iba ang ngiti ngayon

GINEBRA SAN MIGUEL INC.
Annual Report 2022

Table of Contents

Financial Highlights

IN THOUSAND PESOS, EXCEPT PER SHARE DATA

Net Revenue

2022	47,340,746
2021	42,534,124

Net Income

2022	4,547,222
2021	4,178,939

Basic Earnings Per Share

2022	15.88
2021	14.59

Stockholders' Equity

2022	14,442,045
2021	11,519,011

Stockholders' Equity Per Share

2022	50.44
2021	40.23

*Based on the number of shares outstanding at the end of each year

Message to Stockholders

With the easing of COVID-19 restrictions and a return to normalcy nationwide toward the end of 2022, your company, Ginebra San Miguel Inc., turned in another banner year, surpassing record-breaking results registered just the prior year.

Having executed distribution improvements, we delivered record volumes of 44.6 million cases, surpassing 2021 volumes by 7%. As a result, our full-year sales revenue reached P47.3 billion, 11% higher than the P42.5 billion we reported in the previous year—the highest-ever revenue attained by GSMI, thus far.

Our income from operations reached P6.0 billion, 13% higher than the previous year, as we exercised discipline in implementing efficiency improvements and minimizing selling and administrative expenses. These and an increase in selling prices implemented in 2022 helped offset inflationary pressures and higher raw materials costs. Overall, we delivered a record net income of P4.5 billion for the year, up 9% from 2021.

While we sustained volume growth throughout the year, fuel price increases triggered by the war in Ukraine resulted in higher raw material prices and input costs. The price adjustment we implemented partially insulated us from the full impact of these cost increases, as did adequate fuel inventory at our distillery. Still, the prolonged conflict resulted in record inflation and a much weaker peso. These circumstances beyond our control weighed down on our margins, particularly in the second half of 2022.

Recognizing that demand for non-essential goods, including alcoholic beverages shrink given less disposable income, we leveraged our brands' strong connection with consumers and ramped up advertising and on-ground campaigns. As a result, our brands stayed top-of-mind and relevant.

Our flagship brand Ginebra San Miguel led the way with its thematic campaign, "Hanggang sa Huling Patak ng Bagong Tapang." Its themes of courage and determination in the face of great challenges captured the sentiment of the market, as Filipinos hoped to see the end of the pandemic finally. The campaign won the Catholic Mass Media's Best TV Award for 2022, and also the Best Digital Ad for the third straight year.

Vino Kulafu likewise made a solid recovery, as programs laid out for the year proved effective. The well-received consumer promo "Kusog Kulafu Bwenas Grasya," and new thematic campaign "Lakas Ka Namo," helped the brand rebound and deliver a robust 9% volume growth. Meanwhile, GSM Blue Flavors continued its rise as one of our most important product lines, with nationwide volumes surging 64%. On the other hand, Primera Light Brandy gained even more traction with target consumers, with volumes increasing 37% from year-ago level, as patronage broadened. We attribute much of this success to intensified brand awareness campaigns and localized activations implemented all year round.

To further support volume growth across all our brands, we ensured consistency in serving demand through the continuous expansion of our distribution network. This also translated to notable market share gains in the Visayas and Mindanao regions, as trial led to regular consumption of our gin and brandy products. Lastly, with our penetration of increasing numbers of modern trade outlets, our products have become even more accessible to a wider base of consumers.

For their trust, guidance, and support as we navigated multiple challenges this year, we extend our sincerest gratitude to the members of our Board, who enabled us and our employees to overcome the headwinds that came our way.

We are forging ahead this year with a fresh thematic campaign heralding an even more optimistic, positive tone: "Iba ang ngiti ngayon sa One Ginebra Nation." This campaign captures where we are today as a business and nation. Having gone through the difficulties of the past couple of years, it is time for us as a company and as Filipinos to celebrate, and look to the future with renewed hope.

As more markets open and economic conditions revert to the "old normal," we will make sure that our programs remain attuned to our consumers' needs. We will find even more ways to improve the creative execution of our campaign, which will reflect positivity and highlight our core values.

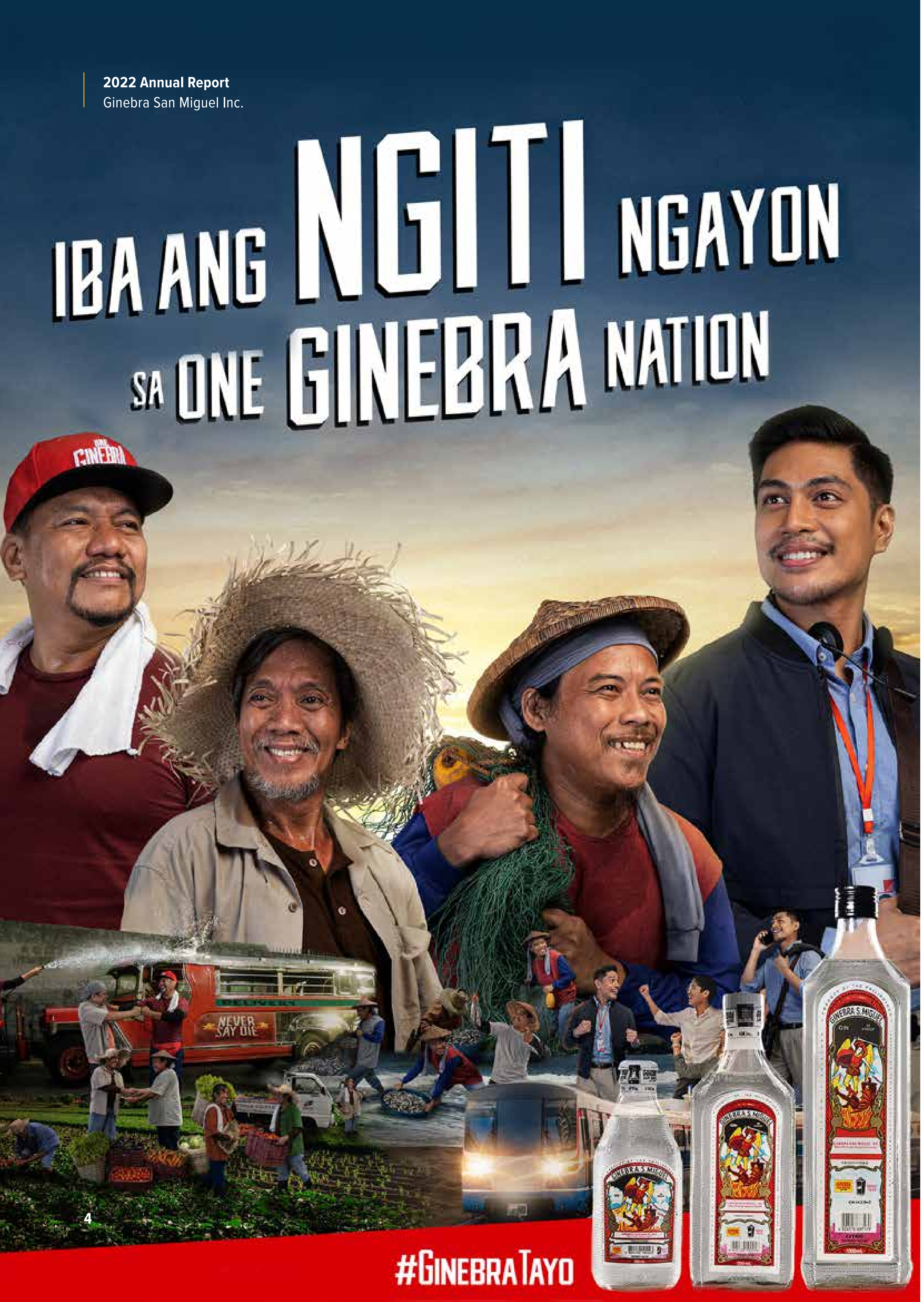
We will seize every opportunity to venture further into the premium space, accelerating the placement of our "contemporized" GSM Premium Gin, Antonov Vodka, and GSM Blue brands in more outlets. We also intend to boost awareness and popularize our new brand, G&T Ultralight, along with our other upcoming new products aimed at capturing emerging market segments.

Efforts to enhance supply chain efficiencies will also be given priority. In line with this, we begin operations of our newly-built alcohol depot in Batangas this year, allowing bulk and larger deliveries. We are expanding bottle washing operations for second-hand bottles and upgrading our bottling facilities to support increased capacities.

Fellow stockholders, we have made great strides in advancing GSMI's market position these past couple of years. But there is still much to be done to reclaim our dominance in the hard liquor industry. And so, we will continue to strive hard to sustain our momentum, and remain focused on further growing shareholder value over the long term.

RAMON S. ANG
President

EMMANUEL B. MACALALAG
General Manager



Iba ang ngiti ngayon sa One Ginebra Nation

There are many reasons to smile about this 2023. Businesses are recovering, restaurants and bars are full of customers again, hotels are filled with guests, and events are lined up every weekend inviting Filipinos to have fun and feel a sense of freedom. Everywhere you look, there's a resurgence of economic activity, even surpassing pre-pandemic times.

This newfound confidence, which brings a genuine smile, is the spirit behind the "Iba ang ngiti ngayon sa One Ginebra Nation." It is a newfound confidence in oneself, the people around us, and the community we belong. The confidence that was strengthened by our experiences during the pandemic. Now, we feel more hopeful and have a stronger resolve, that after surviving a once-in-a-lifetime pandemic, we can face tomorrow stronger, wiser, and better individuals.

Though we face 2023 with anticipation for better times, we look back and see that 2022 was not easy. As the world is yet to be officially out of the pandemic, we ventured to normalize operations and office work safely and securely. Fresh from a two-year hiatus, we returned to holding public events with the media and other stakeholders but with caution, even implementing COVID testing on each guest. It was challenging and costly, but still, we did it. This is our way of gradually adapting to the times, and showing that we can survive — and thrive — in the post-pandemic era.

2022 was indeed a monumental year for our company. Our healthy sales figures, return to face-to-face events, and industry citations encouraged us to welcome the New Year with the launch of the "Iba ang ngiti ngayon sa One Ginebra Nation" campaign on TV, radio, and digital platforms. This is our way of celebrating, in anticipation of better times, with all those who stood behind us in challenging times.

BETTER TIMES AHEAD

The “Iba ang ngiti ngayon sa One Ginebra Nation” campaign highlights better times ahead and hopes that tomorrow will be better than today. This is also the reason why the campaign was launched on a New Year, as this signals the start of a new season, a turn in the page of life.

In this campaign, real-life stories of an airplane crew, a jeepney driver, farmers, and more, who had faced the challenges of life during the pandemic were depicted. Their lives and livelihood may have been affected, but with the trust, courage, and motivation to survive, they are now facing life with much more optimism. Difficult times are inevitable, but with “tapang” and “tiwala,” there will always be a better tomorrow — and smiles ahead.

Our modern-day heroes, the OFWs, can now fly out to pursue their dreams or return to the country once more to reconnect with their loved ones. Jeepney drivers can now ply their regular routes. Office workers can now reach their sales quotas. And everyone can now celebrate life’s occasions without worrying about disruptive restrictions.

The campaign also highlights the strength and resilience of the Filipino spirit, which was tested during the pandemic. Many Filipinos were able to survive because they adapted to the situation. This optimism and renewed hope bring smiles to many, and this is what the “Iba ang ngiti ngayon sa One Ginebra Nation” conveys. Because behind any smile is not just hope and optimism but also confidence that any challenge can be overcome. This reflects the Ginebra “never-say-die” spirit that tomorrow will be better than today.

This confidence flowed over to our company holding in-person events to commemorate World Gin Day (WGD), which is held every second Saturday of June. Celebrated with activities during the entire month, WGD was highlighted with a media launch on June 10 to kick off the nationwide Gin Bar Crawl. The media launch featured four top professional mixologists crafting one-of-a-kind cocktails based on our gin products. The Gin Bar Crawl highlighted the many other ways of enjoying gin.

Difficult times are inevitable, but with “tapang” and “tiwala,” there will always be a better tomorrow – and smiles ahead.

TV personality, lifestyle columnist, and 1834 brand ambassador Paolo Abrera leads a toast at the World Gin Day celebration attended by media, social media influencers, and other guests.

KEEPING THE POSITIVE VIBE

Who else personifies that positive energy than Filipino-British actress and “Queen of the Dance Floor” Yassi Pressman. As Ginebra San Miguel 2023 Calendar Girl, Yassi’s calendar layout and special cocktail concoctions were presented in a face-to-face event attended by friends from the media, social media celebrities, GSMI dealers, and other brand ambassadors.

Yassi, with her positivity, “ganado,” and “never-say-die” attitude, was a perfect choice for the role. She brings with her some 7.5 million Facebook followers, 10.3 million Instagram followers, and 8.1 million TikTok followers.

Yassi’s personality shined through the six layouts of the Ginebra San Miguel 2023 calendar. The photo shoot was also done on location, reflecting the relaxed and open atmosphere we are in. The layouts are inspired by different cocktail mixes.

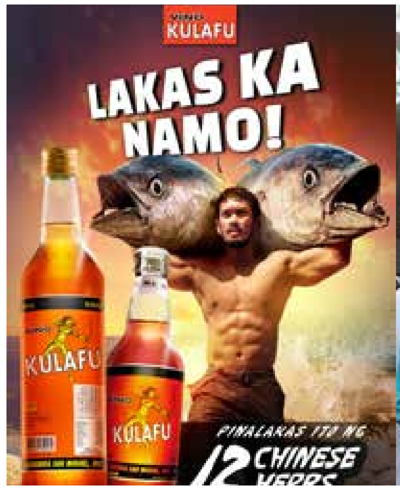
As Ginebra San Miguel's newest brand ambassador, Yassi hopes to spread positivity and continue to inspire and empower women and the youth — sharing the "ganado" spirit to all.

Speaking of keeping the positive vibe, actress and singer Sue Ramirez was again named brand ambassador for GSM Blue. It was her fourth year with the brand. The thematic campaign "Choose What's True," continues to resonate with young consumers. This new ad, which garnered over 21.7 million views on YouTube and Facebook in just seven weeks, rode on young consumers' desire to express their true personal choice. Engagement metrics on digital platforms were also significantly higher compared to previous campaigns, strongly suggesting favorable acceptance. With all these efforts combined, the brand recorded a 64% growth in volumes last year, compared to prior year.

Vino Kulafu also experienced growth, buoyed by its under-the-cap-and-crown-promo called "Bwenas Grasya Promo" launched in the summer of 2022. The promo, coupled with the launch of the new thematic campaign "Lakas Ka Namo," proved effective as it delivered a robust 9% growth in volumes for Vino Kulafu in 2022. To cater to younger drinkers, the brand also introduced Kulmix videos (or VK Mixes) that were advertised through merchandising in Visayas and Mindanao, and posted on social media and other digital platforms.

Still on keeping that positive vibe and on making every drinking session more fun, we also launched in 2022 GSM Premium Gin's new look with its sleek and elegant new bottle and label. Antonov Vodka, on the other hand, got even more eye-catching with its lighter shade label and bolder branding.

Behind the scenes. Filipino-British actress Yassi Pressman at the location shoot of the Ginebra San Miguel 2023 Calendar Girl.



(From left) Vino Kulafu's "Lakas Ka Namo," the brand's latest campaign, highlights the benefits of the product's 12 Chinese herbs. Primera Light Brandy's newest barkada featuring Matteo Guidicelli and Asian Cutie along with some Barangay Ginebra San Miguel Gin Kings.

WITH A GRATEFUL SPIRIT

Through the years, Ginebra San Miguel's award-winning campaigns have consistently drawn inspiration from the Filipinos' sentiments, the deeply rooted culture of "matapang," "ganado," and "never-say-die" attitude.

Primera Light Brandy's "Salamats, Pri" campaign centers on gratitude, reminding every kumpare (or Pri!) to focus on the positive and celebrate every win in our lives, no matter how small. Every single day is worth celebrating, and we all have reasons to smile.

With a catchy, feel-good anthem, the TV commercial evoked nostalgia and good memories among netizens when it was launched online. The ad's release was also timely, as COVID cases were steadily going down, and more Filipinos were going out again.

Our latest recognition gives us another reason to be grateful. The flagship brand Ginebra San Miguel was honored with its third Catholic Mass Media Award (CMMA), an esteemed award-giving body organized by the Archdiocese of Manila. GSMI is the only liquor brand cited by this prestigious body.

Two of the distinctive CMMA rock trophies were given to Ginebra San Miguel for "Best Digital Ad – Branded" and, for the first time, "Best TV Ad – Branded" for the "Hanggang sa Huling Patak ng Bagong Tapang" campaign.

Through the years, Ginebra San Miguel's award-winning campaigns have consistently drawn inspiration from the Filipinos' sentiments, the deeply rooted culture of "matapang," "ganado," and "never-say-die" attitude, as well as from the communal drinking or "tunay na tagay" as a symbol of unity, togetherness, and Bayanihan spirit.

BOTEful Philippines: Where no bottle is left behind

Every company has a responsibility to contribute positively to its community. To do that, it must ensure that it utilizes resources efficiently to meet the needs of the present without sacrificing resources for the future. This is also the foundation of a "circular economy," which is based on the reuse of materials.

Long before the terms "sustainability" or "circular economy" have come to the fore, Ginebra San Miguel Inc. (GSMI) has already been a staunch advocate of these practices. As a leader in the Philippine liquor market, GSMI knows fully well its huge responsibility in making a positive environmental impact in the communities it serves, and it has remained committed to this mission since the start.

With its products widely consumed by many Filipinos from all corners of the country, bottle retrieval has always been an integral part of GSMI's operations. And for years, the company has been doing it without fanfare and press coverage. Aside from the economic benefit, it is also a direct way for the company to ensure that the heaps of empty bottles do not burden the communities and their surrounding environment.

GSMI's nationwide bottle retrieval system, our version of circular economy, is far-reaching with multiple stakeholders. The process involves employees, bottle washers and retrieval partners collecting used glass bottles from various sources (households and sari-sari stores) and sorting them according to type and size. By doing this, bottles that pass our stringent quality system are kept in circulation for as long as useable. This system effectively helps prevent solid waste accumulation, conserve natural resources, and minimize greenhouse gas emissions from producing new bottles.

Upscaling the bottle retrieval operations to truly make an environmental impact, however, requires the cooperation of all—from the company's leaders, and team members, to community partners, and consumers. Everyone must be involved, as there can be no "sustainability" if one component in the consumption cycle is not cooperative or unaware of the process.

During the official turnover of CCTV units to officials of Barangay Maura in Aparri. "Boteful Aparri" was first in a series of GSMI's BOTEful Philippines projects.

LAUNCHING BOTEful PHILIPPINES

The BOTEful Philippines program was launched in 2017 to formalize second-hand bottle retrieval in areas that are "out of reach" of the usual operations and would require the extra support of stakeholders. It started with a simple mission: to promote awareness of Ginebra San Miguel's thrust on second-hand bottle retrieval and inculcate a recycling culture in day-to-day activities in the communities.

The first Boteful Philippines program was held in Barangay Maura in Aparri, Cagayan dubbed "Boteful Aparri," where the company provided 11 pedicabs to the barangay leaders to assist in bottle retrieval. After a few months, the barangay was able to collect 6,000 used bottles. In return for their efforts, GSMI provided them with six CCTV units and a 42-inch LED TV. This is now used to aid local law enforcement and boost security in the area.

"Part of our sustainability goals is to bring the 'Malasakit' culture in the form of livelihood opportunities to the communities we serve. From the collection and sorting to bottle cleaning and promotion of recycling,

(Top Photo)
A technical services personnel points out the qualities of a good bottle as part of the briefing to community partners at BOTEful project cascades.

(Bottom Photo)
A representative from our accredited territory bottle supplier explains to the community folks how to properly stack bottles inside a rice sack–a necessary process to ensure bottles do not break while in transit.

Boteful Philippines is beneficial not only to the company but also to the community," said National Logistics Manager Noel Callanta.

The program's initial success encouraged the program's implementation in Batanes, where, in exchange for bottles retrieved, the communities are to be given cavans of rice bought from farmers from the same community. Truly, this is circular economy exemplified—the rice came from local harvest, providing income to the farmers and ensuring food security to the communities.

And before closing 2022, GSMI also implemented the "Boteful Tondo," and this time it was inside San Miguel's very own Better World facility.

"Our sales have been growing consistently through the years, so bottle retrieval should also follow the same pace as our sales," explained Callanta. "In 2023, we plan to be more aggressive in improving bottle retrieval by involving more employees and communities, including our partners in SMCSL. It takes an entire barangay, or all stakeholders, to ensure this project succeeds," he added.

To make a sustainable impact, an entire community must actively participate and appreciate the value of the program's long-term viability as a livelihood opportunity. Communities are encouraged to set up a cooperative type of operation for the buying and washing of second-hand bottles. It provides immediate additional income and promotes the culture of recycling to all, as consumers are encouraged to return used bottles.

BRINGING THE BOTEful PROJECT HOME

An employee posing with his scorecard, just outside the BOTEful Ginebra booth, after exchanging bottles for Ginebra merchadise.

BOTEful Philippines is where we all benefit from a circular economy where no one–and no bottle–is left behind.

After the successful activations of the BOTEful Philippines project in various areas, GSMI, in 2022, has finally brought it home – this time, to further inculcate the recycling culture among its employees.

The BOTEful Ginebra was launched during the "ber" months to encourage employees to return empty bottles consumed during the holidays. The result of the initial run was highly encouraging.

"We are pleased to note that the Boteful Ginebra program has inspired employee engagement in the company's retrieval efforts. Every employee who participated was not only rewarded with GSMI-branded products and merchandise, but they felt a deeper purpose and mission—that they were contributing to saving the environment by ensuring that these bottles would not end up in landfills or just be disposed of in waterways," said National HR Manager Eileen Miranda.

Employees participating in the Boteful Ginebra program are made aware that second-hand bottle retrieval is vital to the company's operations. From the various activations, the company was able to retrieve around 60,000 bottles to date. The more second-hand bottles retrieved, the less burden for the environment.

