obsolescence, amounted to ₱1,377.70 million and ₱1,597.45 million, respectively.

#### *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 ₱175.44 million and ₱178.99 million, respectively.

#### *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 ₱1,450.98 million and ₱1,083.14 million as at September 30, 2023 and December 31, 2022, respectively.

#### *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.

The Group's retirement liability amounted to ₱91.22 million and ₱90.38 million as of September 30, 2023 and December 31, 2022, respectively

#### *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 ₱1,392.19 million and ₱715.48 million as of September 30, 2023 and December 31, 2022, respectively.

#### *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 ₱77.55 million and ₱108.93 million as of September 30, 2023 and December 31, 2022, respectively.

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#### 4. Seasonality of Operations

Similar to other beverage group, the group's sales are subject to seasonality. Sales are at a peak during summer from March through June and lower during the rainy season of July to October. Higher sales are likewise experienced around the Christmas/New Year period in the middle of December through early January. These may cause the Group's results to fluctuate. In addition, the Group's performance may be affected by unforeseen events such as production interruptions. Consequently, comparisons of Sales and operating results between periods within a single year, or between different periods in different financial years may be pointless and should not be relied upon as indicators.



## 5. 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.

First quarter transactions and quarter-end balances with related parties for 2023 are set out below:

Category	Year	Revenues	Interest Income	Costs and Expenses	Actual Lease Payments	Cash and Cash Equivalents	Due from Related Parties	Trade Payables	Due to Related Parties	Terms	Conditions
<b>Stockholder</b>											
Zest-O Corporation	Sep 2023	<b>P532,209</b>	<b>P-</b>	<b>P95,667,167</b>	<b>P-</b>	<b>P-</b>	<b>P72,335,674</b>	<b>P-</b>	<b>P109,489,316</b>	Non-interest bearing; due and demandable	No impairment; Unsecured
	Dec 2022	P1,083,690	P-	P91,277,509	P27,665,162	P-	P 82,092,574	P-	P 103,265,496		
<b>Entities under common control:</b>											
Mega Asia Bottling Corporation	Sep 2023	-	-	<b>32,423,327</b>	-	-	<b>101,640</b>	-	<b>166,544,237</b>	Non-interest bearing; due and demandable	No impairment; Unsecured
	Dec 2022	-	-	203,394,723	169,522,254	-	101,640	-	144,415,834		
AMY Leasing Company (AMY)	Sep 2023	-	-	<b>807,190</b>	<b>657,657</b>	-	-	-	-	Non-interest bearing; due and demandable	Unsecured
	Dec 2022	-	-	1,136,945	1,121,922	-	-	-	-		
Asiawide Refreshments Corporation	Sep 2023	-	-	<b>15,427,475</b>	-	-	-	-	<b>2,259,205</b>	Non-interest bearing; due and demandable	No impairment; Unsecured
	Dec 2022	-	-	16,531,311	20,367,048	-	-	-	1,851,659		
Bev-pack Incorporated. (Bev-pack)	Sep 2023	-	-	<b>236,344,755</b>	-	-	<b>862,547</b>	-	<b>133,206,039</b>	Non-interest bearing; due and demandable	No impairment; Unsecured
	Dec 2022	-	-	259,026,361	-	-	862,547	109,667,859	-		
Solmac Marketing Inc. (Solmac:)	Sep 2023	-	-	<b>51,657,512</b>	-	-	-	<b>20,880,977</b>	-	Non-interest bearing; due and demandable	Unsecured
	Dec 2022	-	-	89,613,948	7,019,942	-	-	-	-		
<i>*Forward</i>											

