COVER SHEET
for
Audited Financial Statements

SEC Registration Number

A 2 0 0 1 - 1 7 5 9 5

COMPANY NAME

EMPERADOR INC.

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

7TH FLOOR, 1880 EASTWOOD AVENUE, EASTWOOD CITY CYBERPARK, 188 E. RODRIGUEZ, JR. AVENUE, BAGUMBAYAN QUEZON CITY, METRO MANILA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	SEC	Certificate of Permit to Offer Securities for Sale

(for December 31, 2022)

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
dinainting@emperadorinc.com	8709-2038 to 41	N/A

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
134	3rd Monday of May	DECEMBER 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
DINA INTING	dinainting@emperadorinc.com	8709-2038 to 41	N/A

Contact Person's Address

7th Floor, 1880 Eastwood Avenue, Eastwood City Cyberpark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

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

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

Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>
Fri 4/14/2023 4:45 PM
To: Dina Inting <dinainting@emperadorinc.com>
Cc: Dina Inting <dinainting@allianceglobal.com.ph>

Hi EMPERADOR INC,

Valid files

- EAFS214815715AFSTY122022.pdf
- EAFS214815715ITRTY122022.pdf
- EAFS214815715RPTTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-9FH888C70AEDK9ALKNQNMRTSS06EB86LBC**
Submission Date/Time: **Apr 14, 2023 04:25 PM**
Company TIN: **214-815-715**

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- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ***Emperador Inc.*** (the "Company") is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing 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 to do so.

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

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

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

ANDREW L. TAN
Chairman of the Board

WINSTON S. CO
President/ Chief Executive Officer

DINA D.R. INTING
Chief Financial Officer

ATTY. IRA JENNENA J. BERO, CPA
Notary Public for Makati City
Until December 31, 2024
Notarial Commission No. M-200
Roll No. 82663
IBP Number: 263509 01/03/2023, Cebu City
PTR No. 9570409 01/09/2023, Makati City
MCLE Compliance No. Admitted to the BAR on May 30, 2022
19th Flr., Tower 1, The Enterprise Center, 6766 Ayala Avenue, Makati City

SUBSCRIBED AND SWORN to before me this MAR 30 2023, affiants exhibiting to me their Passport/ SSS No., as follows:

Names	Passport No./ SSS No./ DL No	Date	Place of Issue
Andrew L. Tan	P9281984A	Oct 24,2018 to Oct 23,2028	Manila
Winston S. Co	N01-80-016240	valid until Jan. 31, 2033	Manila
Dina D.R. Inting	SSS 03-5204775-3		

Doc. No. 203
Page No. 42
Book No. I
Series of 2023

ATTY. IRA JENNENA J. BERO, CPA NOTARY PUBLIC ROLL NO. 82663 MAKATI CITY, PHILIPPINES

P&A Grant Thornton

FOR SEC FILING

Financial Statements and Independent Auditors' Report

Emperador Inc.

December 31, 2022, 2021 and 2020

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

T +63 2 8988 2288

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Emperador Inc. (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the 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 financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 8.2 to the financial statements, the supplementary information for the year ended December 31, 2022 required by the Bureau of Internal Revenue (BIR) is presented by management of the Company in a supplementary schedule filed separately from the basic financial statements. The BIR requires the information to be presented in the notes to financial statements. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is also not a required disclosure under the Revised Securities Regulation Code Rule 68 of the Philippine SEC. Such supplementary information is the responsibility of management. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 15, 2023

EMPERADOR INC.
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021
A S S E T S			
CURRENT ASSETS			
Cash and cash equivalents	2.4, 4	**P 5,250,338,713**	P 717,410,492
Receivables	3.2(a), 4, 6	**306,279,728**	1,111,780,341
Financial assets at fair value through profit or loss	5.1	**418,513,992**	-
Prepaid taxes	2.5, 3.2(c), 5.2	**5,628,714**	5,032,294
Total Current Assets		**5,980,761,147**	1,834,223,127
NON-CURRENT ASSET			
Investments in subsidiaries	3.2(c), 6	**43,081,679,437**	43,005,261,016
TOTAL ASSETS		**P 49,062,440,584**	P 44,839,484,143
LIABILITY AND EQUITY			
CURRENT LIABILITY			
Other payables	9.1	**P 1,201,658,441**	P 757,213,201
Total Liability		**1,201,658,441**	757,213,201
EQUITY	2.15		
Capital stock	10.1	**16,242,391,176**	16,242,391,176
Additional paid-in capital	10.1	**23,106,377,832**	23,106,377,832
Deposit for future stock subscription – equity-linked securities	2.6, 10.2	**3,443,750,000**	3,443,750,000
Treasury shares, at cost	10.3	**(4,280,113,441)**	(4,280,113,441)
Share options	10.5	**260,187,993**	183,769,572
Conversion options	10.2	**88,498,401**	88,498,401
Retained earnings	10.4	**8,999,690,182**	5,297,597,402
Total Equity		**47,860,782,143**	44,082,270,942
TOTAL LIABILITY AND EQUITY		**P 49,062,440,584**	P 44,839,484,143

See Notes to Financial Statements.

EMPERADOR INC.
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
REVENUES		**P -**	P -	P -
OPERATING EXPENSES	2.9			
Transportation and travel		**7,401,690**	500	2,218
Professional fees		**3,091,250**	2,965,507	2,190,117
Taxes and licenses		**2,026,354**	3,059,084	6,721,293
Trading fees	2.4, 5.1	**1,217,024**	-	-
Representation		**310,000**	-	14,227,460
Outside services		**25,315**	65,780	37,260
Office supplies		**13,839**	1,500	-
Communications		**1,416**	2,460	-
Miscellaneous		**110,904**	-	6,058,350
		14,197,792	6,094,831	29,236,698
OPERATING LOSS		**(14,197,792)**	(6,094,831)	(29,236,698)
OTHER INCOME (CHARGES)				
Dividend income	5.1, 6	**3,707,063,869**	5,080,000,000	2,888,449,329
Interest income	4	**43,948,189**	3,427,645	26,273,522
Other charges	7, 10.2	**(25,931,848)**	(152,000,600)	(54,465,664)
		3,725,080,210	4,931,427,045	2,860,257,187
PROFIT BEFORE TAX		**3,710,882,418**	4,925,332,214	2,831,020,489
TAX EXPENSE	2.12, 8	**8,789,638**	685,529	5,254,744
NET PROFIT		**3,702,092,780**	4,924,646,685	2,825,765,745
OTHER COMPREHENSIVE INCOME		**-**	-	-
TOTAL COMPREHENSIVE INCOME		**P 3,702,092,780**	P 4,924,646,685	P 2,825,765,745
Earnings Per Share - Basic and Diluted	11	**P 0.24**	P 0.31	P 0.18

See Notes to Financial Statements.