More Boteful Philippines projects will help realize the dream of a beautiful Philippines, where Filipinos are gainfully employed, have income opportunities, and live in sustainable communities. Most of all, BOTEful Philippines is where we all benefit from a circular economy where no one—and no bottle—is left behind.

Portfolio of Products

GSMI takes pride in producing world-class products that have gained recognition for their quality and taste, reaping awards and accolades from institutions around the world. We continue to evolve as a diverse and progressive company, bringing the rich heritage of our flagship brand into the future.

GINEBRA SAN MIGUEL

Hari 1 L
Angelito 250 mL
Frasquito 350 mL
Frasco 700 mL
Round 350 mL

1834 Premium Distilled Gin
750 mL

GSM PREMIUM GIN
750 mL

GSM BLUE MARGARITA
GSM BLUE GIN POMELO
GSM BLUE MOJITO
GSM BLUE LIGHT GIN

Solo 350 mL
Long Neck 700 mL
Mojito CooLitro 1 L

VINO KULAFU
Long Neck 700 mL
Classic 350 mL

PRIMERA LIGHT BRANDY
Sulitro 1 L
750 mL

AÑEJO GOLD RUM
Long Neck 700 mL

ANTONOV VODKA
700 mL

TONDEÑA MANILA RUM (FOR EXPORT ONLY)
Silver, Dark, Gold 750 mL

G&T ULTRALIGHT SPIRIT DRINK
Apple Black Tea 330 mL
Lemon Ginger 330 mL

SAN MIGUEL ETHYL ALCOHOL
250 mL
500 mL
1 L
1 Gallon
20 L Carboy

Board of Directors

Mr. Ramon S. Ang
President

Mr. Francisco S. Alejo III

Ms. Aurora T. Calderon

Mr. Leo S. Alvez

Mr. Gabriel S. Claudio

Justice Francis H. Jardeleza

Ms. Ana Leah V. Rodriguez

Justice Martin S. Villarama, Jr.

Justice Aurora S. Lagman

Corporate Governance

Ginebra San Miguel Inc. ("GSMI" or the "Company"), its Board of Directors (the "Board") Management, Officers, and employees firmly believe that corporate governance is a necessary component of what constitutes sound strategic business management and in the vital role it plays to attain corporate goals and create and sustain shareholder value.

On August 6, 2002, the Company, through its Board, institutionalized the principles of good corporate governance in the entire organization by establishing and implementing the Company's Manual on Corporate Governance (the "CG Manual"). Since its adoption, the CG Manual has undergone a number of amendments in order to align the provisions thereof with the prevailing issuances, rules, and circulars of the Securities and Exchange Commission (the "SEC"), the most recent of which is the Memorandum Circular No. 19, Series of 2016 (the "Circular"), on the Code of Corporate Governance for Publicly-Listed Companies which took effect on January 1, 2017. Conformably with the Circular, the Company formally approved and adopted an amended or new CG Manual on May 25, 2017.

BOARD OF DIRECTORS

Compliance with the principles of good corporate governance starts with the Board. In the performance of its fiduciary roles, duties, and responsibilities, the Board has always conducted itself with utmost honesty, integrity, transparency, accountability, and fairness, with the objective of ensuring that the interests of all stakeholders are considered and protected.

The Company is headed by a competent Board, which has the combined knowledge, expertise, and experience of its members that enabled the Company to sustain its competitiveness and profitability, in a manner consistent with its corporate objectives and the long-term interests of its stakeholders.

The Board is composed of nine (9) directors who are elected annually at the regular meeting of the stockholders ("RSM") scheduled on the last Thursday of May, unless a different date is fixed by the Board. Two (2) members of the Board are Independent Directors who, apart from their fees and shareholdings, have no business or relationship with the Company, which could or could reasonably be perceived to materially interfere with the exercise of their independent judgment in carrying out their responsibilities. Currently, the Company is headed by the President, who is also the Chief Operating Officer. He has supervision and direction of the day-to-day business affairs of the Company, and he presides over the meetings of the Board of Directors and of the Stockholders in the absence of the Chairman and Vice Chairman. Moreover, the Board has a Lead Independent Director to ensure that the Independent Directors shall be free to express and advocate independent views and perspectives and that abuse of power or authority and potential conflict of interest is avoided.

During the 2022 RSM that was held on May 26, 2022, the stockholders elected six (6) male and three (3) female directors. Director Ramon S. Ang was elected as the President, while Directors Aurora S. Lagman and Martin

S. Villarama, Jr. were elected Independent Directors, with the former being elected as the Lead Independent Director of the Company. Directors Francisco S. Alejo III, Aurora T. Calderon, Leo S. Alvez, Gabriel S. Claudio, Francis H. Jardeleza, and Ana Leah V. Rodriguez completed the nine-member Board of the Company.

Board Committees

To support the effective performance of the Board's functions, the Board has four (4) committees, namely:

Executive Committee. Acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, except as specifically limited by the Board or by law.

Audit and Risk Oversight Committee. Performs the functions of the Audit, Board Risk Oversight, and Related Party Transactions Committees. Among others, it enhances the oversight capability of the Board over the Company's financial reporting, internal control system, internal and external audit process, and compliance with applicable laws and regulations. It likewise has the responsibility to assist the Board in ensuring that there is an effective and integrated risk management process in place to guide the Board in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans, and opportunities. Also, it oversees the implementation of the system for identifying, monitoring, measuring, controlling, and reporting related-party transactions.

Corporate Governance Committee. Assists the Board in the performance of its corporate governance responsibilities. Among others, it oversees the implementation of the corporate governance framework and periodically reviews the same to ensure that it remains appropriate. It also pre-screens and shortlists candidates for nomination to become a member of the Board in accordance with the qualifications and disqualifications for directors set out in the CG Manual.

Executive Compensation Committee. Advises the Board on the establishment of formal and transparent policies and practices on the remuneration of directors and executives. It provides oversight function over the remuneration of senior management and other key personnel, ensuring consistency with the Company's culture, strategy, and control environment.

Board and Committee Performance

Committed to its fiduciary duties and responsibilities, the Board members meet at least five (5) times a year through meetings held at periodic intervals at such places as may be designated in the notice. Considering the operations of the Company, as well as its reportorial obligations to regulatory bodies, the schedule of meetings of the Board, Audit and Risk Oversight Committee, and Corporate Governance Committee are determined and relayed to the directors ahead of time to enable them to arrange their respective schedules and see to it that they are available to attend the said meetings. The different Board Committees also meet, as and when necessary. Prior to the date of each meeting, the Corporate Secretary sends notices and agenda to each Director, together with other information/documents, to enable the directors to actively participate and express their opinions and for valuable discussions to take place during meetings.

In 2022, the Board held four (4) regular meetings and one (1) organizational meeting. The Board members also attended the 2022 RSM, as shown in the table below:

2022 BOARD MEETING ATTENDANCE				
Board of Directors	Designation	May 26, 2022		Board Meeting Attendance
		Regular Stockholders Meeting (RSM)	Organizational Meeting	
Ramon S. Ang	President	Present	Present	5/5
Francisco S. Alejo III	Director	Present	Present	5/5
Aurora T. Calderon	Director	Present	Present	5/5
Leo S. Alvez	Director	Present	Present	4/5
Gabriel S. Claudio	Director	Present	Present	5/5
Francis H. Jardeleza	Director	Present	Present	5/5
Ana Leah V. Rodriguez[1]	Director	Present	Present	3/5
Aurora S. Lagman	Lead Independent Director	Present	Present	5/5
Martin S. Villarama, Jr.[2]	Independent Director	Present	Present	4/5

As for the Board Committee Meetings, details of the attendance of the Directors in the Committee meetings in 2022 are shown below:

2022 COMMITTEE MEETING ATTENDANCE			
Member	Audit and Risk Oversight	Corporate Governance	Executive Compensation
Ramon S. Ang	n/a	n/a	1/1
Francisco S. Alejo III	4/4	n/a	n/a
Aurora T. Calderon	n/a	1/1	1/1
Leo S. Alvez	4/4	1/1	1/1
Gabriel S. Claudio	n/a	1/1	n/a
Francis H. Jardeleza	n/a	1/1	n/a
Ana Leah V. Rodriguez[1]	n/a	n/a	n/a
Aurora S. Lagman	4/4	1/1 (Chairman)	n/a
Martin S. Villarama, Jr.	3/4 (Chairman)	0/1	1/1

In 2022, each Director received a per diem of Ten Thousand Pesos (Php10,000.00) per attendance at Board and Committee meetings of the Company.

1 Ms. Ana Leah V. Rodriguez was elected as director on May 26, 2022.
2 Justice Martin S. Villarama, Jr. (Ret.) was elected as director on March 9, 2022.

Board Training and Self-Assessment by the Board and Audit and Risk Oversight Committee

The members of the Board keep themselves abreast with industry developments and business trends. Moreover, the Company's Compliance Officer regularly apprises the directors during Board meetings on the relevant laws, regulations, government issuances, and relevant industry developments and operations of the Company and advises the Board on all relevant issues as they arise.

The Directors also regularly attend a seminar or program on corporate governance at least once a year. In 2022, all the directors attended a corporate governance seminar conducted by SEC-accredited providers - Risk, Opportunities, Assessment, and Management (ROAM), Inc., SGV & Co., and Center for Global Best Practices, in compliance with the requirement of the SEC.

The members of the Board also accomplished an Internal Self-Rating Form (the "Form") for the purpose of evaluating the Board's performance for 2022. The Form covers four (4) broad areas of Board Performance: (1) Fulfillment of the Board's Key Responsibilities; (2) Board-Management Relationship; (3) Effectiveness of Board Processes and Meetings; and (4) Individual Performance of Board Members. The Form requires the Board members to read each statement and rank their response on a 5-point scale directly below each statement, with "1" indicating that they strongly disagree with the statement and "5" indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Forms, the Board has substantially met its mandate.

The members of the Audit and Risk Oversight Committee also accomplished an Internal Self-Rating form for the purpose of evaluating the said Committee's performance for 2022. The Form covers the following areas: (1) Structure, Operation, and Reporting Process; (2) Oversight on Financial Statements and Financial Reporting; (3) Oversight on Internal Controls and Risk Management; (4) Oversight on Internal Audit; (5) Oversight on External Audit; and (6) Compliance with Legal and Regulatory Requirements. The Form requires the said Committee members to read each statement and rank their response on the 5-point scale directly below each statement, with "1" indicating that they strongly disagree with the statement and "5" indicating that they strongly agree with the statement. Additional space is also provided for their comments. Based on the accomplished Forms, the said Committee has also substantially met its mandate.

Management

In 2022, the Company's Management was under the leadership of President Ramon S. Ang, with the latter being assisted by General Manager Emmanuel B. Macalalag. The President is responsible for the general supervision, administration, and management of the business of the Company as well as the day-to-day business affairs of the Company. He presides at the meetings of the Directors and stockholders and exercises such powers, and performs such duties and functions as the Board may assign to him. The General Manager reports to the President and is in charge with overseeing the overall management of the Company's various departments with the aim of continuously improving the Company's business operations and attainment of corporate objectives. The Senior Management of the Company, which is composed of individuals with knowledge and expertise in their respective fields, provides valuable support in achieving the Company's corporate goals and objectives.

ACCOUNTABILITY AND AUDIT

The Company has internal and external auditors, whose respective reports and recommendations are considered by the Company in conducting its business affairs. The Board ensures that an independent audit mechanism is in place to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operations information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws, rules, regulations, and contracts. The Board also established the Audit and Risk Oversight Committee to, among others, enhance the oversight capability of the Board over the Company's financial reporting, internal control system, internal and external audit process, and compliance with applicable laws and regulations. The said Committee performs oversight functions to both external and internal auditors of the Company.

Internal Auditor

The Company's internal audit function is performed by Ginebra San Miguel Group Audit (the "GSMGA"), which is headed by the Chief Audit Executive, who reports functionally to the Audit and Risk Oversight Committee and administratively to the President and General Manager. The GSMGA provides independent, objective assurance and consulting services to add value and improve the operations of GSMI and its subsidiaries (hereinafter referred to as the "GSMI Group"). It also helps each function or organization in the GSMI Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The GSMGA is mandated to provide an independent risk-based assurance service to the Board, perform compliance audits, establish a risk-based audit plan, and review the efficiency and effectiveness of the internal control system of all areas of the GSMI Group, to name a few.

External Auditor

The External Auditor of the Company for 2022 is R.G. Manabat & Co. ("KPMG"), an auditing firm duly accredited with the SEC. Through the conduct of an independent audit of the Company and the provision of objective assurance on the manner by which the financial statements shall be prepared and presented to the stockholders, the External Auditor is able to help maintain the prevalence of an environment of good corporate governance as reflected in the Company's financial records and reports. The External Auditor regularly apprises the Audit and Risk Oversight Committee of the status of its audit.

KPMG's appointment as External Auditor was approved by the Board upon the recommendation of the Audit and Risk Oversight Committee, which appointment was subsequently approved by the stockholders during the RSM held on May 26, 2022. While KPMG has been the External Auditor of the Company for several years, such reappointment in 2022 is compliant with Part I (3) (b) (ix) of the Securities Regulation Code (the "SRC"), Rule 68, as amended, with respect to the re-engagement of the said audit firm and the rule on rotation for the signing partner every five (5) years or earlier. Representatives of the audit firm were present during the said RSM and were given the opportunity to respond to appropriate questions or make a statement, if they so desired. Fees for the services rendered by the External Auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings (inclusive of retainer fees and out-of-pocket expenses) amounted to P 8.2 million in 2022.

There were no disagreements with the Company's External Auditor on any matter relating to accounting and financial disclosures.

DISCLOSURE AND TRANSPARENCY

The Company, as a publicly-listed company, with shares listed with The Philippines Stock Exchange, Inc. (the "PSE"), recognizes the importance of updating its stakeholders with relevant and Company-related information. Thus, it adheres to full disclosure and transparency in its transactions, and it does so by providing comprehensive, accurate, reliable, and timely information through the prompt filing of various reports, notices, and documents (collectively, the "Corporate Disclosures") to the SEC and PSE and through regular Investors' Briefings. These Corporate Disclosures are likewise uploaded on the Company's website for easy access by the stakeholders. They refer to material information about the Company, i.e., anything that could potentially affect the share price or its viability or the interest of its stockholders and other stakeholders, such as financial results and position, acquisition or disposal of significant assets, material related party transactions, and shareholdings of Directors. Through these Corporate Disclosures, the Company is able to provide its stakeholders with a fair and complete picture of the Company's financial condition, results, and business operations, as well as the quality of its corporate governance.

Ownership Structure

The stakeholders are made aware of the shareholding structure of the Company through the numerous reports filed with the SEC and PSE. The Company files with the SEC the following reports which contain information about its ownership structure: General Information Sheet, SEC Form 17-A, Audited Financial Statements, and Information Statement ("IS"). These reports are likewise submitted to the PSE. For the PSE alone, the Company regularly files the Top 100 Stockholders, Public Ownership, and Foreign Ownership Reports by uploading the same in the PSE Edge Portal.

Financial Reporting

Compliant with the requirements of the Securities Regulation Code, the financial results of the Company for the first three (3) quarters of the relevant year are disclosed to the stakeholders through SEC Form 17-Q filed with the SEC and PSE within forty-five (45) days from the end of the relevant quarter. The Audited Consolidated Financial Statements for the latest completed financial year, which is included in Definitive Information Statement or SEC Form 20- IS (the "IS") that is distributed to the stockholders, are released and duly disclosed to the SEC and PSE within fifteen (15) business days prior to the RSM. The financial information on these reports is also disclosed to the financial and investment analysts through the quarterly Investors' Briefing and ultimately to the investing public, as the presentation materials for the said briefing are also filed with the PSE. The Company's financial reports are all prepared in compliance with the Philippine Financial Reporting Standards (PFRS), which are based on International Financial Reporting Standards issued by the International Accounting Standards Board. The Audited Parent and Consolidated Financial Statements as of December 31, 2022 of the Company were approved and authorized for submission and filing with the concerned regulatory bodies by a resolution of the Board on March 8, 2023.

Related Party Transactions

The Company has significant transactions with related parties pertaining to purchases of containers, bottles, and other packaging materials as well as the sale of liquor and by-products. It has also entered into various lease agreements with related parties as a lessor and lessee. These transactions are made in the ordinary course of business at normal market prices and terms. Related party transactions (the "RPTs") are fully disclosed in the Audited Consolidated Financial Statements of the Company.

The Audit and Risk Oversight Committee evaluates, on an ongoing basis, existing relations between and among businesses and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in related parties are noted. It also evaluates all material RPTs to ensure that these are not undertaken on more favorable economic terms to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

Conformably with the Material Related Party Transactions Policy of the Company, the Company, with the approval of the Board, engaged the services of Punongbayan and Auraulo (the "P&A"), an external independent party, tasked to evaluate the fairness of the terms of transactions that may qualify as "Material RPTs." These are transactions with related parties that meet the materiality threshold in terms of transaction value amounting to a minimum of 10% of the total consolidated assets of the Company based on the latest audited financial statements of the Company. The P&A has determined that the Company's material RPTs in 2022 met the fairness test. Consequently, such transactions, upon the recommendation of the Audit and Risk Oversight Committee, were approved by the Board.

STOCKHOLDERS' RIGHTS

Dividends

The Company's Articles of Incorporation ("AOI") provides for the right of stockholders to dividends as and when declared by the Board of Directors (the "Board") at such rate or amount and period as may be fixed by the Board. AOI also provides that holders of preferred shares are entitled to receive, to the fullest extent allowable under the law, subject to certain adjustments. It shall be paid in priority to any dividend or distribution in favor of holders of common shares. Dividends on the preferred shares shall be fully cumulative. On August 8, 2018, the Board passed and approved a Dividend Policy to further strengthen the rights of the stockholders to dividends.

In 2022, the Board approved the declaration of regular cash dividends to stockholders in the amount of Php

0.375 per common share on March 9, April 27, August 3, and November 9, 2022. In addition, the Board likewise approved the declaration of special cash dividends in the amount of Php1.00 per common share on the same dates.

Stockholders' Meeting
The Company recognizes that the stockholders' meeting, whether regular or special, is a great opportunity for stockholders to actually express their sentiments and opinions, as well as ask questions to the Board and Management. Thus, the Company sees to it that its stockholders are informed of the details of stockholders' meetings through the IS sent to each stockholder at least fifteen (15) business days before the scheduled date of the meeting. The IS contains the notice, date, time, venue, and agenda of the meeting, information pertaining to proxies, the deadline for submission thereof, and the date of their validation, as well as other relevant information about the Company. For the 2022 RSM, the IS was made available to the stockholders on May 4, 2022.

The draft minutes of stockholders' meetings of the Company are uploaded in the Company's website within five (5) business days from the date of the relevant meeting.

Voting Rights and Voting Procedures
Each share, whether common or preferred, registered in the name of the stockholder entitles such stockholder to one (1) vote. Stockholders have the right to elect, remove, and replace Directors as well as vote on certain corporate acts in accordance with the Revised Corporation Code. In electing members to the Board, every stockholder is entitled to cumulate his votes in accordance with the provisions of the law. Voting procedures on matters presented for approval to the stockholders in the RSM are set out in the IS.

Pre-emptive Rights
All stockholders have the right to subscribe to all issues of shares of the Company in proportion to their shareholdings unless the same is denied in its Articles of Incorporation (the "Articles") or an amendment thereto. Under the Company's Articles, stockholders do not have pre-emptive rights to subscribe to the convertible preferred shares or to subscribe to the common shares to be issued by the Company upon conversion of the preferred shares and the conversion of any notes issued to redeem such preferred shares. Subject to certain conditions and thresholds on the percentage of shares allotted to be issued pursuant to a duly approved stock option, stock purchase, stock subscription, or similar plans (collectively, the "Plans"), stockholders do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its Officers and/or employees pursuant to such Plans.

STAKEHOLDER RELATIONS

At the forefront of the Company's business principles is transparency. It applies this principle in all its dealings with its stakeholders, which include, among others, its customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates, and sees to it that their rights as established by law, contractual relations and through voluntary commitments, are respected.

The Company, through the different channels of communication, is always within easy reach. When the rights and interests of stakeholders are at stake, they can communicate with the Company to obtain prompt, effective redress for the violation of their rights. Ensuring cooperation among the Company and its numerous stakeholders in creating wealth, growth, and sustainability is crucial to the Company's success.

Right to Information of Stakeholders and Investor Relations
Transparency is manifested in the Company's Corporate Disclosures filed with the SEC and PSE, which relates to the Company, its directors, and officers, as well as its operations and transactions. Stakeholders can request hard copies of these documents, as well as make inquiries through, among others, the Investor Relations Office of the Company and San Miguel Corporation (the "SMC").

The Company also holds combined Investors' Briefings with SMC and other SMC subsidiaries on a regular basis, the date and agenda for which are disclosed to the PSE at least three (3) days before the holding thereof. Materials for the said briefings are also disclosed to the PSE on the scheduled date of the briefing.

EMPLOYEE RELATIONS

The Company believes that its greatest strength has always been its people and ensures that their interests are protected. The Company provides valuable benefits to its employees, ranging from medical, leave, insurance, learning, education, loan, retirement/separation and work/life benefits, over and above what is required by law. Extensive medical coverage is also provided to regular employees through an accredited Health Maintenance Organization, inclusive of outpatient, inpatient, emergency, and preventive care; annual physical examination and dental care. Prescribed medicines are also provided to the employees at the Company's clinic free of charge. Subject to certain guidelines, various paid leaves are also provided to regular employees of the Company: vacation, sick, and emergency leaves. Work-Life benefits in the form of rice ration, provision of uniforms, wedding gift for rank-and-file employees, and burial assistance for deceased employees and deceased dependents.