Category	Year	Revenues	Interest Income	Costs and Expenses	Actual Lease Payments	Cash and Cash Equivalents	Due from Related Parties	Trade Payables	Due to Related Parties	Terms	Conditions
SMI Development Corporation	Sep 2023	P-	P-	<b>P6,319,783</b>	P-	P-	P-	P-	<b>P1,994,891</b>	Non-interest bearing; due and demandable	Unsecured
	Dec 2022	P-	P-	P6,487,127	P8,089,320	P-	P-	P-	P1,922,761		
Philippine Business Bank	Sep 2023	-	<b>5,927,297</b>	-	-	<b>671,449,919</b>	<b>21,428</b>	-	-	Interest bearing	Secured
	Dec 2022	-	34,445,225	-	-	1,911,266,422	21,428	-	-		
ARC Thailand	Sep 2023	-	-	-	-	-	<b>8,343,215</b>	-	-	Non-interest bearing; due and demandable	Unsecured
	Dec 2022	-	-	-	-	-	8,343,215	-	-		
	Sep 2023	<b>P532,209</b>	<b>P5,927,297</b>	<b>P438,647,209</b>	<b>P657,657</b>	<b>P671,449,919</b>	<b>P81,664,504</b>	<b>P20,880,977</b>	<b>P413,493,688</b>		
	Dec 2022	P1,083,690	P34,445,225	P667,467,924	P233,785,648	P1,911,266,422	P91,421,404	P109,667,859	P251,455,750		

- a. Zest-O purchased various raw materials from ARCRC amounting to P95.67 million and P1.08 million in September 30, 2023 and December 31, 2022, 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. Zest-O Corporation has tolling arrangements with ARCRC as a contract packer and filler for carbonated beverages in Polyethylene Terephthalate (PET) bottles.
- 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. Mega Asia Bottling Corporation also provides specialty contractor services in all plants except Cabuyao.

- c. The Parent Company entered into lease agreement with AMY Leasing Company for the use of its office space in Makati City. Total depreciation on right-of-use asset amounted to ₱0.26 and ₱0.52 million in September 30, 2023 and December 31, 2022, respectively. Total interest expense on lease liability amounted to ₱0.04 million and ₱0.09 million in September 30, 2023 and December 31, 2022, respectively. Rent expense on the new short-term lease amounted to ₱0.24 and ₱0.53 million in September 30, 2023 and December 31, 2022.
- 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.
- 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 September 30, 2023 and December 31, 2022.

Impairment losses on due from ARC Thailand was provided in 2021 amounting to ₱8.34 million.

- f. Bev-pack Incorporated supplies the caps for ARCRC's production of 800 ml bottled softdrinks.
- g. ARCRC has a lease agreement with Solmac Marketing Inc. for its corporate office in Makati City.
- 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.
- 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.
- j. The Group has cash and cash equivalents with Philippine Business Bank that earns average interest rate of 0.1875% to 5.25 %.

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## 6. 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.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of receivables. The main components of this allowance are specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective allowance is determined based on historical data of payment statistics for similar financial assets.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, receivables, short-term investment 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.

The tables below show the credit quality by class of financial assets.

	September 30, 2023				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱1,430,234,104	–	–	–	₱1,430,234,104
Trade and other Receivables	–	1,286,614,084	105,575,244	98,334,307	1,490,523,635
Security deposits**	377,149,279	–	–	–	377,149,279
<b>Total Credit Risk Exposure</b>	<b>1,807,383,383</b>	<b>1,286,614,084</b>	<b>105,575,244</b>	<b>98,334,307</b>	<b>3,297,907,018</b>

\* excluding cash on hand

\*\* included in "Other non-current assets"

	December 31, 2022				
	Neither Past Due Nor Impaired		Past Due But Not Impaired	Impaired	Total
	High Grade	Standard Grade			
Cash and cash equivalents*	₱2,081,697,880	–	–	–	₱2,081,697,880
Trade and other Receivables	–	613,265,502	102,210,917	98,274,083	813,750,502
Security Deposits**	353,057,679	–	–	–	353,057,679
<b>Total Credit Risk Exposure</b>	<b>₱2,434,755,559</b>	<b>613,265,502</b>	<b>102,210,917</b>	<b>98,274,083</b>	<b>3,248,506,061</b>

\* excluding cash on hand

\*\* included in "Other non-current assets"

The Group has assessed the credit quality of the following financial assets:

1. Cash and cash equivalents are assessed as high grade since these are deposited with reputable banks.
2. Trade and other receivables, which pertain to receivables from customers, related parties, officers and employees and others, were assessed based on past collection experience and the debtors' ability to pay the receivables. Amount assessed as standard grade pertain to accounts with no history of default on the outstanding receivables as of September 30, 2023 and December 31, 2022.
3. Security deposits are considered as high grade since these are deposits made with reputable counterparties.