EMPERADOR INC.
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Deposit for Future Stock Subscription – Equity-linked Securities (DFFS-ELS)	Treasury Shares	Conversion Options	Share Options	Retained Earnings	Total Equity
Balance at January 1, 2022		P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,280,113,441)	P 88,498,401	P 183,769,572	P 5,297,597,402	P 44,082,270,942
Option expense during the year	2.11, 10.5	-	-	-	-	-	76,418,421	-	76,418,421
Total comprehensive income		-	-	-	-	-	-	3,702,092,780	3,702,092,780
Balance at December 31, 2022		**P 16,242,391,176**	**P 23,106,377,832**	**P 3,443,750,000**	**(P 4,280,113,441)**	**P 88,498,401**	**P 260,187,993**	**P 8,999,690,182**	**P 47,860,782,143**
Balance at January 1, 2021		P 16,242,391,176	P 23,106,377,832	P -	(P 3,277,983,720)	P 88,498,401	P 138,841,593	P 5,429,982,461	P 41,728,107,743
Transfer to DFFS-ELS	10.2	-	-	3,443,750,000	-	-	-	-	3,443,750,000
Acquisitions of treasury shares during the year	10.3	-	-	-	(1,002,129,721)	-	-	-	(1,002,129,721)
Option expense during the year	2.11, 10.5	-	-	-	-	-	44,927,979	-	44,927,979
Cash dividends declared and paid	10.4	-	-	-	-	-	-	(5,057,031,744)	(5,057,031,744)
Total comprehensive income		-	-	-	-	-	-	4,924,646,685	4,924,646,685
Balance at December 31, 2021		P 16,242,391,176	P 23,106,377,832	P 3,443,750,000	(P 4,280,113,441)	P 88,498,401	P 183,769,572	P 5,297,597,402	P 44,082,270,942
Balance at January 1, 2020		P 16,242,391,176	P 23,058,724,847	P -	(P 3,487,839,412)	P 136,151,386	P 111,883,424	P 4,355,233,350	P 40,416,544,771
Issuance of ELS shares	10.2, 10.3	-	47,652,985	-	1,836,250,000	(47,652,985)	-	-	1,836,250,000
Acquisitions of treasury shares during the year	10.3	-	-	-	(1,626,394,308)	-	-	-	(1,626,394,308)
Option expense during the year	2.11, 10.5	-	-	-	-	-	26,958,169	-	26,958,169
Cash dividends declared and paid	10.4	-	-	-	-	-	-	(1,751,016,634)	(1,751,016,634)
Total comprehensive income		-	-	-	-	-	-	2,825,765,745	2,825,765,745
Balance at December 31, 2020		P 16,242,391,176	P 23,106,377,832	P -	(P 3,277,983,720)	P 88,498,401	P 138,841,593	P 5,429,982,461	P 41,728,107,743

See Notes to Financial Statements.

EMPERADOR INC.
(A Subsidiary of Alliance Global Group, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 3,710,882,418**	P 4,925,332,214	P 2,831,020,489
Adjustments for:				
Dividend income	6	**(3,707,063,869)**	(5,080,000,000)	(2,888,449,329)
Interest income	4	**(43,948,189)**	(3,427,645)	(26,273,522)
Interest expense	7	**-**	152,000,000	54,465,189
Operating loss before working capital changes		**(40,129,640)**	(6,095,431)	(29,237,173)
Decrease (increase) in receivables		**-**	3,300	(3,300)
Increase in financial assets at fair value through profit or loss		**(418,513,992)**	-	-
Increase in prepaid taxes		**(596,420)**	(720,550)	(1,050,119)
Increase (decrease) in other payables		**444,445,240**	3,141,447	(5,862,220)
Cash used in operations		**(14,794,812)**	(3,671,234)	(36,152,812)
Interest received		**36,448,955**	3,762,124	29,909,304
Cash paid for income taxes		**(7,289,791)**	(752,425)	(5,981,900)
Net Cash From (Used in) Operating Activities		**14,364,352**	(661,535)	(12,225,408)
CASH FLOWS FROM INVESTING ACTIVITIES				
Dividends received	5.1, 6	**4,518,563,869**	3,968,500,000	2,888,449,329
Acquisitions of treasury shares	10.3	**-**	(1,002,129,721)	(1,626,394,308)
Net Cash From Investing Activities		**4,518,563,869**	2,966,370,279	1,262,055,021
CASH FLOWS FROM FINANCING ACTIVITIES				
Dividends paid	10.4	**-**	(5,057,031,744)	(2,530,247,949)
Collections from a subsidiary	9.1	**-**	246,500,000	-
Interest paid	7	**-**	(152,000,000)	(89,049,922)
Advances received from a subsidiary	9.1	**-**	-	502,877,960
Net Cash Used in Financing Activities		**-**	(4,962,531,744)	(2,116,419,911)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**4,532,928,221**	(1,996,823,000)	(866,590,298)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	**717,410,492**	2,714,233,492	3,580,823,790
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 5,250,338,713**	P 717,410,492	P 2,714,233,492

Supplementary Information on Non-cash Investing and Financing Activities:

1) Pursuant to the Company's Employee Share Option Plan, the Company recognized additional investments in a subsidiary and share options under equity amounting to P76.4 million, P44.9 million and P27.0 million in 2022, 2021 and 2020, respectively. These pertain to the share options granted to certain qualified grantees of Emperador Distillers, Inc., giving them the right to subscribe to certain number of common shares of the Company at a specific exercise price per share (see Notes 6 and 10.5).