Consistent with its belief that its employees are its most valuable resource and its key competitive advantage. The Company is committed to (1) providing its employees with programs for their professional and personal growth; and (2) promoting a culture of open communication, teamwork, continuous improvement, and learning. To be able to do this, the Company has programs geared towards learning and education, namely: Education Program – whereby monetary assistance is given to regular employees who wish to pursue further studies for their career growth. Monetary assistance covers payment for tuition fees and subsidy for the cost of books; Professional Board Examination Incentive - wherein financial assistance equivalent to one month basic pay is given to an employee who passes a government board examination administered by the Professional Regulation Board that the Company considers to be a requirement for the employee's field of specialization or in technical fields considered as relevant to its operations and to the employee's career path; and various training programs.

Training programs of the Company are classified into formal and informal training. Formal training includes corporate training programs, functional/technical school programs, and e-learning. Informal training, on the other hand, includes on-the-job training, developmental/

special assignments, job rotation/ transfer, coaching, and mentoring. Formal trainings are facilitated by the Company's Human Resources and Technical Schools and some external training providers. For this purpose, the Company is guided by the following curriculum:

- **Work Support Programs**, which are focused on general development, personal excellence, communication, creativity, innovation, productivity, and customer orientation. These Programs are designed to develop employees' skills, to help them perform effectively in their roles, and to foster team effectiveness and personal mastery;
- **Technical Exposure Programs**, that are designed to equip employees with an understanding of the role/ function of other units;
- **Technical / Functional Schools**, which are learning facilities organized and administered by a functional unit that provides technical knowledge to employees based on the school's curriculum. The programs offered are designed to maintain and develop core skills required in specific functions of the business; and
- **Leadership and Management Programs**, that are designed to equip the Company's supervisors and managers with leadership skills

To ensure the development of the technical skills of its employees, functional/technical schools were organized, namely: Alcohol and Liquor Technology Institute, Manufacturing School, Logistics School, and Sales and Marketing School, Human Resources School. Even the Company's wholly-owned subsidiary, Distileria Bago, Inc., has its own technical school, the Distileria Bago, Inc. Technical School.

In 2022, the Company, among others, provided opportunities to its employees, as well as the employees of its subsidiaries, to attend the following training programs offered by SMC that cater to the employee and organization's needs:

- **SMC -Emerging Leaders Program-** This is an eighteen-day, once-a-week, structured development program designed to provide the Company's identified high-potential staff and supervisors learning opportunities to sharpen their leadership, organization, communication, decision-making, and problem-solving skills, as well as other work support skills to prepare them for higher responsibilities in the organization;
- **SMC – Ateneo Leadership and Management Development Program –** This program aims to harness leadership and management potential; help transform managers into effective organizational change leaders and valuable members of the whole enterprise. The customized courses enrich cross-functional expertise and build a general management perspective, providing young leaders with the critical skills for success;
- **AIM Executive Management Development Program** - This program is tailored for executives and leaders who are constantly managing change to lead, inspire, and transform a hyper-connected workforce. The program primes the participating executive for self-awareness, personal mastery, and transformational leadership in today's business context. The building block approach and progression of learning themes, modules, and topics deliberately become more complex as the participant engages co-participants, faculty, peers, and colleagues as learning partners; and,
- **Other Trainings** - Some notable programs the Company offers are on Alcohol and Liquor Technology, Corporate Governance, Road Safety and Defensive Driving, Basic Selling Systems and Procedures, Fermentation and Distillation, Strategic Marketing, Leadership Emergence Appreciation Program, and the 7 Habits of Highly Effective People. To promote employees' health, well-being, and personal development, programs such as Personal Effectiveness, Code of Champions, Work-Life Harmony, and Malasakit Learning Sessions are provided. Some alternative programs also include Financial Wellness, Fostering Creativity at Work, and Effective Communication & Presentation Skills. To ensure that the employees are updated with new trends, technologies, and processes in the industry, the Company encourages its employees to participate/attend local and international conferences, forums, and events such as Advanced Financial Statement Analysis, Competency-Based HR Management, Practical Category Management, and Chemical Regulatory Compliance. The Company has also enrolled some of its employees in courses at international institutions that offer programs related to distillation, gin or alcohol-making, raw materials, and packaging.

The Company celebrates its anniversary by sponsoring an event where employees get to gather, mingle and have fun while at the same time honoring employees who have been in the service for a substantial number of years, making the employees feel valued and appreciated. The Company also conducts and sponsors activities to promote wellness and camaraderie among peers. The Company not only focuses on work-related activities but also gives time and effort to celebrate important occasions, i.e. Valentine's Day, Mother's Day, Father's Day, and Christmas, making the employees feel special and important. In addition, a variety of health and wellness programs are made accessible to employees to allow relaxation and decompression. These are designed to ensure that the general wellbeing of employees is maintained or improved through proper diet, exercise, and stress management. In lieu of the usual social gatherings, the Company deployed various learning sessions and implemented activities using online platforms to foster camaraderie and develop stronger bonds among employees, which are likewise considered essential in the workplace.

The Company sustained the use of virtual learning to ensure the development of its employees while the pandemic continued to persist in 2022. The Company utilizes various platforms to provide effective and purposive training to enhance the competencies of its employees.

The Company also encourages its employees to participate in meaningful activities such as the Ginebra Shoebox of Malasakit Gift Giving project, where employees voluntarily donate shoe boxes filled with school supplies, groceries and personal hygiene items for distribution to residents of chosen communities.

SIGNIFICANT COMPANY POLICIES

Over the years, the Company has adopted policies that are all geared towards promoting the best interest of the Company and its various stakeholders: stockholders, employees, customers and regulatory agencies. Some of the significant policies include the following:

Dividend Policy. This policy provides that subject to the relevant provisions of applicable laws and regulations, holders of common shares shall be entitled to receive annual cash dividends at such amounts up to 50% of the prior year's recurring net income starting in 2019, as may be determined by the Company's Board. "Recurring net income" shall mean net income calculated without respect to extraordinary events that are not expected to recur. Any dividend declaration and distribution may be made over the four (4) quarters of the year. In considering dividend declarations, the Board shall, in the exercise of its discretion and authority, take into consideration dividend payments on the preferred shares, debt covenant and restrictions, debt servicing requirements, implementation of business plans, operating expenses, budgets, appropriate reserves and working capital, major capital expenditure requirements, and funding of new investments.

Conflict of Interest. The Company implements a policy on Conflict of Interest which espouses the principle that Officers and employees have a duty to act in the best interest of the Company. This policy specifically requires Officers, Managers, and employees to: conduct business affairs with fairness; avoid granting undue personal favors; engage only in private activities or business consistent with their responsibilities as officers and employees and not detrimental to the interests of the Company; refuse gifts that might connote bribery in any way; utilize Company property, funds, equipment and time solely for Company purposes and recognize that all intellectual property and rights so created are owned by the Company; and seek prior Management clearance before engaging in outside work. In the event that any personal interest of an Officer or employee may conflict with the interest of the Company, proper disclosure through the accomplishment of the Full Business Interest Disclosure Form should be made, and a review by higher Management shall resolve the conflict.

Code of Ethics. The Company adheres to the SMC group-wide Code of Ethics that sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the Directors, Management, Officers, and employees of the Company. The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability, and integrity in the conduct of its business and expects each of its Directors, Officers, and employees to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with stockholders, customers, suppliers, government and the general public.

Securities Dealing. The Company's commitment to the highest standards of values, expertise, and professionalism prompted the Company to adopt a Policy on Dealings in Securities. This policy mandates the Directors, Officers, and employees of the GSMI Group to exercise extreme caution when dealing in the Company's securities and ensure that such dealings comply with this policy, as well as the requirements of the SRC. It sets out the conditions and rules under which the Directors, Officers, and employees of the GSMI Group shall deal in securities of the Company. Under this policy, Directors, Officers and certain employees are considered to have access to "insider information", i.e. knowledge or possession of material non-public information about the Company by virtue of their functions and responsibilities. Therefore, such Directors, Officers, and key employees with access to inside information are prohibited from trading in the Company's shares at any time when they have knowledge or possession of material non-public information about the Company, and during a specified time frame or a "blackout period." The same prohibition applies even if the material non-public information refers to another company, so long as the same was obtained in the course of performing the duties as Directors, Officers, or employees of the GSMI Group.

Whistle Blowing. Procedures have been established for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing, and financial reporting matters under an SMC group-wide Whistle Blowing Policy. The said policy provides that all complaints be ultimately referred to the Audit and Risk Oversight Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or such longer time as the said Committee may deem necessary. All communications received through the established channels will be kept confidential. The original copies or records of all communications will be available to any Audit and Risk Oversight Committee member, upon request. The said Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate.

Data Privacy. The Company values the personal information of individuals and collects, stores, and uses the same only in accordance with law. To institutionalize the same, the Board approved a Personal Data Privacy Policy to ensure compliance with the requirements of the Data Privacy Act of 2012 and its Implementing Rules and Regulations. Pursuant thereto, the Company also appointed a Data Protection Officer who is responsible for ensuring the Company's compliance with applicable laws and regulations for the protection of data privacy and security.

Material Related Party Transactions Policy. It is the policy of the Company that all RPTs are conducted on an arm's length basis and under fair terms, in order that no shareholder or stakeholder is unduly disadvantaged, and there is no prejudice to the interest of the stakeholders of the Company. The Board shall have the overall responsibility of ensuring that RPTs are handled in a sound and prudent manner, with integrity and in effective compliance with applicable laws, rules, and regulations at all times to protect the interests of the Company and its subsidiaries, and their shareholders and other stakeholders. The objectives of this policy are to mitigate or avoid conflict of interest and abusive transactions between related parties and ensure that every RPT is reviewed, approved, and disclosed in compliance with the requirements of the relevant governmental and regulatory agencies such as the SEC.

Information about the foregoing policies can be found on the official website of the Company.

COMPLIANCE SYSTEM

To ensure adherence to corporate principles and best practices, the Board has appointed a Compliance Officer who is responsible for monitoring compliance by the Company with the provisions and requirements of the CG Manual, relevant laws, issuances and rules and regulations of regulatory agencies. The Company's Compliance Officer is Atty. Virgilio S. Jacinto.

WEBSITE

Other information about the Company may be viewed at http://www.ginebrasanmiguel.com.

REPORT OF THE AUDIT AND RISK OVERSIGHT COMMITTEE

For the year ended December 31, 2022

The Audit and Risk Oversight Committee (the "Committee"), was constituted by the Board of Directors (the "Board"), to among others, enhance its oversight capability over the Company's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations. The Committee specifically performed the following in 2022:

- Recommended to the Board and endorsed for approval by the stockholders, the appointment of R.G. Manabat & Co. ("KPMG"), as the Company's independent External Auditor for the fiscal year 2022;
- Reviewed and approved the terms of engagement of KPMG for audit-related services provided or to be provided and the fees for such services;
- Reviewed and approved KPMG's Audit Plan for 2022;
- Reviewed, discussed and recommended for approval of the Board the Company's Separate and Consolidated Financial Statements for 2022, as well as the Company's SEC Form 17-Q or Quarterly Financial Statements for 2022 and such other reports required to be submitted to regulatory agencies in connection with such financial statements, to ensure that the information contained in such statements and reports presented a true and balanced assessment of the Company's financial position and condition and that such statements and reports complied with the regulatory requirements of the Securities and Exchange Commission (the "SEC") and applicable laws, rules, regulations and issuances of regulatory bodies;
- Reviewed and approved the Company's Internal Audit and Outsourcing Plan for 2022;
- Reviewed, discussed and recommended for approval of the Board the Material Related Party Transactions of the Company in 2022;
- As and when necessary, performed functions pertaining not only to audit, but also to risk oversight and related party transactions;
- Reviewed the adequacy, effectiveness and sufficiency of the Company's financial and internal controls and risk management systems, and ensured that, where applicable, necessary measures were taken to address any concern or issue arising therefrom; and
- Accomplished the Committee's Internal Self-Assessment Form for the purpose of evaluating its performance for 2022.
- Attended a Seminar on Corporate Governance in compliance with the SEC Memorandum Circular No. 19, Series of 2016.

The Committee exerted best efforts in fulfilling its responsibilities as set forth in its Charter and the Company's Manual on Corporate Governance, and substantially met its mandate in 2022.

Martin S. Villarama, Jr.
Chairperson
Independent Director

Leo S. Alvez
Member

Aurora S. Lagman
Member - Lead Independent Director

Francisco S. Alejo III
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The Management of Ginebra San Miguel Inc. (the Company) is responsible for the preparation and fair presentation of the Consolidated Financial Statements, including the additional components attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors reviews and approves the Consolidated Financial Statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the Consolidated Financial Statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, has expressed their opinion on the fairness of presentation upon completion of such audit.

Cynthia M. Baroy
Chief Finance Officer

Ramon S. Ang
President

Signed this 8th day of March 2023

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

Opinion

We have audited the consolidated financial statements of Ginebra San Miguel Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the consolidated financial statements of the current period. This matter is addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue Recognition (P47,341 million)

Refer to Note 3, *Significant Accounting Policies* to the consolidated financial statements.

The risk
Revenue is an important measure used to evaluate the performance of the Group. It is accounted for when control of the goods or services is transferred to the customer over time or at a point in time, at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. While revenue recognition and measurement is not complex for the Group, revenue may be inappropriately recognized in order to improve business results and achieve revenue growth in line with the objectives of the Group, thus increasing the risk of material misstatement.

Our response
We performed the following audit procedures, among others, on revenue recognition:

- We evaluated and assessed the revenue recognition policies of the Group in accordance with PFRS 15, *Revenue from Contracts with Customers*.
- We evaluated and assessed the design and operating effectiveness of the key controls over the revenue management process.
- We involved our information technology specialists, as applicable, to assist in the audit of automated controls, including interface controls among different information technology applications for the evaluation of the design and operating effectiveness of controls over the recording of revenue transactions.
- We vouched, on a sampling basis, sales transactions to supporting documentation such as customers' sales invoices, delivery documents and proof of collections such as official receipts or bank statements to ascertain that revenue recognition criteria is met.
- We tested, on a sampling basis, sales transactions for the last month of the reporting period and also the first month of the following reporting period to supporting documentation such as customers' sales invoices, delivery documents and proof of collections such as official receipts and bank statements to assess whether these transactions are recorded in the appropriate reporting period.
- We tested high risk journal entries posted to revenue accounts to identify unusual or irregular items.
- We tested, on a sampling basis, credit notes issued after the reporting period, to identify and assess any credit notes that relate to sales transactions recognized during the reporting period.

KPMG

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

KPMG

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Maria Arleene C. Yu.

R.G. MANABAT & CO.

Maria Arleene C. Yu

MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 9563855
Issued January 3, 2023 at Makati City

April 4, 2023
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

**REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, on which we have rendered our report dated April 4, 2023.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management. Such additional components include:

- Map of the Conglomerate
- Supplementary Schedules of Annex 68-J

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

These supplementary information are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 9563855
Issued January 3, 2023 at Makati City

April 4, 2023
Makati City, Metro Manila

R.G. Manabat & Co.
The KPMG Center, 6/F
6787 Ayala Avenue, Makati City
Philippines 1209
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Internet www.home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Ginebra San Miguel Inc. and Subsidiaries (the "Group") as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, on which we have rendered our report dated April 4, 2023. Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulas and calculations, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

R.G. MANABAT & CO.

Maria Arleene C. Yu
MARIA ARLEENE C. YU
Partner
CPA License No. 0108855
SEC Accreditation No. 108855-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 225-068-761
BIR Accreditation No. 08-001987-041-2020
Issued December 22, 2020, valid until December 21, 2023
PTR No. MKT 9563855
Issued January 3, 2023 at Makati City

April 4, 2023
Makati City, Metro Manila

Firm Regulatory Registration & Accreditation:
PRC-BOA Registration No. 0003, valid until November 21, 2023
SEC Accreditation No. 0003-SEC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by SEC Accreditation No. 0004-FR-5)
IC Accreditation No. 0003-IC, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by IC Circular Letter (CL) No. 2019-39, Transition clause)
BSP Accreditation No. 0003-BSP, Group A, valid for five (5) years covering the audit of 2020 to 2024
financial statements (2019 financial statements are covered by BSP Monetary Board Resolution No. 2161, Transition clause)

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(In Thousands)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 5, 31, 32*	**P5,457,277**	P2,379,166
Trade and other receivables - net	*4, 6, 22, 26, 27, 31, 32*	**1,235,779**	1,036,748
Inventories	*4, 7*	**7,003,478**	8,730,041
Prepaid expenses and other current assets	*8, 27, 31, 32*	**868,981**	1,123,525
Total Current Assets		**14,565,515**	13,269,480
Noncurrent Assets			
Investments in joint ventures	*4, 9*	**-**	-
Investment in debt instruments at amortized cost	*4, 10, 27, 31, 32*	**1,500,000**	-
Property, plant and equipment - net	*4, 11*	**4,730,803**	4,236,248
Right-of-use assets - net	*4, 12, 27, 28*	**97,751**	176,083
Goodwill - net	*4, 13*	**126,863**	126,863
Deferred tax assets - net	*4, 18*	**524,963**	499,574
Other noncurrent assets - net	*4, 14, 27, 31, 32*	**66,218**	88,763
Total Noncurrent Assets		**7,046,598**	5,127,531
		P21,612,113	P18,397,011
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*15, 27, 31, 32*	**P5,540,299**	P5,143,987
Income and other taxes payable		**719,846**	590,139
Current maturities of long-term debt - net of debt issues costs	*17, 25, 31, 32*	**165,430**	165,417
Lease liabilities - current portion	*4, 27, 28, 31*	**32,967**	56,860
Notes payable	*16*	**-**	-
Total Current Liabilities		**6,458,542**	5,956,403
Noncurrent Liabilities			
Retirement liabilities	*4, 29*	**635,751**	621,920
Lease liabilities - net of current portion	*4, 27, 28, 31*	**75,775**	134,247
Long-term debt - net of current maturities and debt issue costs	*17, 31, 32*	**-**	165,430
Total Noncurrent Liabilities		**711,526**	921,597
Total Liabilities		**7,170,068**	6,878,000

Forward

	Note	2022	2021
Equity	*19*		
Capital stock		**P399,063**	P399,063
Additional paid-in capital		**2,539,454**	2,539,454
Equity reserves		**(415,729)**	(366,345)
Retained earnings:			
Appropriated		**3,512,000**	3,512,000
Unappropriated		**12,077,230**	9,104,812
Treasury stock		**(3,669,973)**	(3,669,973)
Total Equity		**14,442,045**	11,519,011
		P21,612,113	P18,397,011

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands, Except Per Share Data)

	Note	**2022**	2021	2020
SALES	*27*	**P47,340,746**	P42,534,124	P36,201,782
COST OF SALES	*20*	**35,862,785**	31,760,865	26,993,100
GROSS PROFIT		**11,477,961**	10,773,259	9,208,682
SELLING AND MARKETING EXPENSES	*21*	**(3,397,473)**	(3,100,609)	(2,836,732)
GENERAL AND ADMINISTRATIVE EXPENSES	*22*	**(2,093,924)**	(2,379,745)	(2,565,925)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*11, 16, 17, 25, 28, 29*	**(52,779)**	(48,210)	(122,330)
INTEREST INCOME	*5*	**130,537**	38,471	32,656
GAIN (LOSS) ON DISPOSAL/ RETIREMENT OF NONCURRENT ASSETS - Net	*11, 14*	**(1,040)**	5,583	(14,891)
OTHER INCOME (CHARGES) - Net	*26*	**(5,031)**	271,922	302,353
INCOME BEFORE INCOME TAXES		**6,058,251**	5,560,671	4,003,813
INCOME TAX EXPENSE	*18*	**1,511,029**	1,381,732	1,247,302
NET INCOME		**P4,547,222**	P4,178,939	P2,756,511
Basic and Diluted Earnings Per Share	*30*	**P15.88**	P14.59	P9.46

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands)

	Note	**2022**	2021	2020
NET INCOME		**P4,547,222**	P4,178,939	P2,756,511
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss				
Share in other comprehensive loss of joint ventures	*9*	**-**	(4,451)	(53,512)
Item that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*29*	**(65,845)**	89,633	(50,333)
Income tax	*18*	**16,461**	(51,312)	15,100
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(49,384)**	33,870	(88,745)
TOTAL COMPREHENSIVE INCOME - Net of tax		**P4,497,838**	P4,212,809	P2,667,766

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands)

		Capital Stock			Equity Reserves		Retained Earnings		Treasury Stock		
	Note	Common	Preferred	Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	Total
As at January 1, 2022		**P345,625**	**P53,438**	**P2,539,454**	**(P366,345)**	**P -**	**P3,512,000**	**P9,104,812**	**(P1,947,198)**	**(P1,722,775)**	**P11,519,011**
Net income		-	-	-	-	-	-	**4,547,222**	-	-	**4,547,222**
Other comprehensive loss:											
Share in other comprehensive loss of joint ventures	*9*	-	-	-	-	-	-	-	-	-	-
Equity reserve for retirement plan	*29*	-	-	-	**(49,384)**	-	-	-	-	-	**(49,384)**
Total comprehensive income		-	-	-	**(49,384)**	-	-	**4,547,222**	-	-	**4,497,838**
Cash dividends and distribution:											
Common		-	-	-	-	-	-	**(1,574,804)**	-	-	**(1,574,804)**
Preferred		-	-	-	-	-	-	-	-	-	**-**
As at December 31, 2022	*19*	**P345,625**	**P53,438**	**P2,539,454**	**(P415,729)**	**P -**	**P3,512,000**	**P12,077,230**	**(P1,947,198)**	**(P1,722,775)**	**P14,442,045**