The tables below show the aging analysis per class of financial assets as at September 30, 2023 and December 31, 2022.

	September 30, 2023				
	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 Year	Total
Cash and cash equivalents	1,106,854,306	323,379,799	-	-	1,430,234,105
Trade and other receivables	817,648,293	130,065,332	338,900,459	105,575,244	1,392,189,328
Security Deposits*	353,003,554	805,500	1,011,247	22,328,978	377,149,279
	2,277,506,153	454,250,631	339,911,706	127,904,222	3,199,572,712
Trade and Other payables	(2,798,938,803)	(223,836,896)	(210,693,721)	(42,446,108)	(3,275,915,528)
Short-term loans payable	-	(248,433,138)	(40,154,049)	(80,308,099)	(368,895,286)
Lease liabilities	(11,984,261)	(12,062,328)	(58,867)	(53,441,178)	(77,546,634)
Long-term loans payable	-	(116,085,790)	(116,085,790)	(1,426,943,236)	(1,659,114,816)
Dividends payable	(2,695,818)	-	-	-	(2,695,818)
	(2,813,618,882)	(600,418,152)	(366,992,427)	(1,603,138,621)	(5,384,168,082)
Liquidity Position (Gap)	(536,112,729)	(146,167,521)	(27,080,721)	(1,475,234,399)	(2,184,595,370)

\* included in "Other non-current assets"

	December 31, 2022				
	Due and Demandable	Within 6 Months	6 to 12 Months	Over 1 Year	Total
Cash and cash equivalents	P1,081,110,971	P1,000,586,963	P-	P-	P2,081,697,880
Short-term investment	-	470,000,000	-	-	470,000,000
Trade and other receivables	581,308,196	84,510,529	-	-	665,818,455
Security Deposits*	-	-	353,057,679	26,470,372	379,528,051
	1,662,419,113	1,555,097,222	353,057,679	26,470,372	3,597,044,386
Trade and Other payables	(2,595,497,798)				(2,595,497,798)
Short-term loans payable		(40,128,432)	(166,625,724)		(206,754,156)
Lease liabilities		(22,471,928)	(22,471,929)	(77,385,712)	(122,329,569)
Long-term loans payable			(34,270,666)	(145,133,612)	(179,404,278)
Dividends payable	(2,695,818)				(2,695,818)
	(2,598,193,616)	(62,600,361)	(223,368,319)	(222,519,324)	(3,106,681,619)
Liquidity Position (Gap)	(P935,774,503)	P1,492,496,861	P129,689,360	(P196,048,952)	P490,362,767

\* included in "Other non-current assets"

### 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 Group has financial assets of ₱3,199.57 million and ₱3,597.04 million as of September 30, 2023 and December 31, 2022, respectively, that may be used to settle its financial liabilities.

*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 September 30, 2023 and December 31, 2022, are as follows:

	September 30, 2023			
	Original Currency in \$	Translated in ₱	Original Currency in €	Translated in ₱
<b>Financial assets:</b>				
Cash and cash equivalents	\$6,396,085	₱361,858,505	€24,699	₱1,477,710
Trade and other receivables	-	-	-	-
<b>Financial liabilities:</b>				
Trade and other payables	-	-	-	-
<b>Net exposure</b>	<b>\$6,396,085</b>	<b>₱361,858,505</b>	<b>€24,699</b>	<b>₱1,477,710</b>

	December 31, 2022			
	Original Currency in \$	Translated in ₱	Original Currency in €	Translated in ₱
<b>Financial assets:</b>				
Cash and cash equivalents	\$7,273,665	₱405,543,181	€31,735	₱2,140,189
Trade and other receivables	-	-	-	-
<b>Financial liabilities:</b>				
Trade and other payables	(3,024,010)	(168,603,668)	-	-
<b>Net exposure</b>	<b>\$4,249,655</b>	<b>₱236,939,513</b>	<b>€31,735</b>	<b>₱2,140,189</b>