2) In 2022, 2021 and 2020, the Company recognized dividends with total amount of P3,707.1 million, P5,080.0 million and P2,888.4 million, respectively, of which P300.0 million and P1,111.5 million remained outstanding as of December 31, 2022 and 2021, respectively, and is presented as part of Receivables account in the statements of financial position (see Note 6).

3) In 2021, Tranche 2 of the equity-linked securities (ELS) amounting to P3,443.8 million was transferred to Deposit for Future Stock Subscription – ELS for future issuance of shares. In 2020, Tranche 1 of the ELS amounting to P1,836.3 million was converted into capital stock taken from treasury shares. Correspondingly, conversion options amounting to P47.7 million in 2020 were reclassified to Additional Paid-In Capital (see Notes 10.1, 10.2 and 10.3).

See Notes to Financial Statements.

EMPERADOR INC.
(A Subsidiary of Alliance Global Group, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

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

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

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

The common shares of EMI and AGI were first listed for trading in the Philippine Stock Exchange ("PSE") on December 19, 2011 and April 19, 1999, respectively. The EMI shares were secondary listed and started trading on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") on July 14, 2022.

1.1 Subsidiaries

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

Names of Subsidiaries	Explanatory Notes	Percentage of Effective Ownership
Direct:		
Emperador Distillers, Inc. ("EDI")	(a), 6	**100%**
Emperador International Ltd. ("EIL")	(h), 6	**100%**
Indirect:		
Anglo Watsons Glass, Inc. ("AWGI")	(b), (j)	**100%**
Tradewind Estates, Inc. ("TEI")	(c), (j)	**100%**
Alcazar De Bana Holdings Company, Inc. ("Alcazar De Bana")	(d), (j)	**100%**
The Bar Beverage, Inc. ("The Bar")	(e), (j)	**100%**
Cocos Vodka Distillers Philippines, Inc. ("Cocos")	(f), (j)	**100%**
Zabana Rum Company, Inc. ("Zabana")	(g), (j)	**100%**
The World Finest Liquor Inc. ("World Finest")	(i), (j)	**100%**

Explanatory notes:

(a) EDI became a wholly owned subsidiary on August 28, 2013 when EMI acquired it from AGI as a condition to AGI's subscription to EMI shares (see Note 10.1). EDI was incorporated in the Philippines on June 6, 2003 to primarily engage in the manufacturing and trading of brandy, wine or other similar alcoholic beverage products. (See Note 6).

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

(c) TEI is a domestic corporation presently engaged in leasing its land and manufacturing complex in Sta. Rosa, Laguna and providing consultancy and advisory services in relation to the operations, management, development and maintenance of machineries to EDI.

(d) Alcazar De Bana is a domestic holding entity and presently holds investments in shares of stocks of other domestic corporations.

(e) The Bar was incorporated to carry out a general and commercial business of manufacturing, making, processing, importing, exporting, buying and selling any and all kinds of alcohol, wine or liquor products.

(f) Cocos was established to manufacture, import, export, buy, sell, acquire, hold or otherwise dispose of and deal in, any alcohol, wine or liquor products.

(g) Zabana was incorporated to engage in manufacturing, importing, exporting, buying, selling, acquiring, holding or otherwise disposing of and dealing in any alcohol, wine or liquor products, flavoring essences, beverages, softdrinks, foodstuffs, goods, wares, merchandise and commodities of the same kind.

(h) EIL is a foreign entity incorporated in the British Virgin Islands. EIL wholly owns the Group's offshore subsidiaries, namely, Emperador Holdings (GB) Limited ("EGB") and Emperador Asia Pte. Ltd., which wholly owns Grupo Emperador Spain, S.A. ("GES"). EIL is effectively a wholly owned subsidiary of EMI through EMI's 84% direct ownership and EDI's 16% ownership (see Note 6).

(i) World Finest was incorporated in 2022 to engage in among others, the business of retailing, merchandising, marketing, warehousing, trading, e-commerce or otherwise dealing with all kinds of products, services, goods, chattels, wares, merchandise and commodities of all kinds, including but not limited to alcoholic and non-alcoholic beverages.

(j) A wholly owned subsidiary of EDI.

On October 31, 2014, EGB, through its wholly owned subsidiary, Emperador UK Limited, completed a deal for the acquisition of Whyte and Mackay Group Limited, a manufacturer of Scotch whisky, principally under these brands: The Dalmore, Jura, and Whyte & Mackay Blended Scotch Whisky.

On February 29, 2016, GES, through its subsidiary Bodegas Fundador S.L.U, completed the purchase of a Spanish brandy and sherry business in Jerez de la Frontera ("Jerez") which includes these brands: Fundador Brandy, Terry Centenario Brandy, Tres Cepas Brandy, and Harveys sherry wine. On January 19, 2017, GES, through its wholly owned subsidiary, Complejo Bodeguero San Patricio, S.L.U., acquired certain assets in Jerez, including trademarks of well-known brands. On March 30, 2017, GES, through Bodegas Las Copas, S.L., a Spanish joint venture company, and its two Mexican subsidiaries, completed the acquisition from Pernod Ricard of the Domecq brand portfolio and its related assets. These assets are subsequently transferred to Domecq Bodega Las Copas, S.L., a Spanish subsidiary of GES incorporated in 2017.

1.2 Approval of the Financial Statements

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors ("BOD") on March 15, 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combinations – Reference to the Conceptual Framework
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities

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

(i) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework*. The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard. The application of these amendments had no impact on the Company's financial statements.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*. The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since the Company has no existing contracts as of January 1, 2022 that would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, only PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*, is relevant to the Company but does not have significant impact on the Company's financial statements. The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those 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.

(b) Effective in 2022 that are not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use*

(ii) Annual Improvements to PFRS 2018-2020 Cycle. The following amendments, which are effective from January 1, 2022, are not relevant to the Company:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*
- PFRS 16, *Leases – Lease Incentives*
- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

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

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

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

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

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

2.3 Separate Financial Statements and Investments in Subsidiaries

These financial statements are prepared as the Company's separate financial statements. The Company also prepares consolidated financial statements as required under PFRS.

The Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss. Impairment loss is provided when there is objective evidence that the investments in subsidiaries will not be recovered (see Note 2.10).

A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above.

2.4 Financial Assets

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

The classification and measurement of financial assets is driven by the Company's business model for managing the financial assets ("business model test") and the contractual cash flow characteristics of the financial assets ("cash flow characteristics test") to achieve a particular business objective. The business model is determined at a higher level of aggregation (portfolio or group of financial assets managed together) and not on an instrument-by-instrument approach to classification (i.e., not based on intention for each or specific characteristic of individual instrument) in order to achieve the stated objective and, specifically, realize the cash flows. (See Note 2.14)

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

Financial assets at amortized cost must meet both of the following conditions:

- Business model test: the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect") [rather than to sell the assets prior to their contractual maturity to realize changes in fair value ("hold to collect and sell")]; and,

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

Financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

The Company's financial assets at amortized cost are Cash and Cash Equivalents (see Note 4) and Receivables (see Notes 4 and 6).

Cash and cash equivalents generally include demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. These generally earn interest based on daily bank deposit rates.

Financial assets at FVOCI must meet both of the following conditions:

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

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

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

The Company's financial assets at FVTPL as of December 31, 2022 (nil in 2021) are presented in Note 5.1. There are no financial assets at FVOCI in 2022 and 2021.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest Income account or Interest expense in the Other Charges account or Dividend Income account under the Other Income (Charges) section of the statement of comprehensive income. The related transaction costs upon acquisition of financial assets at FVTPL are presented as Trading Fees under Operating Expenses section of the statement of comprehensive income.

(a) Reclassification of Financial Assets

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

There is no reclassification of financial assets in 2022 and 2021.

(b) Impairment of Financial Assets

At the end of the reporting period, the Company assesses impairment using expected credit loss ("ECL") model on a forward-looking basis associated with its financial assets carried at amortized cost. Recognition of credit losses is no longer dependent on the Company's identification of a credit loss event. Instead, the Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, and reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

Since the Company's financial assets have no financing component, the Company applies the simplified approach in measuring ECL, which uses a lifetime ECL allowance for all financial assets at amortized cost. The lifetime ECL is estimated based on the present value of all the expected cash shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. To calculate the ECL, the Company uses its historical experience, external indicators and forward-looking information. The Company also assesses impairment of receivables on a collective basis as they possess shared credit risk characteristics, and have been grouped based on the days past due (see Note 13.2).

The key elements used in the calculation of ECL are as follows:

- *Probability of default* – It is an estimate of likelihood of a counterparty's default over a given time horizon, either over the next 12 months or the remaining life of the obligation.

- *Loss given default* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default* – It represents the gross carrying amount of the financial instruments subject to the impairment calculation.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The carrying amount of the asset would be reduced either directly or through the use of an allowance account.

The Company's financial assets are assessed to be not impaired [see Note 3.2(a)].

(c) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party.

If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 *Prepaid Taxes*

Prepaid taxes are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably (see Notes 2.14 and 5.2).

2.6 *Financial Liabilities*

The Company's financial liabilities, which pertain to the financial liability component of equity-linked securities ("ELS") instrument (nil in 2022 and 2021) and other payables (except tax-related liabilities), are recognized when the Company becomes a party to the contractual terms of a financial instrument (see Notes 2.14, 9.1 and 10.2). The components of an issued financial instrument that contains both financial liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting the financial liability component from the fair value of the compound financial instrument taken as a whole on the date of issue [see Note 3.2(d)].

The financial liability component of the ELS was recognized initially as the present value of the contractual stream of future cash flows, less any directly attributable transaction costs, and was subsequently measured at amortized cost using the effective interest method. Interest costs, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and added to the carrying amount of the instrument to the extent that these were not settled in the period in which they arise.

These interest costs are presented as part of the Other Charges account under the Other Income (Charges) section of the statement of comprehensive income (see Note 7).

Dividend distributions to stockholders are recognized as financial liabilities on the record date set upon declaration by the Company's BOD.

Other payables are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

The fair values of these financial liabilities are disclosed in Note 15.3.

2.7 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both the Company and all counterparties to the financial instruments.

The Company does not have offsetting arrangements and had not offset any financial asset and financial liability in the periods reported.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Revenue and Expense Recognition

The Company's revenues arise mainly from the dividends from subsidiaries (see Note 6) and interest income (see Note 4).

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

(a) *Dividends* – Revenue is recognized when the Company's right to receive dividends is established, it is probable that economic benefits associated with the dividends will flow to the Company, and the amount of dividend can be measured reliably (see Notes 5.1 and 6).

(b) *Interest income* – This is recognized as the grossed-up interest accrues taking into account the effective yield on the asset (see Note 4).

Cost and expenses are recognized in profit or loss upon utilization of goods or rendering of services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis.

2.10 Impairment of Non-financial Assets

The Company's investments in subsidiaries (see Note 6) and other non-financial assets (see Note 5.2) are subject to impairment testing whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable [see Note 3.2(c)].

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level. Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use based on an internal evaluation of discounted cash flow using a suitable interest rate. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.11 Share-based Employee Remuneration

The Company grants share options to qualified employees of the Group eligible under a share option plan (see Note 10.5). The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets and performance conditions), if any [see Note 3.2 (e)]. In case the recipient of the share options is an employee of a subsidiary of the Company, the share-based remuneration is recognized as an additional cost of investment in such subsidiary (expense in the profit or loss in the financial statements of the subsidiary) (see Note 6) with a corresponding credit to Share Options account in the Equity section of the Company's statement of financial position.

The share-based remuneration is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number of share options that ultimately vests on vesting date. No subsequent adjustment is made to investment cost after vesting date, even if share options expire or are ultimately not exercised.

Upon exercise of share option, the proceeds received, net of any directly attributable transaction costs up to the nominal value of the shares issued, are allocated to capital stock with any excess being recorded as additional paid-in capital ("APIC") (see Note 2.15).