Forward

		Capital Stock			Equity Reserves		Retained Earnings		Treasury Stock		
	Note	Common	Preferred	Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Appropriated	Unappropriated	Common	Preferred	Total
As at January 1, 2021		P345,625	P53,438	P2,539,454	(P404,666)	P4,451	P2,500,000	P7,083,730	(P1,947,198)	(P722,775)	P9,452,059
Net income		-	-	-	-	-	-	4,178,939	-	-	4,178,939
Other comprehensive income (loss):											
Share in other comprehensive loss of joint ventures	*9*	-	-	-	-	(4,451)	-	-	-	-	(4,451)
Equity reserve for retirement plan	*29*	-	-	-	38,321	-	-	-	-	-	38,321
Total comprehensive income		-	-	-	38,321	(4,451)	-	4,178,939	-	-	4,212,809
Redemption of preferred shares		-	-	-	-	-	-	-	-	(1,000,000)	(1,000,000)
Appropriations (reversal of appropriations)		-	-	-	-	-	1,012,000	(1,012,000)	-	-	-
Cash dividends and distribution:											
Common		-	-	-	-	-	-	(1,145,311)	-	-	(1,145,311)
Preferred		-	-	-	-	-	-	(546)	-	-	(546)
As at December 31, 2021	*19*	P345,625	P53,438	P2,539,454	(P366,345)	P -	P3,512,000	P9,104,812	(P1,947,198)	(P1,722,775)	P11,519,011
As at January 1, 2020		P345,625	P53,438	P2,539,454	(P369,433)	P57,963	P2,500,000	P4,662,727	(P1,947,198)	(P722,775)	P7,119,801
Net income		-	-	-	-	-	-	2,756,511	-	-	2,756,511
Other comprehensive loss:											
Share in other comprehensive loss of joint ventures	*9*	-	-	-	-	(53,512)	-	-	-	-	(53,512)
Equity reserve for retirement plan	*29*	-	-	-	(35,233)	-	-	-	-	-	(35,233)
Total comprehensive income		-	-	-	(35,233)	(53,512)	-	2,756,511	-	-	2,667,766
Cash dividends and distribution:											
Common		-	-	-	-	-	-	(286,328)	-	-	(286,328)
Preferred		-	-	-	-	-	-	(49,180)	-	-	(49,180)
As at December 31, 2020	*19*	P345,625	P53,438	P2,539,454	(P404,666)	P4,451	P2,500,000	P7,083,730	(P1,947,198)	(P722,775)	P9,452,059

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(In Thousands)

	Note	**2022**	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P6,058,251**	P5,560,671	P4,003,813
Adjustments for:				
Depreciation and amortization	*11, 12, 14, 20, 21, 22, 23*	**677,239**	679,606	746,791
Net derivative loss (gain)	*26, 32*	**241,801**	96,759	(88,294)
Retirement expense	*24, 29*	**98,437**	469,921	79,318
Interest expense and other financing charges	*11, 16, 17, 25, 28, 29*	**52,779**	48,210	122,330
Net unrealized foreign exchange loss (gain)	*26, 31*	**28,131**	(2,659)	1,860
Provision for impairment losses	*6, 22*	**10,325**	83,126	544,417
Loss (gain) on disposal/ retirement of noncurrent assets - net	*11, 14*	**1,040**	(5,583)	14,891
Reversal of allowance for write-down of inventories to net realizable value	*7, 20*	**(10,325)**	-	-
Interest Income	*5*	**(130,537)**	(38,471)	(32,656)
Operating income before working capital changes		**7,027,141**	6,891,580	5,392,470
Decrease (increase) in:				
Trade and other receivables		**(199,903)**	(165,026)	44,493
Inventories		**1,529,566**	(2,820,854)	237,535
Prepaid expenses and other current assets		**(208,647)**	(421,710)	(410,393)
Increase (decrease) in:				
Accounts payable and accrued expenses		**287,349**	(37,910)	932,089
Other taxes payable		**130,043**	115,507	(86,554)
Cash generated from operations		**8,565,549**	3,561,587	6,109,640
Interest received		**117,648**	37,313	41,515
Contribution to retirement plan	*29*	**(178,323)**	(178,323)	(105,892)
Interest and other financing charges paid		**(18,219)**	(25,061)	(94,580)
Income taxes paid		**(1,111,845)**	(866,239)	(772,019)
Net cash flows provided by operating activities		**7,374,810**	2,529,277	5,178,664

Forward

	Note	**2022**	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of property and equipment	*11*	**P3,270**	P6,383	P2,329
Additions to advances to suppliers		**(11,839)**	(9,272)	-
Additions to property, plant, and equipment	*11*	**(990,333)**	(588,643)	(403,149)
Additions to investment in debt instruments at amortized cost	*10*	**(1,500,000)**	-	-
Decrease (increase) in other noncurrent assets		**(20)**	(33,562)	12,781
Net cash flows used in investing activities		**(2,498,922)**	(625,094)	(388,039)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings	*16*	**-**	-	1,664,200
Long-term borrowings	*17*	**-**	-	496,250
Payments of:				
Short-term borrowings	*16*	**-**	-	(3,183,200)
Lease liabilites	*28*	**(80,670)**	(70,571)	(87,249)
Long-term borrowings	*17*	**(166,667)**	(166,667)	(882,353)
Cash dividends		**(1,524,714)**	(1,110,178)	(329,330)
Redemption of preferred shares	*19*	**-**	(1,000,000)	-
Net cash flows used in financing activities		**(1,772,051)**	(2,347,416)	(2,321,682)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(25,726)**	2,825	(3,500)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**3,078,111**	(440,408)	2,465,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*5*	**2,379,166**	2,819,574	354,131
CASH AND CASH EQUIVALENTS AT END OF YEAR	*5*	**P5,457,277**	P2,379,166	P2,819,574

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data and Number of Shares)

1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company), a subsidiary of San Miguel Food and Beverage, Inc. (SMFB or Parent Company), was incorporated in the Philippines on July 10, 1987. SMFB is a subsidiary of San Miguel Corporation (SMC or Intermediate Parent Company). Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of GSMI.

GSMI is primarily engaged in the manufacture and sale of alcoholic beverages.

The Company is a public company under Section 17.2 of the Securities Regulation Code and its common shares are listed on The Philippine Stock Exchange, Inc.

The accompanying consolidated financial statements comprise the financial statements of the Company and its Subsidiaries and the Group's interests in joint ventures (collectively referred to as the "Group").

The Group is engaged in the manufacture and sale of alcoholic beverages, tolling, marketing, distillation of alcohol, and bottling of alcohol and nonalcoholic beverages.

The Company and its domestic subsidiaries have a corporate life of 50 years pursuant to their Articles of Incorporation. However, under the Revised Corporation Code of the Philippines which took effect on February 23, 2019, existing and future corporations have been granted perpetual corporate life. Thus, the Company and its domestic subsidiaries shall have a perpetual corporate life.

The registered office address of the Company is 3rd and 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

2. Basis of Preparation

Statement of Compliance
The accompanying consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC).

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 8, 2023.

Basis of Measurement
The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items which are measured on an alternative basis on each reporting date:

Items	Measurement Basis
Financial assets at fair value through profit or loss (FVPL)	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the functional currency of the Company. All financial information are rounded off to the nearest thousand (000), except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements include the accounts of the Group and the following wholly-owned subsidiaries:

Name of Subsidiary	Country of Incorporation
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries Inc. (AII)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Crown Royal Distillers, Inc. (CRDI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
GSM International Holdings Limited (GSMIHL)	BVI
Global Beverages Holdings Limited (GBHL)	BVI
Siam Holdings Limited (SHL)	BVI

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

When the Group has less than 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 financial statements of the subsidiaries are included in the consolidated financial statements from the date when the Group obtains control, and continue to be consolidated until the date when such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intergroup balances and transactions, including intergroup unrealized profits and losses, are eliminated in preparing the consolidated financial statements.

A change in the ownership interest in a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, the Group: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary and the cumulative translation differences recorded in equity; (ii) recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statements of income; and (iii) reclassify the Company's share of components previously recognized in other comprehensive income 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.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, except for the changes in accounting policies as explained below.

The FSRSC approved the adoption of a number of new and amendments to standards as part of PFRS.

<u>Adoption of Amendments to Standards</u>

The Group has adopted the following amendments to standards effective January 1, 2022 and accordingly, changed its accounting policies in the following areas:

- Property, Plant and Equipment - Proceeds before Intended Use (Amendments to PAS 16, *Property, Plant and Equipment*). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of an entity's ordinary activities, the amendments require the entity to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of income. This disclosure is not required if such proceeds and cost are presented separately in the statement of income.

- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

- Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards, of which the following are applicable to the Group:

  - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, *Financial Instruments*). The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, Leases). The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- Reference to the Conceptual Framework (Amendment to PFRS 3, *Business Combinations*). The amendments:

  - replaced a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018, without significantly changing its requirement;

  - added a requirement that, for transactions and other events within the scope of PAS 37 or International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

  - added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

  The adoption of the amended standards did not have a material effect on the consolidated financial statements.

New and Amendments to Standards Not Yet Adopted

A number of new and amendments to standards are effective for annual periods beginning after January 1, 2022 and have not been applied in preparing the consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements.

The Group will adopt the following new and amended standards on the respective effective dates:

- Definition of Accounting Estimates (Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments clarify that accounting estimates are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique (estimate or valuation technique) and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in the inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The amendments apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- Disclosure of Accounting Policies (Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments*). The key amendments to PAS 1 include requiring entities to disclose material accounting policies rather than significant accounting policies; clarifying that accounting policies related to immaterial transactions, other events or conditions are immaterial and as such need not be disclosed; and clarifying that not all accounting policies that relate to material transactions, other events or conditions are material to the financial statements. The amendments to PFRS Practice Statement 2 include guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendments to PAS 12, *Income Taxes*). The amendments require an entity to recognize deferred tax on transactions, such as leases for the lessee and decommissioning obligations, that give rise to equal amounts of taxable and deductible temporary differences on initial recognition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 *Leases*). The amendments confirm the following:

  ◦ On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.

  ◦ After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Under PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of PFRS 16.

- Classification of Liabilities as Current or Noncurrent - 2020 Amendments and Noncurrent Liabilities with Covenants - 2022 Amendments (Amendments to PAS 1, *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or noncurrent, the amendments:

  ◦ removed the requirement for a right to defer settlement of a liability for at least 12 months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the reporting date;

  ◦ clarified that only covenants with which the entity must comply on or before the reporting date affect the classification of a liability as current or noncurrent and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  ◦ provided additional disclosure requirements for noncurrent liabilities subject to conditions within 12 months after the reporting period to enable the assessment of the risk that the liability could become repayable within 12 months; and

  ◦ clarified that settlement of a liability includes transferring an entity's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or noncurrent.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with early application permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures:* Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

- The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when: (a) it is expected to be settled in the normal operating cycle; (b) it is held primarily for trading; (c) it is due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Group classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial Instruments
Recognition and Initial Measurement. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at the fair value of the consideration given or received. The initial measurement of financial instruments, except for financial assets and financial liabilities at FVPL, includes transaction costs. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
The Group classifies its financial assets, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and FVPL. The classification depends on the contractual cash flow characteristics of the financial assets and the business model of the Group for managing the financial assets.

Subsequent to initial recognition, financial assets are not reclassified unless the Group changes the business model for managing financial assets. All affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

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

The Group considers the following information in assessing the objective of the business model in which a financial asset is held at a portfolio level, which reflects the way the business is managed and information is provided to management:

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how employees of the business are compensated; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Group considers the contractual terms of the instrument in assessing whether the contractual cash flows are solely payments of principal and interest. For purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as profit margin. The assessment includes whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. The Group considers the following in making the assessment:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets.

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

For purposes of subsequent measurement, financial assets are classified in the following categories: financial assets at amortized cost, financial assets at FVOCI (with or without recycling of cumulative gains and losses) and financial assets at FVPL.

The Group has no financial assets at FVOCI as at December 31, 2022 and 2021.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model with the objective of holding financial assets to collect contractual cash flows; and

- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the consolidated statements of income when the financial asset is derecognized, modified or impaired.

The Group's cash and cash equivalents, trade and other receivables, investment in debt instruments at amortized cost and security deposit are included under this category (Notes 5, 6, 10, 14, 31 and 32).

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial Assets at FVPL. All financial assets not classified as measured at amortized cost or FVOCI are measured at FVPL. This includes derivative financial assets that are not designated as cash flow hedge. Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVPL.

At initial recognition, the Group may irrevocably designate a financial asset as at FVPL if the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on different bases.

The Group carries financial assets at FVPL using their fair values. Attributable transaction costs are recognized in the consolidated statements of income as incurred. Changes in fair value and realized gains or losses are recognized in the consolidated statements of income.

The Group's derivative assets that are not designated as cash flow hedge are classified under this category (Notes 8, 31 and 32).

<u>Financial Liabilities</u>
The Group determines the classification of its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Financial Liabilities at FVPL. Financial liabilities are classified under this category through the fair value option. Derivative instruments (including embedded derivatives) with negative fair values, except those covered by hedge accounting relationships, are also classified under this category.

The Group carries financial liabilities at FVPL using their fair values and reports fair value changes in the consolidated statements of income. Fair value changes from derivatives accounted for as part of an effective cash flow hedge are recognized in other comprehensive income and presented in the consolidated statements of changes in equity. Any interest expense incurred is recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income.

The Group's derivative liabilities that are not designated as cash flow hedge are classified under this category (Notes 15, 31 and 32).

Other Financial Liabilities. This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability. The effective interest rate amortization is included in "Interest expense and other financing charges" account in the consolidated statements of income. Gains and losses are recognized in the consolidated statements of income when the liabilities are derecognized as well as through the amortization process.

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in the consolidated statements of income.

The Group's liabilities arising from its trade transactions or borrowings such as accounts payable and accrued expenses, long-term debt and lease liabilities are included under this category (Notes 15, 17, 28, 31 and 32).

<u>Derecognition of Financial Assets and Financial Liabilities</u>
Financial Assets. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- the rights to receive cash flows from the asset have expired; or

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes the associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

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 is required to repay.

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

<u>Impairment of Financial Assets</u>
The Group recognizes allowance for expected credit loss (ECL) on financial assets at amortized cost.

ECLs are probability-weighted estimates of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e., the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive), discounted at the effective interest rate of the financial asset, and reflects reasonable and supportable information that is available without undue cost or effort about past events, current conditions and forecasts of future economic conditions.

The Group recognizes an allowance for impairment based on either 12-month or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group recognizes lifetime ECLs for receivables that do not contain significant financing component. The Group uses provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the borrowers and the economic environment.

At each reporting date, the Group assesses whether these financial assets at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the restructuring of a financial asset by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The Group considers a financial asset to be in default when a counterparty fails to pay its contractual obligations, or there is a breach of other contractual terms, such as covenants.

The Group directly reduces the gross carrying amount of a financial asset when there is no reasonable expectation of recovering the contractual cash flows on a financial asset, either partially or in full. This is generally the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

The ECLs on financial assets at amortized cost are recognized as allowance for impairment losses against the gross carrying amount of the financial asset, with the resulting impairment losses (or reversals) recognized in the consolidated statements of income.

<u>Classification of Financial Instruments between Liability and Equity</u>
Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole or in part, the amount separately determined as the fair value of the liability component on the date of issue.

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 amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative Financial Instrument
Derivative financial instruments are initially recognized at fair value on the date the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized in the consolidated statements of income.

Embedded Derivatives
The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group becomes a party to the contract.

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

However, an embedded derivative is not separated if the host contract is a financial asset.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVPL.

The Group has embedded derivatives as at December 31, 2022 and 2021 (Notes 8, 15, 31 and 32).

Inventories
Finished goods and materials and supplies are valued at the lower of cost and net realizable value.

Costs incurred in bringing each inventory to its present location and condition are accounted for as follows:

Finished goods	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method.
Materials and supplies	at cost, using the moving-average method.

Finished Goods. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

Materials and Supplies. Net realizable value is the current replacement cost.

Any write-down of inventories to net realizable value and all losses of inventories are recognized as expense in the year of write-down or loss occurrence. The amount of reversals, if any, of write-down of inventories arising from an increase in net realizable value are recognized as reduction in the amount of inventories recognized as expense in the year in which the reversal occurs.

Prepaid Expenses and Other Current Assets
Prepaid expenses represent expenses not yet incurred but already paid in cash. These are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are recognized in consolidated statements of income as they are consumed or expire with the passage of time.

Other current assets pertain to assets which are expected to be realized within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

Business Combination
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included as part of "General and administrative expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at the acquisition date fair value and any resulting gain or loss is recognized in the consolidated statements of income.

The Group measures goodwill at the acquisition date as: a) the fair value of the consideration transferred; plus b) the recognized amount of any non-controlling interests in the acquiree; plus c) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less d) the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statements of income. Subsequently, goodwill is measured at cost less any accumulated impairment in value. Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying amount may be impaired.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in the consolidated statements of income. Costs related to the acquisition, other than those associated with the issuance of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in the consolidated statements of income.

Goodwill in a Business Combination
Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit or group of cash-generating units, to which the goodwill relates. Where the recoverable amount of the cash-generating unit or group of cash-generating units is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit or group of cash-generating units 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 cash-generating unit retained. An impairment loss with respect to goodwill is not reversed.

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

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

The Group's investments in joint ventures are accounted for using the equity method.

Under the equity method, the investment in joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize the changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The Group's share in profit or loss of joint venture is recognized as "Equity in net losses of joint ventures" account in the consolidated statements of income. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the joint venture arising from changes in the joint venture's other comprehensive income. The Group's share on these changes is recognized as "Share in other comprehensive income of joint ventures" account in the consolidated statements of comprehensive income. Unrealized gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and carrying amount of the investment in joint venture and then recognizes the loss as part of "Equity in net losses of joint ventures" account in the consolidated statements of income.

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

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

<u>Property, Plant and Equipment</u>
Property, plant and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property, plant and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing. Land is stated at cost less impairment in value, if any.

The initial cost of property, plant and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes related asset retirement obligation (ARO) and capitalizable borrowing cost, if any. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Capital projects in progress (CPIP) represents the amount of accumulated expenditures on unfinished and/or ongoing projects. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CPIP is not depreciated until such time that the relevant assets are ready for use.

Depreciation, which commence when the assets are available for their intended use, are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Land improvements	5-10
Buildings and improvements	20-50
Transportation equipment	5
Machinery and equipment	3-40
Furniture, fixtures and other equipment	2-5
Leasehold improvements	10-30 or term of the lease, whichever is shorter

The remaining useful lives, residual values, and depreciation methods are reviewed and adjusted periodically, if appropriate, to ensure that such periods and methods of depreciation are consistent with the expected pattern of economic benefits from the items of property, plant and equipment.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property, plant and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the consolidated statements of income in the period of retirement and disposal.

<u>Leases</u>
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use:

- the Group has the right to obtain substantially all the economic benefits from use of the identified asset; and
- the Group has the right to direct the use of the identified asset.

Group as Lessee
The Group recognizes a right-of-use asset and a lease liability at the lease commencement date (i.e., the date the underlying asset is available for use). The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

	Number of Years
Land and land improvements	12-14
Building and improvements	2-15

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. The carrying amount of the lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or a change in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recognized in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of use assets and lease liabilities for short-term leases (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (i.e., office equipment). The Group recognizes the lease payments associated with these leases as expense on a straight-line basis over the lease term.

The Group applies the practical expedient allowing it not to assess whether eligible rent concessions that are a direct consequence of the Corona Virus Disease 2019 (COVID-19) pandemic are lease modifications. The practical expedient is applied consistently to contracts with similar characteristics and in similar circumstances. The impact of applying practical expedient is considered not material to the consolidated financial statements.

Group as Lessor
The Group determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, the lease is classified as a finance lease; if not, it is classified as an operating lease. As part of the assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the recognition exemption, it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies PFRS 15 to allocate the consideration in the contract.

The Group recognizes lease payments received under operating leases as rent income on a straight-line basis over the lease term.

<u>Intangible Assets with Finite Lives</u>
Intangible assets with finite lives acquired separately are measured on initial recognition at cost. Subsequently, intangible assets with finite lives are carried at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in the consolidated statements of income in the year in which the related expenditures are incurred.

Intangible assets with finite lives are amortized over the useful life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method used for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in the consolidated statements of income consistent with the function of the intangible asset.

Amortization of computer software is computed using the straight-line method over the estimated useful life of four to ten years.

Gains or losses arising from the disposal of an intangible asset with finite lives are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized in the consolidated statements of income when the asset is derecognized.

<u>Deferred Containers</u>
Deferred containers (shells and pallets) are stated at cost and are amortized over the estimated useful life of ten years. These are presented under “Other noncurrent assets - net” account in the consolidated statements of financial position. Amortization of deferred containers is included under “General and administrative expenses” account in the consolidated statements of income.

<u>Impairment of Non-financial Assets</u>
The carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, intangible assets with finite lives and deferred containers are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Goodwill is tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm’s length transaction between knowledgeable, willing parties, less costs of disposal. 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 asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. An impairment loss with respect to goodwill is not reversed.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

Common Shares

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

Preferred Shares

Preferred shares are classified as equity if they are non-redeemable, or redeemable only at the option of the Company, and any dividends thereon are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the BOD of the Company.

Preferred shares are classified as a liability if they are redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the consolidated statements of income as accrued.

Additional Paid-in Capital

When the shares are sold at premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares are measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Retained Earnings

Retained earnings represent the accumulated net income or losses, net of any dividend distributions and other capital adjustments. Appropriated retained earnings represent that portion which is restricted and therefore not available for any dividend declaration.

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Company's own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue

The Group recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

The transfer of control can occur over time or at a point in time. Revenue is recognized at a point in time unless one of the following criteria is met, in which case it is recognized over time: (a) the customer simultaneously receives and consumes the benefits as the Group performs its obligations; (b) the Group's performance creates or enhances an asset 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.

The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it acts as a principal as it controls the goods or services before transferring to the customer.

The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Sale of Goods
Revenue from sale of goods is recognized at the point in time when control of the goods is transferred to the customer, which is normally upon delivery of the goods. Trade discounts are determined at inception of the contract and is not subject to variability. Trade returns do not result to significant variable consideration. The general payment terms with customers are cash-on-delivery and credit terms which are generally 30 to 60 days from invoice date.

Revenue from Other Sources
Tolling Fee. Tolling fee is recognized when the performance of contractually agreed task has been rendered and control over the service has been transferred to the customer. General payment terms is on an average of 30 days from invoice date.