As of September 30, 2023 and December 31, 2022, the exchange rate of the Philippine peso to the USD is ₱56.58 and ₱55.75, respectively, while the exchange rate for EUR is ₱59.83 and ₱67.44, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in Philippine Peso/US Dollar and Philippine Peso 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 and equity				
<b>September 30, 2023</b>	<b>P18,092,925</b>	<b>(P18,092,925)</b>	<b>P73,886</b>	<b>(P73,886)</b>
December 31, 2022	P11,846,976	(P11,846,976)	P107,009	(P107,009)

#### 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 financial liabilities approximate their fair values as of September 30, 2023 and December 31, 2022:

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

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

#### *Security Deposits*

These are presented at cost since the timing and amounts of future cash flows related to the refundable deposits are linked to the termination of the contract which cannot be reasonably and reliably estimated.

Similarly, the carrying amounts of these instruments which are all subject to normal trade terms, approximate their fair values due to their short-term nature.

#### 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 three-month period ended September 30, 2023 and for the year ended December 31, 2022.

The following table summarizes what the Group considers as its total capital as at reporting dates:

	<b>September 30, 2023</b>	December 31, 2022
<b>Capital Stock</b>	<b>1,068,393,223</b>	1,068,393,223
<b>Additional Paid-in Capital</b>	<b>1,153,568,289</b>	1,153,568,289
<b>Retained Earnings</b>	<b>5,069,229,866</b>	4,934,646,094
	<b>7,291,191,378</b>	7,156,607,606



## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Results of Operations**

We wish to again mention that Macay Holdings Inc. (MHI) acquired RC Global Beverages Inc. (RCGBI) in January 2023 and so their results since January and its financial position as of September 30, 2023 are already consolidated into MHI.

Sales for the 3rd quarter was down 17.6%. This was due mainly to a 36% decline in the sales of ARC Refreshments Corp. (ARC). This was partially offset by an 18% increase in the sales of Artemisplus Express Inc. (AEI) and the inclusion of RCGBI's sales. Net income for the quarter, however, only declined by 2.8% due to the higher gross profit margin and lower operating expenses.

On the year-to-date September 30, 2023, Sales was still 1.9% higher despite the 21% decline in sales of ARC. Gross profit was higher by ₱510 million or 28% due to better gross profit rates. The big movements in the Other Income Expenses were: 1) the big increase in interest expense due to the inclusion of RCGBI which has a long-term loan 2) lower foreign exchange gain and 3) the gain on the bargain purchase of RCGBI upon its acquisition in January 2023. Net income after tax amounted to ₱240 million which was 447% higher than last year.

### **Financial Condition**

Total Assets increased by ₱2,527 million mainly due to the inclusion of the assets of RCGBI consisting mostly of cash (₱458 million), receivables (₱529 million), and goodwill (₱2,391 million), less the decrease in cash and short-term investments used for the acquisition of RCGBI.

Liabilities increased by ₱2,262 million mainly due to the inclusion of RCGBI liabilities consisting of trade and other payables (₱358 million) and term loan (₱1,509 million) inclusive of its current portion.

### Key Performance indicators

The following are the Group's key performance indicators.

		For nine months Ended September 30	
		2023	2022
Net Sales		<b>9.32B</b>	9.14B
Gross Profit Margin	Gross Profit over Sales	<b>25.11%</b>	20.11%
Operating Margin	Operating Income over Net Sales	<b>2.68%</b>	(1.78%)
Net Profit Margin	Net Profit over Net Sales	<b>2.58%</b>	(1.02%)

		Sep 30, 2023	Dec 31, 2022
Current Ratio	Current Assets over Current Liabilities	<b>1.25:1</b>	1.89:1
Solvency Ratio	Net Income plus Depreciation and Amortization over Total Liabilities	<b>0.16:1</b>	0.25:1
Bank Debt to Equity Ratio	Bank Debt over Total Equity	<b>0.23:1</b>	0.05:1
Asset To Equity ratio	Total Assets over Equity	<b>1.71:1</b>	1.43:1