Upon expiration of the unexercised share option, the value assigned to the stock option is transferred to APIC (see Note 2.15).

2.12 Income Taxes

Tax expense should comprise the sum of current tax and deferred tax recognized in profit or loss.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or current tax liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, provided such tax rates have been enacted or substantially enacted at the end of the reporting period.

Most changes in deferred tax assets or deferred tax liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

There were no deferred tax assets or deferred tax liabilities recognized as at December 31, 2022 and 2021 [see Notes 3.2(b) and 8.1].

2.13 Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged (see Note 9).

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company; and, (d) close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Transactions, either individually or in aggregate, amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a one year period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

Directors with personal interest in the transaction should abstain from participating in discussions and voting on the same. In case they refuse to abstain, their attendance shall not be counted for the purposes of assessing the quorum and their votes shall not be counted for purposes of determining approval.

2.14 Current or Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

2.15 Equity

Capital stock represents the nominal value of shares that have been issued (see Note 10.1).

APIC represents any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits (see Note 10.1). Excess of proceeds from sale of treasury shares over acquisition cost of such treasury shares is also added to APIC.

Deposit for future stock subscription – Equity-linked securities represents the remaining portion of ELS subject for future issuance of shares [see Notes 2.6, 3.2(d) and 10.2(a)].

Treasury shares are stated at the cost of reacquiring such shares and are deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of (see Note 10.3).

Share options represent the accumulated total of employee share options' amortizations over the vesting period as share-based employee remuneration are recognized and reported in Investments in Subsidiaries account in the statement of financial position (see Notes 2.11, 6 and 10.5). These will eventually be closed to APIC upon exercise or expiration.

Conversion options represent the equity component of ELS [see Notes 2.6, 3.2(d) and 10.2(a)] that will eventually be closed to APIC upon conversion of the ELS into the Company's shares of stock.

Retained earnings represent all current and prior period results of operations as reported in profit or loss, reduced by the amounts of dividends declared (see Note 10.4).

2.16 Earnings Per Share

Basic earnings per share (EPS) is determined by dividing the net profit by the weighted average number of common shares issued and outstanding, adjusted retroactively for any stock dividends, stock split or reserve stock split declared and shares reacquired during the current year.

Diluted EPS is computed by adjusting the weighted average number of shares outstanding to assume conversion of dilutive potential shares. The Company has negligible dilutive potential shares outstanding related to its employee share options and convertible ELS, which are deemed to have been converted to common shares at the issuance of the options (see Note 11).

2.17 Events After the End of the Reporting Period

Any post year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements (see Note 17).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) *Evaluation of Business Model and Cash Flow Characteristics of Financial Assets*

The Company applies the business model test and cash flow characteristics test at a portfolio of financial assets (i.e., group of financial instruments that are managed together to achieve a particular objective) and not on an instrument-by-instrument approach (i.e., not based on intention for each or specific characteristic of individual instrument) as these relate to the Company's investment and trading strategies. The business model assessment is performed on the basis of reasonably expected scenarios (and not on reasonably expected not to occur, such as the so-called 'worst case' or 'stress case' scenarios). A business model for managing financial assets is typically observable through the activities that the Company undertakes to achieve the objective of the business model.

The Company uses judgment when it assesses its business model for managing financial assets and that assessment is not determined by a single factor or activity. Instead, the Company considers all relevant evidence that is available at the date of assessment which includes, but not limited to:

- How the performance of the business model and the financial assets held within the business model are evaluated and reported to key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and,
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

(b) *Determination of ECL on Financial Assets at Amortized Cost*

The Company applies the ECL methodology which requires certain judgments in selecting the appropriate method in determining ECL. Significant portion of the Company's financial assets at amortized cost are dividend receivables. Since the contractual period on these receivables is very short as these are repayable on demand, management determined that the use of liquidity analysis model is applicable.

Details about the ECL on the Company's financial assets at amortized cost are disclosed in Note 13.2.

(c) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish the difference between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and disclosures on relevant provisions and contingencies are presented in Note 12.

3.2 Key Sources of Estimation Uncertainty

Presented in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) *Estimation of Allowance for ECL*

In measuring ECL, the Company uses significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses), as further detailed in Note 13.2. Based on management's review, no allowance for ECL is required to be recognized on the Company's financial assets in 2022, 2021 and 2020 [see Notes 2.4(b), 4 and 6].

(b) *Determination of Realizable Amount of Deferred Tax Assets*

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Based on management's assessment, the Company may not have sufficient future taxable profits against which its deferred tax assets can be utilized. Accordingly, the Company did not recognize the related deferred tax assets as of December 31, 2022 and 2021 (see Note 8.1).

(c) *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Based on management's assessment, no impairment loss is required to be recognized on the Company's prepaid taxes and investments in subsidiaries in 2022, 2021 and 2020 (see Notes 2.10, 5.2 and 6).

(d) *Recognition of Financial Liability and Equity Components of Compound Financial Instruments*

The ELS (see Note 2.6) contains both a financial liability component, which is the Company's contractual obligation to pay cash, and an equity component, which is the holder's option to convert it into the Company's common shares. The value of the financial liability component is determined separately which is deducted from the fair value of the compound instrument as a whole, and the residual amount is assigned as the value of the equity component.

Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as own credit risk, volatilities and correlations require management to make estimates. The Company uses judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

Initially, the Company determined the carrying amount of the financial liability component by measuring the present value of the contractual stream of future cash flows, using the interest rate of similar liabilities that do not have an associated equity component. When the fair value of the financial liability is compared with the fair value of the compound financial instrument as a whole, which is equivalent to the issue price, there was no residual amount such that no value was assigned to the equity component; hence, no equity component was recognized in the financial statements at that time. Subsequently, the financial liability was measured at amortized cost.

In 2017, as a result of the amendment of the ELS, management reassessed the compound financial instrument and recomputed the fair values of the components at the time of amendment (see Note 10.2), which resulted in a revalued financial liability component (see Note 2.6) and an equity component with value (see Note 2.15).

On December 4, 2019, the Company exercised the option to extend the redemption date of ELS until December 4, 2021 which did not result to substantial modification of terms.