Interest Income. Interest income is recognized using the effective interest method. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset.

Dividend Income. Dividend income is recognized when the Group's right to receive the payment is established.

Others. Other income is recognized when earned.

<u>Costs and Expenses</u>
Costs and expenses are decreases in economic benefits during the reporting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are recognized when incurred.

<u>Borrowing Costs</u>
Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

<u>Research Costs</u>
Research costs are expensed as incurred.

<u>Employee Benefits</u>
Short-term Employee Benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Costs
The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, 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 economic benefits available in the form of reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning projected salaries of employees. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

Defined benefit costs comprise the following:

- Service costs;
- Net interest on the defined benefit retirement liability or asset; and
- Remeasurements of defined benefit retirement 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 statements of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuary.

Net interest on the net defined benefit retirement liability or asset is the change during the period as a result of contributions and benefit payments, which is determined by applying the discount rate based on the government bonds to the net defined benefit retirement liability or asset. Net interest on the net defined benefit retirement liability or asset is recognized as expense or income in the consolidated statements of income.

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

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statements of income. The Group recognizes gains and losses on the settlement of a defined benefit retirement plan when the settlement occurs.

<u>Foreign Currency</u>
Foreign Currency Translations
Transactions in foreign currencies are initially recorded in the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and monetary liabilities denominated in foreign currencies are translated to the functional currency at exchange rate at the reporting date.

Non-monetary assets and non-monetary liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on translation are recognized in the consolidated statements of income, except for differences arising on the translation of monetary items that in substance form part of a net investment in a foreign operation and hedging instruments in a qualifying cash flow hedge or hedge of a net investment in a foreign operation which are recognized in other comprehensive income.

Foreign Operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Philippine peso at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Philippine peso at average exchange rates for the period.

Foreign currency differences are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statements of income.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity.

The functional currency of GSMIL, GSMIHL, GBHL and SHL is United States Dollar (USD), while that of Thai San Miguel Liquor Co. Limited (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of GSMIL, GSMIHL, GBHL, SHL, TSML and TGT are translated into the presentation currency of the Group at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year.

<u>Taxes</u>
Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in consolidated statements of income. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred Tax. Deferred tax is recognized using the liability method in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carry Over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

Current tax and deferred tax are recognized in the consolidated statements of income except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Income and other taxes payable" accounts in the consolidated statements of financial position.

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Basic and Diluted Earnings Per Common Share (EPS)

Basic EPS is computed by dividing the net income for the period attributable to equity holders of the Group, net of dividends on preferred shares, by the weighted average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

Diluted EPS is computed in the same manner, adjusted for the effect of all potential dilutive debt or equity instruments.

Operating Segment

The reporting format of the Group's operating segment is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The Group has a single segment which is the alcoholic beverages segment.

Contingencies

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

Events After the Reporting Date

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

4. Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments

In the process of applying the accounting policies, the Group has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the consolidated financial statements:

Determining whether a Contract Contains a Lease. The Group uses its judgment in determining whether a contract contains a lease. At inception of a contract, the Group makes an assessment whether it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

Operating Lease Commitments - Group as Lessor. The Group has entered into various lease agreements as a lessor. The Group had determined that it retains all significant risks and rewards of ownership of the property leased out on operating leases.

Rent income recognized as part of "Other income (charges) - net" account in the consolidated statements of income, amounted to P172 in 2022, 2021 and 2020 (Notes 26, 27 and 28).

Determining the Lease Term of Contracts with Renewal Options - Group as Lessee. The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. At lease commencement date, the Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew the lease by considering all relevant factors that create an economic incentive for it to exercise the renewal option. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or change in circumstances within its control.

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in TSML and TGT as joint ventures (Note 9).

Adequacy of Tax Liabilities. The Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Classification of Financial Instruments. The Group exercises judgments in classifying financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

The Group uses its judgment in determining the classification of financial assets based on its business model in which assets are managed and their cash flow characteristics. The classification and fair values of financial assets and financial liabilities are presented in Note 32.

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings (Note 34).

<u>Estimates and Assumptions</u>
The key estimates and assumptions used in the consolidated financial statements are based upon the Group's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Assessment of ECL on Trade Receivables. The Group, in applying the simplified approach in the computation of ECL, initially uses a provision matrix based on historical default rates for trade receivables for at least three years. The Group also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customers. The Group then adjusts the historical credit loss experience with forward-looking information on the basis of current observable data affecting each customer to reflect the effects of current and forecasted economic conditions.

The Group has assessed that the forward-looking default rate component of its ECL on trade receivables is not material because substantial amount of trade receivables are normally collected within one year. Moreover, based on management's assessment, current conditions and forward-looking information does not indicate a significant increase in credit risk exposure of the Group from its trade receivables.

Trade receivables written-off amounted to nil and P1,954 in 2022 and 2021, respectively. The Company recognized provision for impairment losses amounted to P10,325 and nil in 2022 and 2021, respectively. The allowance for impairment losses on trade receivables amounted to P18,254 and P7,929 as at December 31, 2022 and 2021, respectively (Note 6). The net carrying amount of trade receivables amounted to P962,099 and P781,129 as at December 31, 2022 and 2021, respectively (Notes 6, 31 and 32).

Assessment of ECL on Other Financial Assets at Amortized Cost. The Group determines the allowance for ECL using general approach based on the probability weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12 months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

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

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

The Group also considers financial assets at day one to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Group has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Group only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2022 and 2021.

The carrying amounts of other financial assets at amortized cost are as follows:

	Note	2022	2021
Other Financial Assets at Amortized Cost			
Cash and cash equivalents	5	**P5,457,277**	P2,379,166
Non-trade receivables - net of allowance for impairment losses* (included under "Trade and other receivables - net" account)**	6	**211,353**	193,293
Investment in debt instruments at amortized cost	10	**1,500,000**	-
Security deposit (included under "Other noncurrent assets - net" account)	14	**493**	493

Allowance for impairment losses on non-trade receivables amounted to P673,039 and P673,141 as at December 31, 2022 and 2021, respectively (Note 6).

*** Excluding tax certificate receivables amounted to P62,327 and P62,326 as at December 31, 2022 and 2021, respectively (Note 6).*

Variable Consideration under Revenue. Revenue from sales is recognized based on the price specified in the contract, net of the estimated volume discounts and returns. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A provision for sales discount is recognized for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made through cash on delivery or with credit terms of 30 to 60 days, which is consistent with market practice.

It is the Group's policy to sell its products to the customer with a right of return. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognized will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

Fair Value Measurements. A number of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Group uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques (Note 3).

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 8, 9, 10, 11, 12, 13, 15, 29 and 32.

Write-down of Inventory. The Group writes-down the cost of inventory to net realizable value whenever net realizable value becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the reporting date to the extent that such events confirm conditions existing at the reporting date.

The write-down of inventories amounted to P118,353 and P141,792 as at December 31, 2022 and 2021, respectively (Note 7).

The carrying amount of inventories amounted to P7,003,478 and P8,730,041 as at December 31, 2022 and 2021 respectively (Note 7).

Estimated Useful Lives of Property, Plant and Equipment, Right-of-Use Assets, Deferred Containers and Intangible Asset with Finite Useful Life. The Group estimates the useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, estimation of the useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance 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. A reduction in the estimated useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life would increase the recorded cost of sales and selling and administrative expenses and decrease noncurrent assets.

There are no changes in the estimated useful lives of property, plant and equipment, right-of-use assets, deferred containers and intangible asset with finite useful life as at December 31, 2022 and 2021.

Property, plant and equipment, net of accumulated depreciation and impairment losses amounted to P4,730,803 and P4,236,248 as at December 31, 2022 and 2021, respectively. Accumulated depreciation of property, plant and equipment amounted to P9,328,669 and P8,952,518 as at December 31, 2022 and 2021, respectively (Note 11).

Right-of-use assets, net of accumulated depreciation and amortization amounted to P97,751 and P176,083 as at December 31, 2022 and 2021, respectively. Accumulated depreciation and amortization of right-of-use assets amounted to P92,001 and P104,275 as at December 31, 2022 and 2021, respectively (Note 12).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P1,764 and P27,391 as at December 31, 2022 and 2021, respectively. Accumulated amortization of deferred containers amounted to P373,245 and P347,618 as at December 31, 2022 and 2021, respectively (Note 14).

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P28,420 and P37,196 as at December 31, 2022 and 2021, respectively. Accumulated amortization of intangible assets amounted to P14,842 and P73,746 as at December 31, 2022 and 2021, respectively (Note 14).

Estimating the Incremental Borrowing Rate. The Group cannot readily determine the interest rate implicit in the leases. Therefore, it uses its relevant incremental borrowing rate to measure lease liabilities. The incremental borrowing rate 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 rightof- use asset in a similar economic environment. The incremental borrowing rate, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific estimates.

The Group's lease liabilities amounted to P108,742 and P191,107 as at December 31, 2022 and 2021, respectively (Notes 27, 28, and 31).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P126,863 as at December 31, 2022 and 2021 (Note 13).

Realizability of Deferred Tax Assets. The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of MCIT and NOLCO is based on the projected taxable income in the following periods.

Deferred tax assets amounted to P528,623 and P504,660 as at December 31, 2022 and 2021, respectively (Note 18).

Impairment of Non-financial Assets. PFRS requires that an impairment review be performed on investments in joint ventures, property, plant and equipment, intangible assets with finite useful lives, deferred containers, and right-of-use assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. Determining the recoverable amounts of these assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amounts and any resulting impairment loss could have a material adverse impact on the financial performance.

Accumulated impairment losses on investments in joint ventures and property, plant and equipment amounted to P551,399 as at December 31, 2022 and 2021 (Notes 9 and 11).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, right-of-use assets, deferred containers and intangible assets with finite useful lives amounted to P4,858,738 and P4,476,918 as at December 31, 2022 and 2021, respectively (Notes 9, 11, 12 and 14).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

The Group determines the appropriate discount rate at the end of each reporting period. It is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement obligations. In determining the appropriate discount rate, the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid. The terms to maturity of these bonds should approximate the terms of the related retirement obligation.

Other key assumptions for the defined benefit retirement obligation are based in part on current market conditions.

While it is believed that the assumptions of the Group are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the defined benefit retirement obligation of the Group.

The present value of defined benefit retirement obligation amounted to P1,812,853 and P1,764,326 as at December 31, 2022 and 2021, respectively (Note 29).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant ARO as at December 31, 2022 and 2021.

5. Cash and Cash Equivalents

	Note	2022	2021
Cash in banks and on hand		P1,945,277	P489,266
Short-term investments		3,512,000	1,889,900
	31, 32	P5,457,277	P2,379,166

Cash in banks earn interest at bank deposit rates. Short-term investments include demand deposits which can be withdrawn at any time depending on the immediate cash requirements of the Group and earn interest at short-term investment rates.

Interest income earned from cash in banks and short-term investments amounted to P130,537, P38,471 and P32,656 in 2022, 2021 and 2020, respectively.

6. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2022	2021
Trade:			
Third parties		P973,441	P768,480
Related parties	27	6,912	20,578
Non-trade:			
Third parties		219,319	212,182
Related parties	27	727,400	716,578
		1,927,072	1,717,818
Less allowance for impairment losses		691,293	681,070
	31, 32	P1,235,779	P1,036,748

Trade receivables are non-interest bearing and are generally on a 30 to 60-day term. Allowance for impairment losses pertaining to trade receivables amounted to P18,254 and P7,929 as at December 31, 2022 and 2021,respectively.

Non-trade receivables from third parties consist of the following: (i) receivable from employees amounting to P22,361 and P22,715 as at December 31, 2022 and 2021, respectively; (ii) tax certificate receivables amounting to P62,327 and P62,326 as at December 31, 2022 and 2021, respectively; and (iii) miscellaneous receivables amounting to P134,631 and P127,141 as at December 31, 2022 and 2021, respectively. These are generally collectible on demand. Allowance for impairment losses pertaining to non-trade receivables amounted to P673,039 and P673,141 as at December 31, 2022 and 2021, respectively

The movements in allowance for impairment losses for trade and other receivables are as follows:

	Note	2022	2021
Balance at beginning of year		P681,070	P690,536
Charges for the year	22	10,325	83,126
Amounts written off	31	-	(92,356)
Reversal of impairment loss	26	(102)	(236)
Balance at end of year	4	P691,293	P681,070

The reversal of impairment loss amounting to P102 and P236 in 2022 and 2021, respectively, is included as part of “Others” under “Other income (charges) - net” account in the consolidated statements of income (Note 26).

7. Inventories

Inventories consist of:

	2022	2021
At cost:		
Finished goods and goods in process	P4,034,046	P -
At net realizable value:		
Finished goods and goods in process	-	5,937,000
Materials and supplies	2,969,432	2,793,041
	P7,003,478	P8,730,041

The cost of finished goods and goods in process amounted to P5,947,486 as at December 31, 2021.

The cost of materials and supplies amounted to P3,087,785 and P2,924,347 as at December 31, 2022 and 2021, respectively.

The amount of inventories charged to cost of sales amounted to P13,957,138, P12,638,837 and P12,317,181 in 2022, 2021 and 2020, respectively (Note 20).

The movements in allowance for write-down of inventories to net realizable value at the beginning and end of 2022 and 2021 follow:

	Note	2022	2021
Balance at beginning of year		P141,792	P227,468
Write-off		(13,114)	(85,676)
Reversal	20	(10,325)	-
Balance at end of year	4	P118,353	P141,792

No write-down of inventories to net realizable value in 2022 and 2021.

In 2022, the Company adjusted the allowance for write-down of inventories to net realizable value based on the recent computed net realizable value. This resulted to reversal of allowance for write-down of inventories amounting to P10,325 and has been recognized as part of “Inventories” under “Cost of sales” account in the statements of comprehensive income (Note 20).

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	2022	2021
Prepaid taxes		P819,251	P1,090,289
Derivative assets	31, 32	2,638	223
Others	27	47,092	33,013
		P868,981	P1,123,525

Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

Others include prepaid insurance, prepaid rental, advances to suppliers and advances to officers and employees. Prepaid insurance includes amounts owed by a related party amounting to P40,390 and P1,525 as at December 31, 2022 and 2021, respectively (Note 27).

The methods and assumptions used to estimate the fair value of derivative assets are discussed in Note 32.

9. Investments in Joint Ventures

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which the Group owns 44.9% effective ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

TSML	2022	2021	2020
Current assets (including cash and cash equivalents - 2022: P344,797; 2021: P140,734 and 2020: P220,999)	P603,948	P772,124	P942,332
Noncurrent assets	732,657	828,246	988,548
Current liabilities (including financial liabilities - 2022: P1,277,193; 2021: P1,206,014; and 2020: P1,267,081)	(1,379,120)	(1,281,317)	(1,377,984)
Net assets (liabilities)	(42,515)	319,053	552,896
Percentage of ownership	44.9%	44.9%	44.9%
Amount of investment in joint venture	-	143,255	248,250
Carrying amount of investment in joint venture - net	P -	P -	P4,451

TSML	2022	2021	2020
Sales	P397,212	P874,925	P1,375,440
Cost of sales (including depreciation - 2022: P136,602; 2021: P128,281 and 2020: P135,827)	(563,196)	(976,316)	(1,337,290)
Operating expenses (including depreciation - 2022: P3,353; 2021: P3,452 and 2020: P4,080)	(160,133)	(79,510)	(102,108)
Other charges (including interest expense - 2022: P30,727; 2021: P30,450 and 2020: P31,562	(35,414)	(30,925)	(21,048)
Net loss	(361,531)	(211,826)	(85,006)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net loss	(162,327)	(95,110)	(38,168)
Share in other comprehensive loss	-	(4,451)	(53,512)
Total comprehensive loss	(P162,327)	(P99,561)	(P91,680)

In 2019, the Group assessed that its investment in TSML is impaired. The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2% and is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections is 9% and also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. Accumulated impairment losses amounted to P243,799 as at December 31, 2022 and 2021.

The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The Group discontinued recognizing its share in the net losses of TSML since the cumulative losses already exceeded the cost of investment. If TSML reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Total unrecognized share in net losses amounted to P295,605 and P133,278 as at December 31, 2022 and 2021, respectively.

b. TGT

The Group also has an existing 44.9% effective ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

The details of the Group's investments in joint ventures which are accounted for using the equity method are as follows:

TGT	2022	2021	2020
Current assets (including cash and cash equivalents - 2022: P7,135; 2021: P9,575 and 2020: P11,316)	P18,216	P23,233	P27,972
Noncurrent assets	431	683	934
Current liabilities	(986,056)	(938,379)	(973,744)
Net liabilities	(967,409)	(914,463)	(944,838)
Percentage of ownership	44.9%	44.9%	44.9%
Carrying amount of investment in joint venture	P -	P -	P -

TGT	2022	2021	2020
Sales	P12,166	P39,584	P50,405
Cost of sales	(9,895)	(32,574)	(41,981)
Operating expenses (including depreciation - 2022: P202; 2021: P190 and 2020: P203)	(1,413)	(22,850)	(20,249)
Other income	118	642	256
Net income (loss)	976	(15,198)	(11,569)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net income (loss)	438	(6,824)	(5,194)
Share in other comprehensive loss	-	(60,003)	(19,620)
Total comprehensive income (loss)	P438	(P66,827)	(P24,814)

The Group discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceeded the cost of investment. If TGT reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P434,367 and P410,594 as at December 31, 2022 and 2021, respectively.

10. Investments in Debt Instruments at Amortized Cost

On December 12, 2022, the Company entered into investment agreement with Bank of Commerce. The Company invested in debt instruments amounting to a total of P1,500,000 which bear an annual average interest rate of 6.90% and maturities up to seven years (Notes 27, 31 and 32).

11. Property, Plant, Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2021	P990,281	P2,260,617	P366,862	P8,530,464	P524,007	P108,409	P168,745	P12,949,385
Additions	78,503	34,311	71,991	67,126	96,250	3,898	236,564	588,643
Disposals/retirement	-	-	(12,256)	(31,611)	(2,188)	-	-	(46,055)
Reclassifications	64,320	15,512	-	39,732	2,600	(48,627)	(69,144)	4,393
December 31, 2021	1,133,104	2,310,440	426,597	8,605,711	620,669	63,680	336,165	13,496,366
Additions	108,551	515,384	17,927	153,510	32,592	12,168	219,539	1,059,671
Disposals/retirement	(912)	(3,610)	(18,485)	(160,850)	(6,113)	(2,776)	-	(192,746)
Reclassifications	422	(486,756)	12,385	221,447	6,556	12,506	237,221	3,781
December 31, 2022	**1,241,165**	**2,335,458**	**438,424**	**8,819,818**	**653,704**	**85,578**	**792,925**	**14,367,072**
Accumulated Depreciation								
January 1, 2021	248,332	1,258,794	250,367	6,220,453	407,320	34,924	-	8,420,190
Depreciation	12,282	82,567	41,207	370,309	65,837	5,382	-	577,584
Disposals/retirement	-	-	(11,523)	(31,611)	(2,122)	-	-	(45,256)
Reclassifications	21,557	(95)	-	198	(103)	(21,557)	-	-
December 31, 2021	282,171	1,341,266	280,051	6,559,349	470,932	18,749	-	8,952,518
Depreciation	10,837	84,187	50,719	351,369	61,937	5,539	-	564,588
Disposals/retirement	(912)	(3,610)	(18,484)	(158,953)	(6,115)	(363)	-	(188,437)
Reclassifications	-	(3,580)	-	(3,818)	(782)	8,180	-	-
December 31, 2022	**292,096**	**1,418,263**	**312,286**	**6,747,947**	**525,972**	**32,105**	-	**9,328,669**
Accumulated Impairment Losses								
December 31, 2021 and 2022	-	-	-	**307,600**	-	-	-	**307,600**
Carrying Amount								
December 31, 2021	P850,933	P969,174	P146,546	P1,738,762	P149,737	P44,931	P336,165	P4,236,248
December 31, 2022	**P949,069**	**P917,195**	**P126,138**	**P1,764,271**	**P127,732**	**P53,473**	**P792,925**	**P4,730,803**

The recoverable amount of unutilized machinery and equipment was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the property being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. Adjustment is then made for accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with the new similar units. The accumulated impairment losses of unutilized machinery and equipment amounted to P307,600 as at December 31, 2022 and 2021.

The fair value of the distillation equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The Group has fully depreciated assets with cost amounting to P3,439,643 and P3,425,271 as at December 31, 2022 and 2021, respectively, which are still used in operations.

The Group sold various equipment for P3,270, P6,383 and P2,329 in 2022, 2021 and 2020, respectively. Accordingly, the Group recognized gains amounting to P1,373, P2,122 and P1,593 included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income in 2022, 2021, and 2020, respectively.

The carrying amount of certain property and equipment retired from use amounted to P2,413, P67 and P4,854 as at December 31, 2022, 2021, and 2020, respectively, and accordingly recognized a loss for the same amount, included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income.

Total depreciation recognized in the consolidated statements of income amounted to P564,588, P577,584 and P629,528 in 2022, 2021 and 2020, respectively (Notes 20, 21, 22 and 23). These amounts include annual amortization of capitalized interest amounting to P6,825, P6,779 and P6,763 in 2022, 2021 and 2020, respectively.

The Group has interest amounting to P3,781, P4,393 and P4,426 which was capitalized to machinery and equipment in 2022, 2021 and 2020, respectively (Note 25). The capitalization rates used to determine the amount of interest eligible for capitalization were 4.47%, 7.03% and 9.13% in 2022, 2021 and 2020, respectively. The capitalization rates are computed as the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period. The unamortized capitalized borrowing costs amounted to P14,641 and P17,685 as at December 31, 2022 and 2021, respectively.

12. Right-of-Use Assets

The movements in right-of-use assets are as follows:

	Note	Land and Land Improvements	Buildings and Improvements	Total
Cost				
January 1, 2021		P54,687	P220,112	P274,799
Additions	*28*	-	131,586	131,586
Retirement		(39,077)	(86,950)	(126,027)
December 31, 2021		15,610	264,748	280,358
Additions	*28*	-	63,017	63,017
Retirement		-	(153,623)	(153,623)
December 31, 2022		**15,610**	**174,142**	**189,752**
Accumulated Depreciation				
January 1, 2021		29,788	88,414	118,202
Depreciation	*23*	1,182	62,013	63,195
Retirement		(27,424)	(49,698)	(77,122)
December 31, 2021		3,546	100,729	104,275
Depreciation	*23*	1,182	77,066	78,248
Retirement		-	(90,522)	(90,522)
December 31, 2022		**4,728**	**87,273**	**92,001**
Carrying Amount				
December 31, 2021		P12,064	P164,019	P176,083
December 31, 2022		**P10,882**	**P86,869**	**P97,751**

The Group recognized right-of-use assets for leases of office space, warehouse, factory facilities and parcels of land. The leases typically run for a period of 2 to 15 years. Some leases contain an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals. The renewal option provides operational flexibility in managing the leased asset portfolio and aligns the business needs of the Group. The Group retired some of the leased assets in which it recognized gain on termination of lease amounted to P10,159 and P10,677 in 2022 and 2021, respectively which is included in "Others" in "Other income (charges) - net" account in the consolidated statements of income (Notes 26, 27 and 28).

13. Goodwill

GSMI acquired 100% of the outstanding capital stock of EPSBPI in 2012. EPSBPI, which is considered a cash-generating unit, is a company primarily engaged in the manufacturing and bottling of alcoholic and non-alcoholic beverages. The acquisition resulted in the recognition of goodwill amounting to P226,863.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. The determined growth rate is 2% and 3% in 2022 and 2021, respectively. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 11% in 2022 and 2021. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P100,000 in 2015. Due to improvements in the operations of EPSBPI starting 2016 and the growth in volume requirements of GSMI, no additional impairment loss was recognized.

The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates*. The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2022	2021
Intangible assets - net		**P28,420**	P37,196
Deferred containers - net		**1,764**	27,391
Security deposit	*27, 31, 32*	**493**	493
Others	*27*	**35,541**	23,683
		P66,218	P88,763

The movements in intangible assets - net pertaining to computer software are as follows:

	Note	2022	2021
Cost			
Balance at beginning of year		**P110,942**	P95,603
Additions		**-**	33,541
Retirement		**(67,680)**	(18,202)
Balance at end of year		**43,262**	110,942
Accumulated Amortization			
Balance at beginning of year		**73,746**	85,864
Amortization	*23*	**8,776**	6,084
Retirement		**(67,680)**	(18,202)
Balance at end of year		**14,842**	73,746
Carrying Amount		**P28,420**	P37,196

Amortization expense, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P8,776, P6,084, and P12,115 in 2022, 2021 and 2020, respectively (Notes 22 and 23).

The cost of computer software fully-amortized and retired from use amounted to P67,680 and P18,202 as at December 31, 2022 and 2021, respectively.

The movements in deferred containers - net are as follows:

	Note	2022	2021
Cost			
Balance at beginning and end of year		**P375,009**	P375,009
Accumulated Amortization			
Balance at beginning of year		**347,618**	314,875
Amortization	*23*	**25,627**	32,743
Balance at end of year		**373,245**	347,618
Carrying Amount		**P1,764**	P27,391

Amortization of deferred containers, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P25,627, P32,743, and P42,012 in 2022, 2021 and 2020, respectively (Notes 22 and 23).

The movements in allowance for impairment losses are as follows:

	Note	2022	2021
Balance at beginning of year		**P -**	P41,743
Write off	*31*	**-**	(41,743)
Balance at end of year		**P -**	P -

"Others" is composed of advances to suppliers amounting to P35,279 and P23,440 as at December 31, 2022 and 2021, respectively and lease receivables from related party amounting to P262 and P243 as at December 31, 2022 and 2021, respectively (Note 27).

The Group has advances for a project pertaining to unassembled vacuum distillation equipment that is temporarily put on hold. The recoverable amount of the unassembled vacuum distillation equipment was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the equipment being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. The carrying amount of such advances amounted to nil as at December 31, 2022 and 2021. In 2021, the equipment was disposed and accordingly recognized a gain amounting to P3,528, included as part of "Gain (loss) on disposal/retirement of noncurrent assets - net" account in the consolidated statements of income.

15. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	Note	2022	2021
Trade:			
Third parties		**P3,728,638**	P4,077,553
Related parties	27	**1,649,641**	941,735
Non-trade:			
Third parties		**90,775**	90,631
Related parties	27	**1,180**	896
Derivative liabilities	31, 32	**70,065**	33,172
	31, 32	**P5,540,299**	P5,143,987

Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables to third parties consist of accrued vacation and sick leave, payroll, interest and dividends.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 32.

16. Notes Payable

The Company obtained unsecured short-term peso-denominated borrowings obtained from local banks for working capital requirements amounting to P3,183,200 which has been fully paid in 2020. These loans mature in three months or less and bear annual interest rates ranging from 4.25% to 6.00% and 4.75% to 6.88% in 2020.

Interest expense on notes payable to related parties amounted P8,025 in 2020 (Note 27).

Interest expense on notes payable recognized in the consolidated statements of income amounted to P26,124 in 2020 (Note 25).

The Group's exposure to interest rate and liquidity risks are discussed in Note 31.

17. Long-term Debt

Long-term debt consists of:

	Note	2022	2021
Fixed interest rate of 4.21% with maturities up to 2023		**P165,430**	P330,847
Less current maturities		**165,430**	165,417
	31, 32	**P -**	P165,430

The amount represents drawdown by GSMI on December 28, 2020 from its three-year credit facility with a local bank amounting to P500,000. The loan is carried at amortized cost and payable semi-annually commencing in June 2021. The proceeds were used for general corporate requirements.

Unamortized debt issue costs amounted to P1,236 and P2,486 as at December 31, 2022 and 2021, respectively.

The Company is in compliance with the covenants of the debt agreement as at December 31, 2022 and 2021 (Note 31).

Changes in liabilities arising from financing activities and amortization of debt issue cost are as follows:

	2022	2021
Balance at beginning of year	**P330,847**	P496,264
Changes from Financing Cash Flows		
Interest expense	**12,407**	19,522
Interest paid	**(12,407)**	(19,522)
Payments of borrowings	**(166,667)**	(166,667)
Total Changes from Financing Cash Flows	**(166,667)**	(166,667)
Amortization of debt issue cost	**1,250**	1,250
Balance at end of year	**P165,430**	P330,847

The movements in debt issue costs are as follows:

	Note	2022	2021
Balance at beginning of year		**P2,486**	P3,736
Amortization	25	**(1,250)**	(1,250)
Balance at end of year		**P1,236**	P2,486

Repayment Schedule
As at December 31, 2022, the annual maturities of long-term debt are as follows:

Year	Gross Amount	Debt Issue Costs	Net
2023	P166,666	P1,236	P165,430

Interest expense on existing and settled long-term debt amounted to P12,407, P19,522 and P50,546 in 2022, 2021 and 2020, respectively which is included as part of "Interest expense and other financing charges" account in the consolidated statements of income (Note 25).

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 31.

18. Income Taxes

The components of income tax expense are shown below:

	2022	2021	2020
Current	P1,519,957	P1,349,811	P1,247,065
Deferred	(8,928)	31,921	237
	P1,511,029	P1,381,732	P1,247,302

The movements of deferred tax assets are accounted for as follows:

2022	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P182,475	P2,541	P -	P185,016
Past service costs	67,868	5,495	-	73,363
Leases	34,881	1,383	-	36,264
Allowance for write-down of inventories	35,732	(5,859)	-	29,873
Net defined benefit retirement surplus	33,968	(12,570)	-	21,398
Various accruals	19,064	997	-	20,061
Derivative liabilities - net	8,237	8,620	-	16,857
Unrealized foreign exchange loss (gain) - net	(665)	7,693	-	7,028
NOLCO	246	(125)	-	121
MCIT	73	(8)	-	65
Unamortized capitalized borrowing costs	(4,421)	761	-	(3,660)
Equity reserve for retirement plan	122,116	-	16,461	138,577
	P499,574	P8,928	P16,461	P524,963

2021	Balance at January 1	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Balance at December 31
Provision for impairment losses	P278,041	(P95,566)	P -	P182,475
Past service costs	68,026	(158)	-	67,868
Allowance for write-down of inventories	68,240	(32,508)	-	35,732
Leases	38,401	(3,520)	-	34,881
Net defined benefit retirement surplus	(51,989)	85,957	-	33,968
Various accruals	21,383	(2,319)	-	19,064
Derivative liabilities - net	(7,856)	16,093	-	8,237
NOLCO	474	(228)	-	246
MCIT	122	(49)	-	73
Unrealized foreign exchange loss (gain) - net	558	(1,223)	-	(665)
Unamortized capitalized borrowing costs	(6,021)	1,600	-	(4,421)
Equity reserve for retirement plan	173,428	-	(51,312)	122,116
	P582,807	(P31,921)	(P51,312)	P499,574

The movements of the net deferred tax assets are accounted for as follows:

	2022	2021
Amount charged to profit or loss	P8,928	(P31,921)
Amount charged to other comprehensive income	16,461	(51,312)
	P25,389	(P83,233)

As at December 31, 2022, the NOLCO of the Group that can be claimed as deduction from future taxable income are as follows:

Year Incurred	NOLCO	Expired	Utilized	Balance	Expiry Year
2019	P1,228	(P1,228)	P -	P -	2022
2022	604	-	-	604	2025
	P1,832	(P1,228)	P -	P604	

As at December 31, 2022, the MCIT of the Group that can be claimed as deduction from corporate income tax due are as follows:

Year Incurred	MCIT	Expired	Utilized	Balance	Expiry Year
2019	P13	(P13)	P -	P -	2022
2020	36	-	-	36	2023
2021	24	-	-	24	2024
2022	5	-	-	5	2025
	P78	(P13)	P -	P65	

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 25-2020 to implement Section 4 (bbbb) of Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act, relative to NOLCO which provides that the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

The net operating loss for the said taxable years may be carried over as a deduction even after the expiration of RA No. 11494, provided that the same is claimed within the next five consecutive taxable years following the year such loss was incurred.

The reconciliation between the statutory income tax rate on income before income tax and the Group's effective income tax rate is as follows:

	2022	2021	2020
Statutory income tax rate	25.00%	25.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Change in tax rate	-	(2.56%)	-
Interest income subject to final tax	(0.10%)	(0.04%)	(0.08%)
Others	0.04%	2.45%	1.23%
Effective income tax rate	24.94%	24.85%	31.15%

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act
The CREATE Act, which seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted and performance-based, was passed into law on March 26, 2021. One of the key provisions of the CREATE Law is an immediate 5%-10% point cut in the corporate income tax rate starting July 2020. As a result, the Group has taken up in the books the effect of the application of reduced corporate income tax rate from 30% to 25%.

The impact on the consolidated financial statements of the Group based on balances as at and for the year ended December 31, 2020, which was taken up in 2021 are as follows:

	Increase (Decrease)
ASSET	
Deferred tax asset	**(P97,323)**
	(P97,323)
LIABILITY AND EQUITY	
Income and other taxes payable	**(P103,838)**
Equity reserves	**(28,904)**
Retained earnings	**35,419**
	(P97,323)
INCOME TAX EXPENSE	
Current	**(P103,838)**
Deferred	**68,419**
	(35,419)
NET INCOME	**P35,419**

19. Equity

a. *Capital Stock*

Common Shares
The Company has 460,000,000 authorized common shares with par value of P1.00 per share.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company has a total of 622 and 629 stockholders as at December 31, 2022 and 2021, respectively.

The number of issued and outstanding shares of common stock are as follows:

	2022	2021
Issued shares	**P345,625,332**	P345,625,332
Less treasury shares	**59,297,491**	59,297,491
Outstanding shares	**P286,327,841**	P286,327,841

Preferred Shares
The Company has 100,000,000 authorized preferred shares with par value of P1.00 per share.

The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which may be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares may receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares. The said preferred shares were not listed in the Philippine Stock Exchange.

On December 1, 2020, as approved by the BOD of GSMI, GSMI redeemed all 32,786,885 preferred shares held by SMC at a redemption price of P30.50 per share, plus all accumulated unpaid cash dividends, on January 4, 2021.

The number of issued and outstanding shares of preferred stock are as follows:

	2022	2021
Issued shares	**53,437,585**	53,437,585
Less treasury shares	**53,437,585**	53,437,585
Outstanding shares	**-**	-

b. *Treasury Shares*

Treasury shares consist of:

	2022	2021	2020
Common	**59,297,491**	59,297,491	59,297,491
Preferred	**53,437,585**	53,437,585	20,650,700
	112,735,076	112,735,076	79,948,191

Total number of preferred shares held in treasury increased by 32,786,885, representing the redeemed preferred shares held by SMC in 2021.

There were no movements in the number of shares held in treasury in 2022.

c. *Unappropriated Retained Earnings*

Under the Revised Philippine Corporation Code, stock corporations are prohibited from accumulating surplus in excess of 100% of their paid-in capital stock, except under certain conditions as provided for in the Code.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net losses of joint ventures amounting to P346,337, P442,212 and P178,889 in 2022, 2021 and 2020, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Group is restricted in the amount of P3,669,973 in 2022 and 2021, and P2,669,973 in 2020, representing the cost of common and preferred shares held in treasury.

d. *Appropriated Retained Earnings*

On November 10, 2021, the Company's BOD approved the appropriation of P3,512,000 retained earnings of the Company. Of the said amount, P3,000,000 will be used for expansion of capacity to support increase in demand and P512,000 will be used for rehabilitation of the Company's existing facilities until 2027.

As at December 31, 2020, the remaining appropriation of retained earnings from previous years amounted to P2,500,000. The purpose of this appropriation is for capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements until 2021. Such appropriation was reversed in 2021 since the project has been completed.

The Company has not made any other appropriation or restriction of its excess retained earnings as at December 31, 2022 and 2021.

e. *Dividend Declaration*

The BOD of the Group approved the declaration and payment of the following cash dividends to common stockholders as follows:

2022

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	**March 9, 2022**	**March 25, 2022**	**April 8, 2022**	**P0.375**
	April 27, 2022	**May 18, 2022**	**June 3, 2022**	**0.375**
	August 3, 2022	**August 19, 2022**	**September 2, 2022**	**0.375**
	November 9, 2022	**November 24, 2022**	**December 9, 2022**	**0.375**
Common-special	**March 9, 2022**	**March 25, 2022**	**April 8, 2022**	**1.00**
	April 27, 2022	**May 18, 2022**	**June 3, 2022**	**1.00**
	August 3, 2022	**August 19, 2022**	**September 2, 2022**	**1.00**
	November 9, 2022	**November 24, 2022**	**December 9, 2022**	**1.00**

2021

Class of Shares	Date of Declaration	Date of Record	Date of Payment	Dividend Per Share
Common-regular	March 10, 2021	March 25, 2021	April 8, 2021	P0.250
	May 5, 2021	May 21, 2021	June 3, 2021	0.250
	August 4, 2021	August 19, 2021	September 2, 2021	0.250
	November 10, 2021	November 25, 2021	December 9, 2021	0.250
Common-special	May 5, 2021	May 21, 2021	June 3, 2021	1.000
	August 4, 2021	August 19, 2021	September 2, 2021	1.000
	November 10, 2021	November 25, 2021	December 9, 2021	1.000

On December 1, 2020, the BOD declared cash dividends to all preferred shareholders of record as of December 18, 2020 amounting to P0.375 per preferred share. On January 4, 2021, cash dividends paid on pro-rated basis amounted to P546.

20. Cost of Sales

Cost of sales consist of:

	Note	**2022**	2021	2020
Taxes and licenses		**P19,919,823**	P17,195,707	P13,021,144
Inventories	*7*	**13,957,138**	12,638,837	12,317,181
Utilities and supplies		**754,636**	567,203	525,017
Personnel	*24, 29*	**357,342**	392,313	318,061
Depreciation and amortization	*11, 12, 14, 23*	**292,698**	290,128	334,552
Outside services		**218,730**	209,751	145,283
Repairs and maintenance		**175,737**	265,058	171,945
Tolling fees		**150,574**	154,135	106,259
Freight, trucking and handling		**5,899**	19,457	24,427
Rent	*28*	**5,006**	653	1,002
Insurance		**3,353**	9,079	10,652
Others		**21,849**	18,544	17,577
		P35,862,785	P31,760,865	P26,993,100

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	**2022**	2021	2020
Advertising and promotions		**P1,479,808**	P1,381,775	P1,410,421
Delivery and marketing		**967,880**	797,918	693,151
Personnel	*24, 29*	**407,377**	500,918	396,246
Rent	*28*	**117,119**	98,605	68,572
Depreciation and amortization	*11, 12, 23*	**92,056**	73,909	59,302
Outside services		**76,152**	61,716	57,813
Utilities and supplies		**73,551**	48,856	37,548
Repairs and maintenance		**68,127**	41,195	32,313
Research		**40,428**	31,682	21,661
Travel and transportation		**30,520**	21,282	19,193
Corporate special program		**26,150**	22,255	10,547
Insurance		**9,339**	12,473	24,059
Others		**8,966**	8,025	5,906
		P3,397,473	P3,100,609	P2,836,732

22. General and Administrative Expenses

General and administrative expenses consist of:

	Note	2022	2021	2020
Personnel	24, 29	**P956,362**	P1,070,330	P815,462
Outside services	27	**325,830**	312,026	331,040
Depreciation and amortization	11, 12, 14, 23	**292,485**	315,569	352,937
Taxes and licenses		**171,080**	211,702	190,005
Corporate special program		**94,557**	119,505	117,829
Insurance		**84,245**	87,536	65,258
Repairs and maintenance		**73,671**	83,856	65,636
Utilities and supplies		**50,952**	44,608	40,596
Travel and transportation		**15,025**	10,461	12,420
Rent	28	**14,078**	34,677	17,150
Provision for impairment losses	6	**10,325**	83,126	544,417
Research		**1,475**	5,040	11,793
Others		**3,839**	1,309	1,382
		P2,093,924	P2,379,745	P2,565,925

23. Depreciation and Amortization

Depreciation and amortization consist of:

	Note	2022	2021	2020
Property, plant and equipment	11	**P564,588**	P577,584	P629,528
Right-of-use assets	12	**78,248**	63,195	63,136
Deferred containers	14	**25,627**	32,743	42,012
Intangible assets	14	**8,776**	6,084	12,115
		P677,239	P679,606	P746,791

Depreciation and amortization are distributed as follows:

	Note	2022	2021	2020
Cost of sales	20	**P292,698**	P290,128	P334,552
Selling and marketing expenses	21	**92,056**	73,909	59,302
General and administrative expenses	22	**292,485**	315,569	352,937
		P677,239	P679,606	P746,791

24. Personnel Expenses

Personnel expenses consist of:

	Note	2022	2021	2020
Salaries and wages		**P1,052,744**	P987,510	P931,597
Retirement costs	29	**98,437**	469,921	79,318
Other employee benefits		**569,900**	506,130	518,854
		P1,721,081	P1,963,561	P1,529,769

Personnel expenses are distributed as follows:

	Note	2022	2021	2020
Cost of sales	20	**P357,342**	P392,313	P318,061
Selling and marketing expenses	21	**407,377**	500,918	396,246
General and administrative expenses	22	**956,362**	1,070,330	815,462
		P1,721,081	P1,963,561	P1,529,769

25. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2022	2021	2020
Interest on defined benefit obligation - net	29	**P27,872**	P15,158	P17,955
Interest on long-term debt	17	**12,407**	19,522	50,546
Interest on lease liabilities	28	**9,259**	11,231	15,844
Interest on notes payable	16	**-**	-	26,124
Other financing charges	17	**7,022**	6,692	16,287
Capitalized borrowing costs	11	**(3,781)**	(4,393)	(4,426)
		P52,779	P48,210	P122,330

Amortization of debt issue costs included in "Other financing charges" amounted to P1,250 in 2022 and 2021 and P5,612 in 2020 (Note 17).

26. Other Income (Charges)

Other income (charges) consist of:

	Note	2022	2021	2020
Tolling fees - net		**P200,491**	P265,526	P170,899
Sale of scrap materials		**48,360**	42,958	42,925
Rent income	*28*	**172**	172	172
Net unrealized foreign exchange gain (loss)	*31*	**(28,131)**	2,659	(1,860)
Net derivative gain (loss)	*32*	**(241,801)**	(96,759)	88,294
Others	*6, 12*	**15,878**	57,366	1,923
		(P5,031)	P271,922	P302,353

Others consists of gain on lease modifications, insurance claims and collection of miscellaneous receivables previously provided with allowance and refunds from electricity service provider.

27. Related Party Disclosures

The Group, certain subsidiaries and their shareholders, associates and joint ventures purchase products and services from one another in the normal course of business. The Group requires approval of the BOD for related party transactions amounting to at least ten percent (10%) of the total consolidated assets based on its latest audited financial statements.