On December 3, 2021, the financial liability component was derecognized and an equity component was recognized amounting to P3.4 billion, which is presented as Deposit for Future Stock Subscription – Equity-linked Securities under the Equity section of the statements of financial position [see Note 10.2(a)].

(e) Fair Value of Share Options

The Company estimates the fair value of the share options by applying an option valuation model, taking into account the terms and conditions on which the share option was granted. The estimates and assumptions used are presented in Note 10.5 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the Company's share price and fair value of the Company's common shares. Changes in these factors can affect the fair value of share options at grant date.

Details of the share option plan and the amount of fair value (see Note 2.11) recognized as additional investment in EDI are disclosed in Note 10.5.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2022	2021
Cash in banks	**P 24,299,440**	P 19,186,767
Short-term placements	**5,226,039,273**	698,223,725
	P 5,250,338,713	P 717,410,492

Cash in banks generally earn interest based on daily bank deposit rates.

Short-term placements are made for varying periods from 30 to 63 days and earn effective annual interest rates ranging from 0.50% to 5.75% in 2022, 0.50% to 0.63% in 2021 and 0.50% to 3.75% in 2020 (see Notes 13.1, 13.2 and 15.3). Gross interest earned and accrued amounted to P43.9 million, P3.4 million and P26.3 million in 2022, 2021 and 2020, respectively, and is presented as Interest Income under the Other Income (Charges) section, while the final tax withheld therefrom is included under Tax Expense account (see Note 8.1), in the statements of comprehensive income. As of December 31, 2022 and 2021, the accrued interest, net of final taxes, amounting to P6.3 million and P0.3 million, respectively, are presented as part of Receivables account in the statements of financial position.

5. OTHER CURRENT ASSETS

5.1 Financial Assets At FVTPL

These pertain to marketable equity securities acquired in 2022 which meet the definition of financial assets at FVTPL classified as held for trading (see Note 2.4). The fair values of these financial assets were determined from quoted market prices (see Note 15.2).

These financial assets at FVTPL do not, and are not required to, undergo impairment testing [see Note 2.4(b)]. The change in fair values of these financial assets resulted in a P25.9 million loss in 2022 and is presented as part of Other Charges account under the Other Income (Charges) section of the 2022 statement of comprehensive income (see Notes 7 and 15.2). Dividend received in 2022 amounted to P7.1 million and is presented as part of Dividend Income account under the Other Income (Charges) section of the 2022 statement of comprehensive income.

There was no similar transaction in 2021 and 2020.

5.2 Prepaid Taxes

This account consists of the following:

	2022	2021
Input value-added tax (VAT)	**P 3,603,956**	P 3,007,536
Creditable withholding tax	**2,024,758**	2,024,758
	P 5,628,714	P 5,032,294

6. INVESTMENTS IN SUBSIDIARIES

The carrying values of investments in subsidiaries, accounted for under the cost method, are as follows:

	Notes	% Interest Directly Held	**2022**	2021
EDI	1.1, 10.5	100%	**P 13,760,630,273**	P 13,684,211,852
EIL	1.1	84%	**29,321,049,164**	29,321,049,164
			P 43,081,679,437	P 43,005,261,016

The registered offices and the places of operations of the Company's direct subsidiaries are summarized below.

(a) EDI's registered office, which is also its principal place of business, is located at the 7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

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

Additions to the investment in EDI pertain to amortizations of the fair value of share options during the year (see Notes 2.11 and 10.5).

As of December 31, 2022 and 2021, the management assessed that the Company's investments in subsidiaries are not impaired. Dividends declared by EDI amounting to P3.7 billion, P4.1 billion and P2.9 billion in 2022, 2021 and 2020, respectively, and dividends declared by EIL amounting to P1.0 billion in 2021 (nil in 2022 and 2020) are presented as part of Dividend Income under the Other Income (Charges) section of statements of comprehensive income; and an outstanding dividend receivable from EDI amounting to P0.3 billion and P1.1 billion as of December 31, 2022 and 2021, respectively, is presented as part of Receivables account in the statements of financial position (see Note 9).

7. OTHER CHARGES

The details of the account are as follows:

	Notes	**2022**	2021	2020
Fair value loss on financial assets at FVTPL	5.1	**P 25,931,248**	P -	P -
Bank charges		**600**	600	475
Interest expense	10.2	**-**	152,000,000	54,465,189
		P 25,931,848	P 152,000,600	P 54,465,664

8. TAXES

8.1 Income Taxes

The tax expense recognized in profit or loss in the statements of comprehensive income represents the final tax withheld on interest income earned from cash and cash equivalents at P8.8 million, P0.7 million and P5.3 million in 2022, 2021 and 2020, respectively (see Note 4).

The Company is subject to regular corporate income tax ("RCIT") on taxable net income or minimum corporate income tax ("MCIT") on gross income, net of allowable deductions as defined under the tax regulations, whichever is higher. The Company opted to claim itemized deductions in computing for its income tax due for the reporting periods. No RCIT or MCIT was reported in 2022, 2021 and 2020 because of taxable loss position in these taxable years.

The Company avails of the exemption from income tax of foreign-sourced dividends as provided under the Corporate Recovery and Tax Incentives for Enterprises Act, which took effect in April 2021, in relation to the P1.0 billion dividend received from EIL in 2021 (see Note 6). There was no similar transaction in 2022.

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the profit or loss section of the statements of comprehensive income is as follows:

	2022	2021	2020
Tax on pretax profit at 25% in 2022 and 2021; and 30% in 2020	**P 927,720,605**	P1,231,333,054	P 849,306,147
Adjustment for income subjected to lower tax rates	**(2,197,409)**	(171,382)	(2,627,313)
Tax effects of:			
Tax-exempt dividend income from domestic entities	**(926,765,967)**	(1,020,000,000)	(866,534,799)
Non-deductible expenses	**8,742,340**	38,000,150	22,425,443
Unrecognized NOLCO	**1,290,069**	1,523,707	2,685,266
Tax-exempt dividend income from foreign subsidiary	**-**	(250,000,000)	-
Tax expense	**P 8,789,638**	P 685,529	P 5,254,744

The Company did not recognize deferred tax asset as of December 31, 2022 and 2021 as management does not expect to have sufficient future taxable profit that will be available against which this deferred tax asset can be utilized [see Note 3.2(b)].