Amounts owed by/owed to related parties are collectible/will be settled in cash. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as at December 31:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Investment in Debt Instruments at Amortized Cost	Terms	Conditions
Ultimate Parent Company	**2022**	**P -**	**P -**	**P5**	**P -**	**P -**	On demand;	Unsecured;
	2021	-	-	5	-	-	non-interest	no impairment
	2020	-	-	6	-	-	bearing	
Intermediate Parent Company	**2022**	**48,370**	**250,306**	**5,298**	**14,278**	**-**	On demand;	Unsecured;
	2021	22,851	254,215	13,801	33,148	-	non-interest	no impairment
	2020	6,255	477,748	4,699	48,066	-	bearing	
Parent Company	**2022**	**150**	**-**	**7**	**-**	**-**	On demand;	Unsecured;
	2021	170	-	7	-	-	non-interest	no impairment
	2020	150	-	5	-	-	bearing	
Under Common Control	**2022**	**326,585**	**6,600,721**	**147,996**	**1,695,910**	**-**	On demand;	Unsecured;
	2021	315,450	6,501,815	102,672	1,010,546	-	non-interest	no impairment
	2020	387,786	6,038,212	83,476	1,386,739	-	bearing	
Joint Venture	**2022**	**-**	**201,821**	**-**	**1,951**	**-**	On demand;	Unsecured;
	2021	-	335,495	-	1,640	-	non-interest	with impairment
	2020	-	496,873	81,185	75,632	-	bearing	
Associate of the Intermediate Parent Company	**2022**	**363**	**-**	**6**	**-**	**P1,500,000**	5 to 7 years	Unsecured;
	2021	608	-	83	-	-	Interest bearing	no impairment
	2020	644	-	721	-	-	On demand; non-interest bearing	Unsecured; no impairment
Others	**2022**	**1,714**	**-**	**269**	**-**	**-**	On demand;	Unsecured;
	2021	1,624	-	1,522	-	-	non-interest	no impairment
	2020	899	-	1,565	-	-	bearing	
Total	**2022**	**P377,182**	**P7,052,848**	**P153,581**	**P1,712,139**	**P1,500,000**		
Total	2021	P340,703	P7,091,525	P118,090	P1,045,334	P -		
Total	2020	P395,734	P7,012,833	P171,657	P1,510,437			

a. The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers and other packaging materials and sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties.

b. The Group has entered into various lease agreements with related parties as a lessor and lessee (Notes 12 and 28). Right-of-use assets and lease liabilities to related parties amounted to P51,954 and P61,318, respectively as at December 31, 2022 and P87,225 and P102,703, respectively as at December 31, 2021. Rent expense to related parties for short-term leases and leases of low-value assets recognized in the consolidated statements of comprehensive income amounted to P41,892, P35,455 and P10,671 in 2022, 2021 and 2020, respectively. Amounts owed to related parties pertaining to these leases amounted to P62,498 and P103,599 as at December 31, 2022 and 2021, respectively, which includes deferred rent income amounted to P1,180 and P896 as at December 31, 2022 and 2021, respectively. Amounts owed by related parties include lease receivables presented under "Other noncurrent assets - net" account in the statements of financial position which amounted to P263 and P243 as at December 31, 2022 and 2021, respectively (Note 14).

c. Management fees paid to SMC amounting to P202,654, P192,154 and P192,174 in 2022, 2021 and 2020, respectively, are included in "Outside services" account under "General and administrative expenses" (Note 22).

d. TSML executed various promissory notes in favor of the Company. The details of which are as follows:

- Principal sum of THB250,000 together with interest of 5.50% per annum, which interest shall accrue on March 13, 2014.

- Principal sum of THB50,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.

- Principal sum of THB25,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.

- Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.

- Principal sum of THB75,000 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

The principal sum is due and payable in full on demand of the Company and the stipulated interest shall be payable every three months.

The receivables from TSML are included as part of "Non-trade receivables from related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Note 6). Allowance for impairment losses pertaining to these non-trade receivables amounted to P540,216 as at December 31, 2022 and 2021.

The Company did not charge interest to its receivables with joint venture beginning 2020.

e. In 2022, the Group made investments in debt instruments at amortized cost to Bank of Commerce amounting to a total of P1,500,000 which bear an annual average interest rate of 6.90% and maturities up to seven years (Notes 10, 31 and 32).

   Furthermore, the amounts owed to Bank of Commerce which included in "Notes payable" account in the consolidated statements of financial position has been fully settled in 2020 (Note 16).

   Interest expense on notes payable to Bank of Commerce amounted to nil in 2022 and 2021 and P8,025 in 2020 (Note 16).

f. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2022	2021	2020
Short-term employee benefits	29	**P63,707**	P53,668	P47,713
Retirement costs		**14,650**	47,823	10,608
		P78,357	P101,491	P58,321

28. Leasing Agreements

Group as Lessee

The Group has the following lease agreements:

a. The Company leases various warehouse facilities and office spaces under operating leases. These leases typically run for a period of 2 to 15 years. The Company has the option to renew the lease after the expiration of the lease term.

b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from 3 to 10 years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year. On December 18, 2019, EPSBPI has expressed its interest to acquire the leased land in Cauayan, Isabela in which a 20% down payment was paid in January 2020. The remaining balance shall be paid by EPSBPI in 12 equal monthly amortizations which was fully paid as of January 31, 2021. On January 2021, EPSBPI has acquired the previously leased land in Ligao City, Albay in which 20% down payment was paid and the remaining balance shall be paid in ten (10) equal monthly amortizations which was fully paid as of December 31, 2021. The Group derecognized the carrying amount of right-of-use assets following the acquisition of these parcels of land from a related party in which it recognized gain on termination of lease amounted to P6,313 in 2021 which is included in "Others" in "Other income (charges) - net" account in the consolidated statements of income (Note 26).

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2022		
	Future Minimum Lease Payments	**Interest**	**Present Value of Minimum Lease Payments**
Within one year	**P38,430**	**P5,463**	**P32,967**
After one year but not more than five years	**58,020**	**11,693**	**46,327**
More than five years	**34,636**	**5,188**	**29,448**
	P131,086	**P22,344**	**P108,742**

	December 31, 2021		
	Future Minimum Lease Payments	Interest	Present Value of Minimum Lease Payments
Within one year	P66,568	P9,708	P56,860
After one year but not more than five years	99,626	25,456	74,170
More than five years	73,255	13,178	60,077
	P239,449	P48,342	P191,107

The Group recognized interest expense related to these leases amounting to P9,259, P11,231 and P15,844 in 2022, 2021 and 2020, respectively (Note 25).

Changes in lease liabilities arising from financing activities are as follows:

	2022	2021
Balance at beginning of year	**P191,107**	P177,760
Changes from Financing Activities		
Interest expense	**9,259**	11,231
Payments of lease liabilities	**(80,670)**	(70,571)
Total Changes from Financing Activities	**(71,411)**	(59,340)
Other Changes	**(10,954)**	72,687
Balance at end of year	**P108,742**	P191,107

The Group also has certain leases of property and equipment with lease terms of 12 months or less and leases of equipment with low value. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

The rent expenses relating to short-term leases and leases of low-value assets amounted to P136,203, P133,935 and P86,724 in 2022, 2021 and 2020, respectively (Notes 20, 21 and 22).

Rent expense is recognized in the following line items in the consolidated statements of income:

	Note	2022	2021	2021
Cost of sales	20	**P5,006**	P653	P1,002
Selling and marketing expenses	21	**117,119**	98,605	68,572
General and administrative expenses	22	**14,078**	34,677	17,150
		P136,203	P133,935	P86,724

The Group had total cash outflows for above leases amounted to P216,873 and P204,506 in 2022 and 2021, respectively.

Group as Lessor
DBI has a lease agreement with a related party for the lease of land in Taloc, Bago City, Negros Occidental for a period of fifteen years from September 4, 2017 to September 3, 2032.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2022	2021
Within one year	**P160**	P152
After one year but not more than five years	**723**	689
After five years	**961**	1,155
	P1,844	P1,996

Rent income recognized in the consolidated statements of income amounted to P172 in 2022, 2021 and 2020 (Note 26).

29. Retirement Plans

The Company, DBI and EPSBPI have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Group pay out benefits based on final pay. In 2021, the Group made amendments to its Retirement Plan in terms of the percentage of final pay based on the adjusted credited years of service. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2022. Valuations are obtained on a periodic basis.

The Retirement Plans of the Company, DBI and EPSBPI are registered with the Bureau of Internal Revenue (BIR) as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. Two of the members of the Board of Trustees of the Group's Retirement Plan who exercises voting rights over the shares and approve material transactions are an employee/officer of the Group. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Group.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Net Defined Benefit Retirement Liabilit	
	2022	2021	**2022**	2021	**2022**	2021
Balance at beginning of year	**P1,142,406**	P1,026,258	**(P1,764,326)**	(P1,431,055)	**(P621,920)**	(P404,797)
Recognized in Profit or Loss						
Past service costs	**-**	-	**-**	(388,157)	**-**	(388,157)
Current service costs	**-**	-	**(98,437)**	(81,764)	**(98,437)**	(81,764)
Interest Expense	**-**	-	**(86,996)**	(58,075)	**(86,996)**	(58,075)
Interest income	**59,124**	42,917	**-**	-	**59,124**	42,917
	59,124	42,917	**(185,433)**	(527,996)	**(126,309)**	(485,079)
Recognized in Other Comprehensive Income						
Remeasurements						
Actuarial gains (losses) arising from:						
Experience adjustments	**-**	-	**(94,031)**	43,695	**(94,031)**	43,695
Changes in financial assumptions	**-**	-	**170,020**	109,863	**170,020**	109,863
Changes in demographic assumptions	**-**	-	**(4,107)**	(26,518)	**(4,107)**	(26,518)
Return on plan assets excluding interest income	**(137,727)**	(37,407)	**-**	-	**(137,727)**	(37,407)
	(137,727)	(37,407)	**71,882**	127,040	**(65,845)**	89,633
Others						
Contributions	**178,323**	178,323	**-**	-	**178,323**	178,323
Transfer to/from other plans	**(1,988)**	-	**1,988**	-	**-**	-
Benefits paid	**(63,036)**	(67,685)	**63,036**	67,685	**-**	-
	113,299	110,638	**65,024**	67,685	**178,323**	178,323
Balance at end of year	**P1,177,102**	P1,142,406	**(P1,812,853)**	(P1,764,326)	**(P635,751)**	(P621,920)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by GSMI amounted to P86,635, P406,427 and P67,524 in 2022, 2021 and 2020, respectively, while those charged by DBI amounted to P9,198, P56,280 and P6,800 in 2022, 2021 and 2020, respectively, and for EPSBPI amounted to P2,604, P7,214 and P4,994 in 2022, 2021 and 2020, respectively (Note 24).

The retirement costs are recognized in the following line items:

	Note	2022	2021	2020
Cost of sales	20	**P21,575**	P82,183	P14,830
Selling and marketing expenses	21	**21,041**	94,617	15,395
General and administrative expenses	22	**55,821**	293,121	49,093
	24	**P98,437**	P469,921	P79,318

Retirement liabilities recognized by GSMI amounted to P576,389 and P555,256 as at December 31, 2022 and 2021, respectively, while those recognized by DBI amounted to P49,203 and P52,313 as at December 31, 2022 and 2021, respectively, and by EPSBPI amounted to P10,159 and P14,351 as at December 31, 2022 and 2021, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as at December 31, 2022 and 2021.

The Group's plan assets consist of the following:

	In Percentages	
	2022	2021
Investments in marketable securities	**77.18**	60.48
Investments in pooled funds:		
Fixed income portfolio	**13.34**	15.91
Others	**9.48**	23.61
	100.00	100.00

Investments in Marketable Securities
The Group's Retirement Plans recognized loss on the investment in marketable securities of SMC and its subsidiaries amounting to P201 and P19,521 in 2022 and 2021, respectively.

Dividend income from the investment in marketable securities amounted to P17,065 and P14,280 in 2022 and 2021, respectively.

Interest income from the investment in marketable securities amounted to P18,169, P6,371 in 2022 and 2021, respectively.

Investments in Pooled Funds
Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

No investments in pooled funds in stock trading portfolio were investments in shares of stock of SMC and its subsidiaries in 2022 and 2021.

Approximately 12.44% and 11.63% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as at December 31, 2022 and 2021, respectively.

Others
Others include the Retirement Plans' cash and cash equivalents and receivables which earn interests.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Plans are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Plans are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Plans.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P189,784 to the Retirement Plans in 2023.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) to the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2022	2021
Discount rate	**7.18 - 7.20**	4.92 - 4.94
Salary increase rate	**5.00**	4.00

As at December 31, 2022 and 2021, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2022		2021	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P116,301)	P122,586	(P129,661)	P149,279
Salary increase rate	134,304	(119,647)	149,173	(131,926)

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 9.97 and 11.60 years as at December 31, 2022 and 2021, respectively.

In 2022 and 2021, the Group's transaction relating to the Retirement Plans pertain to the contributions for the period. The Group has no outstanding payables with the plan assets as at December 31, 2022 and 2021.

30. Basic and Diluted Earnings Per Share

Basic and Diluted Earnings Per Share is computed as follows:

	2022	2021	2020
Net income	P4,547,222	P4,178,939	P2,756,511
Less: Dividends on preferred shares	-	546	49,180
Net income available to common shares (a)	P4,547,222	P4,178,393	P2,707,331
Weighted averaged number of common shares outstanding (in thousands) - basic and diluted (b)	286,328	286,328	286,328
Basic and Diluted Earnings Per Share (a/b)	P15.88	P14.59	P9.46

31. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, investment in debt instruments at amortized cost, long-term debt and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses and lease liabilities arise directly from and are used to facilitate its daily operations.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD oversees that a sound enterprise risk management framework is in place to effectively identify, monitor, assess and manage key business risks, which will guide the BOD in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit and Risk Oversight Committee (the "Committee") to, among others, enhance its oversight capability over the Group's financial reporting, internal control system, internal and external audit processes, and compliance with applicable laws and regulations; and be responsible for the oversight of the Group's enterprise risk management system to ensure its functionality and effectiveness.

The Committee also has the responsibility to assist the BOD in ensuring that there is an effective and integrated risk management process in place to guide the BOD in arriving at well-informed decisions, having taken into consideration risks related to significant business activities, plans and opportunities. In relation to this, the Committee has the following duties and responsibilities, among others: a.) develop a formal enterprise risk management plan which contains common language or register of risks, well-defined risk management goals, objectives and oversight, uniform processes of assessing risks and developing strategies to manage prioritized risks, designing and implementing risk management strategies, and continuing assessments to improve risk strategies, processes and measures; b.) oversee the implementation of the enterprise risk management plan; c.) evaluate the risk management plan to ensure its continued relevance, comprehensiveness and effectiveness; d.) advise the BOD on its risk appetite levels and risk tolerance limits; and e.) review at least annually the Group's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment, and when major events occur that are considered to have major impacts on the Group.

The Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. The management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2022	<1 Year	1 - 2 Years	>2 - 3 Years	> 3 - 4 Years	> 4 - 7 Years	Total
Fixed Rate						
Philipppine peso-denominated	P166,666	P -	P -	P -	P1,500,000	P1,666,666
Interest rate	4.21%	-	-	-	6.90%	-
	P166,666	P -	P -	P -	P1,500,000	P1,666,666

December 31, 2021	<1 Year	1 - 2 Years	>2 - 3 Years	> 3 - 4 Years	> 4 - 7 Years	Total
Fixed Rate						
Philipppine peso-denominated	P166,667	P166,666	P -	P -	P -	P333,333
Interest rate	4.21%	4.21%	-	-	-	-
	P166,667	P166,666	P -	P -	P -	P333,333

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

Information on the Group's foreign currency-denominated monetary assets and their Philippine peso equivalents is as follows:

	December 31, 2022		December 31, 2021	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US$23,370	P1,302,982	US$2,989	P152,437
Trade and other receivables	687	38,311	12	627
Liabilities				
Accounts payable and accrued expenses	(458)	(25,557)	-	-
Foreign currency - denominated monetary assets and liabilities	US$23,599	P1,315,736	US$3,001	P153,064

The Group reported net gain (losses) on foreign exchange amounting to (P28,131), P2,659 and (P1,860) in 2022, 2021 and 2020, respectively, with the translation of its foreign currency-denominated assets (Note 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2022	55.755
December 31, 2021	50.999
December 31, 2020	48.023

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity:

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2022	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P23,370)	(P17,527)	P23,370	P17,527
Trade and other receivables	(687)	(515)	687	515
Accounts payable and accrued expenses	458	343	(458)	(343)
	(P23,599)	(P17,699)	P23,599	P17,699

December 31, 2021	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,989)	(P2,242)	P2,989	P2,242
Trade and other receivables	(12)	(9)	12	9
	(P3,001)	(P2,251)	P3,001	P2,251

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices.

The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group and managing inventory levels of common materials.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall due under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2022	**Carrying Amount**	**Contractual Cash Flow**	**1 Year or Less**	**>1 Year - 2 Years**	**>2 Years - 5 Years**	**Over 5 Years**
Financial Assets						
Cash and cash equivalents	**P5,457,277**	**P5,457,277**	**P5,457,277**	**P -**	**P -**	**P -**
Trade and other receivables - net (excluding tax certificate receivables*)	**1,173,452**	**1,173,452**	**1,173,452**	**-**	**-**	**-**
Derivative assets (included under "Prepaid expenses and other current assets" account)	**2,638**	**2,638**	**2,638**	**-**	**-**	**-**
Investment in debt instruments at amortized cost	**1,500,000**	**1,992,393**	**87,687**	**87,687**	**263,060**	**1,553,959**
Security deposit (included under "Other noncurrent assets - net" account)	**493**	**493**	**-**	**493**	**-**	**-**
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities** deferred rent income*** and payable to a government agency****)	**5,467,186**	**5,467,186**	**5,467,186**	**-**	**-**	**-**
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	**70,065**	**70,065**	**70,065**	**-**	**-**	**-**
Long-term debt (including current maturities)	**165,430**	**171,930**	**171,930**	**-**	**-**	**-**
Lease liabilities (including current portion)	**108,742**	**131,085**	**38,430**	**29,859**	**28,160**	**34,636**

**Tax certificate receivables amounted to P62,327 as at December 31, 2022 (Note 6).*
***Derivative liabilities amounted to P70,065 as at December 31, 2022 (Note 15).*
****Deferred rent income amounted to P1,180 as at December 31, 2022 (Notes 15 and 27).*
*****Payable to a government agency amounted to P1,868 as at December 31, 2022 (Note 15).*

December 31, 2021	Carrying Amount	Contractual Cash Flow	1 Year or Less	>1 Year - 2 Years	>2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P2,379,166	P2,379,166	P2,379,166	P -	P -	P -
Trade and other receivables - net (excluding tax certificate receivables*)	974,422	974,422	974,422	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	223	223	223	-	-	-
Security deposit (included under "Other noncurrent assets - net" account)	493	493	-	493	-	-
Financial Liabilities						
Accounts payable and accrued expenses (excluding derivative liabilities** and deferred rent income***)	5,109,919	5,109,919	5,109,919	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	33,172	33,172	33,172	-	-	-
Long-term debt (including current maturities)	330,847	350,984	179,054	171,930	-	-
Lease liabilities (including current portion)	191,107	239,449	66,568	37,457	62,169	73,255

**Tax certificate receivables amounted to P62,326 as at December 31, 2021 (Note 6).*
***Derivative liabilities amounted to P33,172 as at December 31, 2021 (Note 15).*
****Deferred rent income amounted to P896 as at December 31, 2021 (Notes 15 and 27).*

Credit Risk

Credit risk is the risk of financial loss to the Group when a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from trade and other receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables and Noncurrent Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Group's customer base.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

Investment in Debt Instruments

The Group limits its exposure to credit risk by investing only in liquid debt instruments with counterparties that have high credit ratings. The Group monitors changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the Group supplements this by reviewing changes in bond yields.

Credit Quality

In monitoring and controlling credit extended to counterparty, the Group adopts a comprehensive credit rating system based on financial and non-financial assessments of its customers. Financial factors being considered comprised the financial standing of the customer while the non-financial aspects include but are not limited to the assessment of the customer's nature of business, management profile, industry background, payment habit and both present and potential business dealings with the Group.

The credit quality of financial assets is being managed by the Group using internal credit ratings. Credit quality of the financial assets were determined as follows:

- High grade includes deposits or placements to reputable banks and companies with good credit standing. High grade financial assets include cash and cash equivalents and investment in debt instruments at amortized cost and derivative assets.
- Standard grade pertains to receivables from counterparties with satisfactory financial capability and credit standing based on historical data, current conditions and the Group's view of forward-looking information over the expected lives of the receivables. Standard grade financial assets include trade and other receivables and noncurrent receivables and deposits.

Receivables with high probability of delinquency and default were fully provided with allowance for impairment losses.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2022**	2021
Cash and cash equivalents (excluding cash on hand)	*5*	**P5,455,812**	P2,377,808
Trade and other receivables - net (excluding tax certificate receivables)	*6*	**1,173,452**	974,422
Investment in debt instruments at amortized cost	*10*	**1,500,000**	-
Derivative assets	*8*	**2,638**	223
Security deposit	*14*	**493**	493
		P8,132,395	P3,352,946

The table below presents the Group's exposure to credit risk and shows the credit quality of the financial assets by indicating whether the financial assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	December 31, 2022				
	Financial Assets at Amortized Cost				
	12-month ECL	**Lifetime ECL - not credit impaired**	**Lifetime ECL - credit impaired**	**Financial Assets at FVPL**	**Total**
Cash and cash equivalents (excluding cash on hand)	**P5,455,812**	**P -**	**P -**	**P -**	**P5,455,812**
Trade and other receivables*	**-**	**1,173,452**	**691,293**	**-**	**1,864,745**
Derivative assets	**-**	**-**	**-**	**2,638**	**2,638**
Investment in debt instruments at amortized cost	**1,500,000**	**-**	**-**	**-**	**1,500,000**
Security deposit	**-**	**493**	**-**	**-**	**493**

** Excluding tax certificate receivables amounted to P62,327 as at December 31, 2022 (Note 6).*

	December 31, 2021				
	Financial Assets at Amortized Cost				
	12-month ECL	Lifetime ECL - not credit impaired	Lifetime ECL - credit impaired	Financial Assets at FVPL	Total
Cash and cash equivalents (excluding cash on hand)	P2,377,808	P -	P -	P -	P2,377,808
Trade and other receivables*	-	974,422	681,070	-	1,655,492
Derivative assets	-	-	-	223	223
Security deposit	-	493	-	-	493

**Excluding tax certificate receivables amounted to P62,326 as at December 31, 2021 (Note 6).*

The aging of receivables is as follows:

December 31, 2022	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P880,900	P58,546	P60,088	P999,534
Past due:				
1 - 30 days	79,113	109	14,585	93,807
31 - 60 days	2,506	190	226	2,922
61 - 90 days	2,417	188	157	2,762
Over 90 days	8,505	97,959	659,256	765,720
	P973,441	P156,992	P734,312	P1,864,745
December 31, 2021	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P697,584	P51,757	P68,680	P818,021
Past due:				
1 - 30 days	62,822	50,286	3,065	116,173
31 - 60 days	215	-	1,029	1,244
61 - 90 days	139	251	820	1,210
Over 90 days	7,720	47,562	663,562	718,844
	P768,480	P149,856	P737,156	P1,655,492

Various collaterals for trade receivables such as bank guarantees, cash bond, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality.