The Company has unrecognized deferred tax asset amounting to P5,051,498 and P6,975,935 as of December 31, 2022 and 2021, respectively, arising from NOLCO amounting to P20,205,992 and P27,903,738, respectively.

The amount of NOLCO, which can be utilized as deduction within the allowed validity period after the year the tax loss was incurred, is presented below. Specifically, the NOLCO incurred in 2021 and 2020 can be claimed as a deduction within five years after the year it was incurred, pursuant to Section 4 (bbbb) of Republic Act No. 11494, *Bayanihan to Recover as One Act* (otherwise known as Bayanihan II) and as implemented under Revenue Regulations ("RR") No. 25-2020.

Year Incurred	Original Amount	Expired Amount	Remaining Balance	Valid Until
2022	P 5,160,274	P -	P 5,160,274	2025
2021	6,094,831	-	6,094,831	2026
2020	8,950,887	-	8,950,887	2025
2019	12,858,020	(12,858,020)	-	2022
	P 33,064,012	(P 12,858,020)	P 20,205,992	

8.2 Supplementary Information Required by the Bureau of Internal Revenue

The Bureau of Internal Revenue ("BIR") issued RR No. 15-2010, which require certain tax information to be disclosed as part of the notes to financial statements. The Company presented this tax information required by the BIR as a supplemental schedule filed separately from the basic financial statements.

9. RELATED PARTY TRANSACTIONS

The Company's related parties include its parent company, subsidiaries, related parties under common ownership and others as described in Note 2.13. The summary of the Company's transactions with its related parties for the years ended December 31 and related outstanding balances as of the end of the reporting periods is as follows:

Related Party Category	Notes	Amount of Transaction 2022	Amount of Transaction 2021	Amount of Transaction 2020	Outstanding Balance Receivable (Payable) 2022	Outstanding Balance Receivable (Payable) 2021
Parent Company –						
Dividends declared	10.4	**P -**	P 4,252,534,514	P 1,403,196,355	**P -**	P -
Subsidiaries:						
Dividends earned	6	**3,700,000,000**	5,080,000,000	2,888,449,329	**300,000,000**	1,111,500,000
Accounts payable/collected	9.1	**(444,445,240)**	(246,500,000)	(502,877,960)	**(1,193,823,200)**	(749,377,960)
Employee share options	6, 10.5	**76,418,421**	44,927,979	26,958,169	**-**	-

The Company's outstanding receivables from and payables to related parties arising from the foregoing transactions are unsecured, noninterest-bearing and demandable in cash, unless otherwise stated. All receivables from related parties are considered fully collectible; hence, no impairment was recognized.

Details of transactions with related parties are discussed below.

9.1 Receivable from (Payable to) Subsidiaries

In 2020, the Company received net unsecured, noninterest-bearing cash advances for financial capital purposes, which are payable upon demand. In 2021, the advance granted to a subsidiary in 2020 was fully collected. In 2022, the Company acquired financial assets at FVTPL payable to a subsidiary (see Note 5.1). Outstanding balance as of December 31, 2022 and 2021 is presented as part of Other Payables account in the statements of financial position.

9.2 Guarantee

On October 10, 2019, EIL obtained a €405.0 million syndicated five-year term loan with interest at a rate of 1.05% per annum over Euro Interbank Offered Rate payable monthly to semi-annually in arrears, at the option of the borrower. The principal is payable in full at maturity. The loan which was used to pay existing loans, is unconditionally and irrevocably guaranteed by the Company jointly and severally with EDI. Outstanding balance of the loan principal as of December 31, 2022 amounted to €330.0 million.

9.3 Others

The Company's administrative and accounting functions are being handled by a certain subsidiary.

10. EQUITY

10.1 Capital Stock

Capital stock consists of:

	Shares 2022	Shares 2021	Shares 2020	Amount 2022	Amount 2021	Amount 2020
Common shares – P1 par value						
Authorized – 20.0 billion shares						
Issued and outstanding:						
Balance at beginning of year	**15,736,741,238**	15,838,190,038	15,759,165,376	**P11,962,277,735**	P 12,964,407,456	P 12,754,551,764
Treasury shares – at cost (see Notes 2.15 and 10.3)	**-**	(101,718,800)	79,024,662	**-**	(1,002,129,721)	209,855,692
Balance at end of year	**15,736,471,238**	15,736,471,238	15,838,190,038	**P11,962,277,735**	P 11,962,277,735	P 12,964,407,456

The BOD of the PSE approved the listing of the common shares of the Company on October 16, 2011.

On December 19, 2011, the Company issued through initial public offering ("IPO") an additional 22.0 million shares with an offer price of P4.5 per share. The Company incurred P10.9 million IPO-related costs, P4.2 million of which was charged against APIC and the balance of P6.7 million was recognized as part of other operating expenses. Net proceeds from the IPO amounted to P90.8 million.

On December 27, 2012, the Company issued additional 6.0 million shares with an offer price of P5.5 per share through a private placement.

On June 19, August 27, and September 5, 2013, the Company's BOD, stockholders, and SEC, respectively, approved the increase in authorized capital stock of the Company from P100.0 million divided into 100.0 million shares to P20.0 billion divided into 20.0 billion shares both with par value of P1.0 per share. On July 4, 2013, the Company's BOD approved the issuance of 6.5 million shares at par value to two foreign investors. On August 28, 2013, AGI and other investors subscribed to an aggregate of 14.9 billion shares. Under the terms of AGI's subscription, the Company acquired all of EDI shares held by AGI (see Note 1.1).

On September 17, 2013, AGI launched an offering of 1.8 billion shares of the Company's shares, which is approximately 12% of the total issued shares. The said offering was priced at P8.98 per share. On September 25, 2013, the settlement date, the amount of P11.2 billion out of the net proceeds was directly remitted to the Company as an additional subscription price from AGI under the terms of the amended agreement with AGI; such amount is recorded as APIC in the Company's books. Costs related to the issuances amounting to P176.3 million were deducted from APIC.