The Group computes impairment loss on receivables based on past collection experience, current circumstances and the impact of future economic conditions, if any, available at the reporting period (Note 4).

Receivables written-off amounted to nil and P134,099 in 2022 and 2021, respectively (Notes 6 and 14).

The Group's cash and cash equivalents, derivative assets and investment in debt instruments at amortized cost are placed with reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties.

The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock and equity reserves are excluded from capital for purposes of capital management.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Company is required to comply with the capital requirements under the interest-bearing loan drawn from a local bank on December 28, 2020 (Note 17). The Company has to ensure that its debt-to-equity ratio will not exceed 3.5 times and earnings before income taxes, depreciation, and amortization (EBITDA) to interest coverage ratio will not fall below 2.0 times. This loan defined total debt as all obligations evidenced by bonds, debentures, notes or other similar instruments while equity is total equity as shown in the consolidated statements of financial position. The Company complied with the above requirements in 2022 and 2021 with a debt-to-equity ratio of 0.011 and 0.029 as at December 31, 2022 and 2021, respectively, and EBITDA to interest coverage ratio of 539.14 and 320.35 as at December 31, 2022 and 2021, respectively.

The Company is also required to comply with non-financial covenants under the said interest-bearing loan in which the Company complied with in 2022 and 2021.

32. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	December 31, 2022		December 31, 2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P5,457,277	P5,457,277	P2,379,166	P2,379,166
Trade and other receivables - net (excluding tax certificate receivables*)	1,173,452	1,173,452	974,422	974,422
Derivative assets (included under "Prepaid expenses and other current assets" account)	2,638	2,638	223	223
Investment in debt instruments at amortized cost	1,500,000	1,500,000	-	-
Security deposit (included under "Other noncurrent assets - net" account)	493	493	493	493
Financial Liabilities				
Accounts payable and accrued expenses (excluding derivative liabilities**, deferred rent income*** and payable to a government agency****)	5,467,186	5,467,186	5,109,919	5,109,919
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	70,065	70,065	33,172	33,172
Long-term debt (including current maturities)	165,430	165,518	330,847	338,923

Tax certificate receivables amounted to P62,327 and P62,326 as at December 31, 2022 and 2021, respectively (Note 6)
***Derivative liabilities amounted to P70,065 and P33,172 as at December 31, 2022 and 2021, respectively (Note 15).*
****Deferred rent income amounted to P1,180 and P896 as at December 31, 2022, and 2021, respectively (Notes 15 and 27).*
*****Payable to a government agency amounted to P1,868 as at December 31, 2022 (Note 15).*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, Investment in Debt Instruments at Amortized Cost and Security Deposit. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of investment in debt instruments at amortized cost and security deposit, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Accounts Payable and Accrued Expenses. The carrying amount of accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rate used for Philippine peso-denominated loans ranges from 4.22% to 5.21% and 1.27% to 2.84% and as at December 31, 2022 and 2021, respectively. The carrying amounts of fixed rate approximate their fair values.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments are discussed below.

Derivative Instruments Not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$29,651 and US$29,767 as at December 31, 2022 and 2021, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to (P67,427) and (P32,949) as at December 31, 2022 and 2021, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P241,801), (P96,759) and P88,294, in 2022, 2021 and 2020, respectively (Note 26).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2022	2021
Balance at beginning of year	(P32,949)	P26,186
Net change in fair value of non-accounting hedges	(241,801)	(96,759)
	(274,750)	(70,573)
Less fair value of settled instruments	(207,323)	(37,624)
Balance at end of year	(P67,427)	(P32,949)

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value, by valuation method:

	December 31, 2022			December 31, 2022		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P2,638	P2,638	P -	P223	P223
Financial Liabilities						
Derivative liabilities	-	(70,065)	(70,065)	-	(33,172)	(33,172)

The Group has no financial instruments valued based on Level 1 and Level 3 as at December 31, 2022 and 2021. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

33. Events After the Reporting Date

Declaration of Cash Dividends
On March 8, 2023, the BOD approved the declaration of regular and special cash dividends to all common shareholders of record as of March 24, 2023 amounting to P0.750 and P1.750 per common share, respectively. Cash dividends for common shares, both regular and special are payable on April 12, 2023.

34. Other Matters

a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized as at December 31, 2022 and 2021.

The following are the material pending legal proceedings to which the Company is a party to:

- Case Pending with the SEC

Josefina Multi-Ventures Corporation vs. San Miguel Corporation,
San Miguel Food and Beverage, Inc. and Ginebra San Miguel Inc.
SEC Case No. 05-18-468

Josefina Multi-Ventures Corporation (the "Petitioner" or "JMVC"), one of the stockholders of GSMI, filed a petition against SMC, SMFB and GSMI, docketed as SEC Case No. 05-18-468 (the "Petition"), questioning the share swap transaction between SMFB and SMC relative, among others to, the transfer of SMC's common shares in GSMI in exchange of SMFB's common shares.

The Petition sought (i) to declare null and void: (a) the share swap transaction between SMFB and SMC involving the transfer of SMC's common shares in SMB and GSMI and in consideration therefore, the issuance of new SMFB common shares from the increase in SMFB's capital stock; and, (b) SMFB's Certificate of Approval of Increase of Capital Stock and Certificate of Filing of Amended Articles of Incorporation (amending Article VII thereof) issued by the SEC on June 29, 2018; or (ii) in the alternative, for SMFB to be directed to conduct a mandatory tender offer under Section 19 of the Securities Regulation Code for the benefit of the remaining shareholders of GSMI.

In a decision dated February 19, 2019, the SEC dismissed the Petition and ruled, among others, that the share swap transaction is not subject to the mandatory tender offer rule since there was no acquisition of control between SMC and its subsidiaries San Miguel Brewery and GSMI. The Petitioner filed a Motion for Reconsideration of the said decision, which was denied on May 30, 2019.

The Petitioner filed an Appeal Memorandum dated June 18, 2019 with the SEC En Banc. In a decision dated September 14, 2020, the SEC En Banc denied the Appeal Memorandum filed by Josefina for lack of merit.

As there was no appeal filed by Josefina to the Court of Appeals, the Decision of the SEC En Banc is already considered as final.

- Tax Cases Pending with the Court of Tax Appeals (CTA)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
CTA En Banc Case No. 2544 and 2555 (Consolidated)
CTA Case Nos. 8953 and 8954 (Consolidated)

These cases pertain to GSMI's Claims for Refund with the BIR, in the amount of P581,708 in Case No. 8953, and P133,551 in Case No. 8954, or in the total amount of P715,259, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the periods from January 1, 2013 up to May 31, 2013 in Case No. 8953, and from January 8, 2013 up to March 31, 2013 in Case No. 8954.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on said ethyl alcohol.

After several hearings and presentation of evidence, both parties filed their respective Formal Offers of Evidence.

On July 28, 2020, The CTA Third Division rendered its Decision and denied GSMI's Petition for Review. GSMI received the said Decision on August 24, 2020, for which it timely filed a Motion for Reconsideration on the aforementioned Decision on September 2, 2020, to which the Commissioner of Internal Revenue filed its Opposition.

The CTA Third Division issued an Amended Decision dated February 1, 2021 which partially granted GSMI's Motion for Reconsideration and ruled that GSMI is entitled to a partial refund of its erroneously and excessively paid excise taxes in the amount of P319,755 out of its original claim of P715,259.

GSMI and CIR subsequently filed Motions for Reconsideration on the aforesaid Amended Decision and Oppositions to each other's Motion for Reconsideration. In a Resolution dated October 28, 2021, the CTA Third Division denied for lack of merit GSMI's Motion for Reconsideration and CIR's Motion for Partial Reconsideration of the Amended Decision.

On January 4, 2022, GSMI elevated to the CTA En Banc the Decision dated July 28, 2020, Amended Decision dated February 1, 2021, and Resolution dated October 28, 2021 of the CTA Third Division, by way of a Petition for Review, which was docketed as CTA E.B. No. 2555.

Earlier, the CIR also filed a Petition for Review with the CTA En Banc elevating thereto the Amended Decision dated February 1, 2021 and Resolution dated October 28, 2021 of the CTA Third Division and the same was docketed as CTA E.B. No. 2544.

On March 28, 2022, the Court En Banc ordered the Parties to file their respective Comments/ Oppositions to the Petitions for Review. On April 7, 2022, GSMI filed a Motion for Extension of Time to File Comment on the Petition for Review in CTA EB No. 2544.

On April 21, 2022, GSMI filed its Comment on the Petition for Review. On May 30, 2022, the Court En Banc promulgated a Resolution which denied GSMI's Motion for Extension and submitted the Petitions for Review for decision. On June 13, 2022, GSMI filed its Motion for Reconsideration assailing the said Resolution.

On October 4, 2022, the Court En Banc promulgated a Resolution which set aside the May 30, 2022 Resolution insofar as the Petitions for Review were submitted for decision. The Resolution likewise directed the CIR to file a Comment to GSMI's Motion for Reconsideration, to which the CIR failed despite due notice.

On January 18, 2023, the CTA En Banc granted GSMI's Motion for Extension of Time to File Comment on the Petition for Review in CTA E.B. No. 2544 and admitted GSMI's Comment as part of the records of the case.

These cases are still pending resolution before the CTA En Banc.

- Tax Cases Pending with the Supreme Court (SC)

Ginebra San Miguel Inc. vs. Commissioner of Internal Revenue
SC G.R. No. 25839
CTA En Banc Case No. 2308
CTA Case No. 9059

This case pertains to GSMI's Claim for Refund with the BIR, in the total amount of P26,243, representing payments of excise tax erroneously, excessively, illegally, and/or wrongfully assessed on and collected from GSMI by the BIR on removals of its distilled spirits or finished products for the period from June 1, 2013 up to July 31, 2013.

The aforementioned assessment and collection arose from the imposition and collection of excise taxes on GSMI's finished products processed and produced exclusively from its inventory of ethyl alcohol, notwithstanding that excise taxes had already been previously paid by GSMI on the said ethyl alcohol.

After presentation of its testimonial and documentary evidence, GSMI filed its Formal Offer of Evidence and Supplemental Offer of Evidence, which were all admitted by the CTA. BIR's presentation of evidence was set to January 23, 2019.

In a decision dated February 6, 2020, the CTA denied GSMI's Claim for Refund for insufficiency of evidence. On February 20, 2020, GSMI filed a Motion for Reconsideration of the said decision. However, the Motion for Reconsideration was denied by the CTA on June 9, 2020. On August 28, 2020, GSMI elevated the case to the CTA *En Banc* by way of a Petition for Review.

In a Decision dated November 10, 2021, the CTA En Banc denied the Petition for Review filed by GSMI. The Decision dated February 6, 2020 and the Resolution dated June 9, 2020 of the CTA Second Division were affirmed.

On December 10, 2021, GSMI elevated the Decision of the CTA En Banc to the Supreme Court by way of a Petition for Review, which was docketed as SC G.R. No. 25839.

This case is still pending resolution before the Supreme Court as at December 31, 2022.

- Intellectual Property Cases Pending with the Supreme Court (SC)

Ginebra San Miguel Inc. vs. Director General of the Intellectual Property Office
G.R. No. 196372
SC En Banc

This case pertains to GSMI's application for the registration of the trademark "GINEBRA" under Class 33 covering gin with the Intellectual Property Office of the Philippines (IPOPHL). The IPOPHL rejected GSMI's application on the ground that "GINEBRA" is a Spanish word for gin, and is a generic term incapable of appropriation.

When the Court of Appeals (CA) affirmed the IPOPHL's ruling, GSMI filed a Petition for Review on Certiorari (the "Petition") with the SC. The SC denied GSMI's Petition. GSMI moved for a reconsideration thereof, and likewise filed a Motion to Refer its Motion for Reconsideration to the SC En Banc. The SC denied GSMI's Motion for Reconsideration with finality, as well as GSMI's Motion to Refer to its Motion for Reconsideration to the SC En Banc.

Subsequently, GSMI filed a Manifestation with Motion for Relief from Judgment (the "Manifestation") and invoked the case of *"League of Cities vs. Commission of Elections"* (G.R. Nos. 176951, 177499 and 178056) to invite the SC *En Banc* to re-examine the case. The Office of the Solicitor General (OSG) filed its Comment Opposition to the Manifestation.

On June 26, 2018, the SC *En Banc* Issued a Resolution which resolves to: (a) Accept the subject case which was referred to it by the Third Division in the latter's resolution dated August 7, 2017; (b) Treat as a Second Motion for Reconsideration (of the resolution dated June 22, 2011) GSMI's Manifestation with Motion for Relief from Judgment dated November 28, 2011; (c) Reinstate the Petition; and (d) Require the respondents to Comment on the Petition within a non-extendible period of ten (10) days from notice thereof.

Respondents, through the OSG, filed their Comment dated July 31, 2018 while GSMI filed its Reply with Leave on August 20, 2018.

On January 4, 2019, the SC Third Division issued a Resolution ordering the consolidation of the previously consolidated cases (G.R. Nos. 216104, 210224 and 219632) with the En Banc case (G.R. No. 196372), stating that "considering that all these cases involve identical parties and raise interrelated issues which ultimately stemmed from the registration of trademark of Tanduay Distillers Inc. (TDI) and GSMI before the IPO".

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc, where this case which has the lowest docket number, i.e. G.R. No. 196372, was originally assigned, hence, all four cases are now consolidated and pending before the Supreme Court En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. No. 196372, GSMI's Petition for Review was granted. The Director of the Bureau of Trademarks was directed to reinstate GSMI's trademark application for "GINEBRA", cause its publication and give it due course.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. Nos. 210224 and 219632
SC - En Banc

These cases pertain to GSMI's Complaint for Unfair Competition, Trademark Infringement and Damages against Tanduay Distillers, Inc. (TDI) filed with the Regional Trial Court (RTC), arising from TDI's distribution and sale of its gin product bearing the trademark "Ginebra Kapitan" and use of a bottle design, which general appearance was nearly identical and confusingly similar to GSMI's product. The RTC dismissed GSMI's complaint.

When GSMI elevated the case to the CA, due to technicalities, two (2) cases were lodged in the CA: 1.) Petition for Review (CA-G.R. SP No. 127255), and 2.) Appeal (CA-G.R. SP No. 100332).

Acting on GSMI's Petition for Review, the CA reversed, set aside the RTC's Decision, and ruled that "GINEBRA" is associated by the consuming public with GSMI. Giving probative value to the surveys submitted by GSMI, the CA ruled that TDI's use of "GINEBRA" in "Ginebra Kapitan" produces a likelihood of confusion between GSMI's "Ginebra San Miguel" gin product and TDI's "Ginebra Kapitan" gin product. The CA likewise ruled that "TDI knew fully well that GSMI has been using the mark/word "GINEBRA" in its gin products and that GSMI's "Ginebra San Miguel" has already obtained, over the years, a considerable number of loyal customers who associate the mark "GINEBRA" with GSMI.

On the other hand, upon GSMI's Appeal, the CA also set aside the RTC's Decision and ruled that "GINEBRA" is not a generic term there being no evidence to show that an ordinary person in the Philippines would know that "GINEBRA" is a Spanish word for "gin". According to the CA, because of GSMI's use of the term in the Philippines since the 1800s, the term "GINEBRA" now exclusively refers to GSMI's gin products and to GSMI as a manufacturer. The CA added that "the mere use of the word "GINEBRA" in "Ginebra Kapitan" is sufficient to incite an average person, even a gin-drinker, to associate it with GSMI's gin product," and that TDI "has designed its bottle and label to somehow make a colorable similarity with the bottle and label of Ginebra S. Miguel".

TDI filed separate Petitions for Review on Certiorari with the SC, docketed as G.R. Nos. 210224 and 219632, which were eventually consolidated by the SC on April 18, 2016.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks (G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted GSMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For G.R. Nos. 210224 and 219632, TDI's Petitions for Review were denied, with modification, such that TDI shall pay GSMI temperate damages of P300 and attorney's fees of P200; other awards of damages against TDI are deleted.

Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.
G.R. No. 216104
SC - En Banc

This case pertains to TDI's application for the registration of the trademark "GINEBRA KAPITAN" for Class 33 covering gin with the IPOPHL.

GSMI opposed TDI's application, alleging that it would be damaged by the registration of "GINEBRA KAPITAN" because the term "GINEBRA" has acquired a secondary meaning and is now exclusively associated with GSMI's gin products. GSMI argued that the registration of "GINEBRA KAPITAN" for use in TDI's gin products will confuse the public and cause damage to GSMI. TDI countered that "GINEBRA" is generic and incapable of exclusive appropriation, and that "GINEBRA KAPITAN" is not identical or confusingly similar to GSMI's mark.

The IPOPHL ruled in favor of TDI and held that: (a) "GINEBRA" is generic for "gin"; (b) GSMI's products are too well known for the purchasing public to be deceived by a new product like "GINEBRA KAPITAN"; and (c) TDI's use of "GINEBRA" would supposedly stimulate market competition.

On July 23, 2014, the CA reversed and set aside the IPOPHL's ruling and disapproved the registration of "GINEBRA KAPITAN". The CA ruled that "GINEBRA" could not be considered as a generic word in the Philippines considering that, to the Filipino gin-drinking public, it does not relate to a class of liquor/alcohol but rather has come to refer specifically and exclusively to the gin products of GSMI.

TDI filed a Petition for Review on Certiorari with the SC, which was subsequently consolidated with the case of "*Tanduay Distillers, Inc. vs. Ginebra San Miguel Inc.*", docketed as G.R. No. 210224 on August 5, 2015.

On October 26, 2016, GSMI filed its Comment on TDI's Petition for Review on Certiorari.

On December 17, 2018, the SC consolidated this case with Ginebra San Miguel Inc. vs. Court of Appeals, Director General of the Intellectual Property Office, and Director of the Bureau of Trademarks(G.R. No. 196372).

On February 3, 2020, GSMI filed a Manifestation with the Supreme Court Third Division, informing the Court that on January 27, 2020, it received a copy of a Decision dated December 27, 2019 rendered by the IPO Director General in the consolidated appealed cases involving GSMI's Oppositions to TDI's applications for the registration of the marks "Ginebra Lime & Device," "Ginebra Orange & Device," "Ginebra Especial & Device" and "Ginebra Pomelo & Device", for use on gin products. In the joint Decision, the IPO Director General ruled in favor of GSMI and held that despite being generic or descriptive, the term "GINEBRA" had already attained a secondary meaning in relation to the gin products of GSMI. The Manifestation was filed to inform the Supreme Court Third Division of the status of cases in IPOPHL which involve GSMI's claim over "GINEBRA".

In a Resolution dated March 10, 2020, the Supreme Court En Banc resolved to transfer the consolidated cases from the Third Division to the En Banc. Furthermore, the Supreme Court En Banc also noted G SMI's Manifestation dated February 3, 2020 on the IPO Director General's Decision dated December 27, 2019.

On August 9, 2022, the Supreme Court En Banc promulgated a Decision in the four (4) consolidated Petitions. For, G.R. No. 216104, TDI's Petition for Review for the rejection of TDI's trademark application for "GINEBRA KAPITAN" was denied.

b. *Commitments*

The outstanding purchase commitments of the Group amounted to US$121,860 (P6,794,293), US$92,138 (P4,698,981) and US$96,748 (P4,646,113) as at December 31, 2022, 2021 and 2020, respectively.

c. *Effect of COVID-19*

The year 2022 was a year of economic recovery which saw business operations once again opening up, while the challenges of COVID-19 still remained throughout the year. Commercial activities have started to pick up as COVID-19 quarantine restrictions were relatively lighter compared to 2020.

The Group has not been significantly affected by the COVID-19 outbreak based on the results of the Group's financial performance for the years ended December 31, 2022, 2021 and 2020.

d. *Uncertainty Due to Russia-Ukraine Conflict*

The ongoing conflict between Russia and Ukraine has no direct effect to the Group. The extent to which the ongoing conflict will affect the Group will depend on future developments, including the actions and decisions taken or not taken by the Organization of the Petroleum Exporting Countries and other oil producing countries, international community and the Philippine government, which are highly uncertain and cannot be quantified nor determined as at March 8, 2023.

The Group's total gas and oil is higher by 41% in 2022 as compared in 2021.

e. *Foreign Exchange Rates*

The foreign exchange rates used in translating the Thai Baht accounts of foreign joint ventures to Philippine peso were closing rates of P1.617 and P1.527 in 2022 and 2021, respectively, for consolidated statements of financial position accounts; and average rates of P1.600, P1.499 and P1.598 in 2022, 2021 and 2020, respectively, for income and expense accounts.

GINEBRA SAN MIGUEL INC.
3rd and 6th Floors
San Miguel Properties Centre
7 St. Francis Street, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 8841-5100

SHAREHOUSE SERVICES AND ASSISTANCE

The SMC Stock Transfer Service Corporation serves as the Company's stock transfer agent and registrar. For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificate, please write or call:

SMC STOCK TRANSFER SERVICE CORPORATION
2nd Floor, SMC Head Office Complex
40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 8632-34-50 to 52
Email: smc_stsc@sanmiguel.com.ph

CUSTOMER CARE

For inquiries, orders and suggestions on our products and services, please write or call:

SAN MIGUEL CUSTOMER CARE CENTER
San Miguel Properties Centre
7 St. Francis Street, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 8632-2564
Mailbox No. 2623
Email: customercare@ginebra.sanmiguel.com.ph

GINEBRA SAN MIGUEL
SINCE 1834