On September 25, 2013, AGI beneficially acquired two minority corporate stockholders of the Company which held a combined 9.55% of the total issued shares. Thus, AGI beneficially owns 87.55% of EMI as of December 31, 2013.

On November 7, 2014, the Company entered into a subscription agreement for the issuance of 1.1 billion common shares at an offer price of P11.0 per share through a private placement. The subscription price amounting to P12.3 billion was fully paid, and the shares were issued, on December 4, 2014 [see Note 10.2(a)]. The excess of the subscription price over the par value amounting to P11.2 billion was added to APIC (see Note 2.15).

On November 28, 2017, the Company issued 122.4 million common shares at P6.80 per share in consideration of the accrued interest on ELS amounting to P832.3 million [see Note 10.2(a)]. The excess of accrued interest over the par value amounting to P709.9 million was recorded as part of APIC.

On February 5, 2020, the Company issued 253.3 million shares for Tranche 1 Conversion of the ELS [see Notes 10.2(a) and 10.3]. Consequently, Conversion Options amounting to P47.7 million was transferred to APIC.

On December 3, 2021, Tranche 2 Conversion of the ELS amounting to P3,443.8 million was transferred into equity with the Tranche 2 Shares to be issued in 2023 [see Note 10.2(a)]. Consequently, the ELS is reported as Deposit for Future Stock Subscription – Equity-Linked Securities [see Note 10.2(a)].

On July 14, 2022, the Company secondary listed its shares on the Main Board of the SGX-ST.

As of December 31, 2022 and 2021, the quoted closing price per share at the PSE is P20.60 and P20.80, respectively, and there are 134 and 135 holders in 2022 and 2021, which include nominee accounts, of the Company's total issued and outstanding shares. The percentage shares of stocks owned by the public are 20.10% and 15.01% as of December 31, 2022 and 2021, respectively.

10.2 Equity-linked Securities

(a) Components

On November 7, 2014, the Company, as the Issuer, entered into a subscription agreement with Arran Investment Private Limited ("Arran" or the "Holder") for the issuance of 1.1 billion common shares at a total subscription price of P12.3 billion (see Note 10.1) and an ELS (see Note 2.6) amounting to P5.3 billion ("Issue Price"). The shares and the ELS were issued on December 4, 2014 ("Issue Date"). The ELS may be converted into a fixed number of common shares ("Conversion Shares").

Arran had the Holder Conversion Right for the conversion of the ELS into all of Conversion Shares at any time during the period beginning on the Issue Date until December 5, 2019 ("Redemption Date"). The Company had the Issuer Conversion Right ("ICR") for the conversion of the ELS into all of the Conversion Shares at any time during the period beginning on the date that is two (2) years after the Issue Date until Redemption Date, provided, that the share market price must be greater than the stipulated price ("Share Market Price") on the date the ICR is exercised. If Arran and the Company failed to exercise their conversion rights within the said periods and the ELS was not converted into shares, the Company had the option to extend the Redemption Date for the ELS until December 4, 2021 ("Extended Redemption Date"), upon notice to Holder at least thirty (30) days prior to Redemption Date. The ELS would be mandatorily converted into the Conversion Shares at any time during the period beginning on Redemption Date until Extended Redemption Date when the Share Market Price was reached.

The ELS bore a fixed interest rate compounded annually ("Fixed Interest"), payable either in cash or in new shares ("Interest Shares") on the conversion date, Redemption Date, or Extended Redemption Date, as applicable (see First Amendment below). The ELS also bears a variable interest in an amount equal to the dividends that would be payable on the Conversion Shares as if they were issued prior to the date that any dividend is declared by the Company ("Variable Interest"), payable in cash on the date that the Company pays the dividends to its stockholders.

On June 15, 2017, the parties formally agreed to amend the ELS (the "First Amendment") which amendments included the following:

(a) Fixed Interest was amended to 0%, from 5%;
(b) The Accrued Interest Payable amounting to P832.3 million was applied as consideration for 122,391,176 common shares ("Accrued Interest Shares") (see Note 10.1);
(c) Conversion Shares became 728,275,862 new and fully paid-up shares, instead of 480.0 million;
(d) ICR ended on June 15, 2017; and,
(e) Share Market Price for the mandatory conversion at any time during the period beginning on Redemption Date and ending on the Extended Redemption Date is amended to 'greater than P7.25 per share', instead of 'greater than P11.0 per share' ("Share Market Price").

Consequent to the amendments in certain terms of the ELS in 2017 as mentioned in the preceding paragraph, the financial liability component was revalued at P5.1 billion and the equity component was valued at P136.2 million, which represented the residual amount after deducting from the Issue Price the financial liability component. The carrying amounts of the components are presented separately in the statements of financial position [see Notes 2.15 and 3.2(d)] while the amortization of the revalued financial liability component is presented as part of Interest expense in the Other Charges account under the Other Income (Charges) section of the statements of comprehensive income [see Notes 7 and 10.2(b)].

On December 4, 2019, the Company exercised the option to extend the Redemption Date to Extended Redemption Date. This did not result to any substantial modification of terms.

On December 23, 2019, the parties entered into an amendment (the "Second Amendment") which included:

(a) The Holder is given the right to request conversion of:
   (i) P1,836,250,000 into 253,275,862 shares, which shall come from the Company's treasury shares ("Tranche 1 Conversion Shares") ("Tranche 1 Conversion"); and,
   (ii) P3,443,750,000 into 475,000,000 shares ("Tranche 2 Shares") ("Tranche 2 Conversion").
(b) The Holder is allowed to transfer the ELS to an affiliate of the Company.

On January 31, 2020, the parties entered into an amendment (the "Third Amendment"), which removed the mandatory conversion of the ELS when the Share Market Price of greater than P7.25 per share is reached at any time during the period under Extended Redemption Date.

On February 5, 2020, the Holder exercised its right to Tranche 1 Conversion. Pursuant to this conversion (see Note 10.3), the Company also reclassified a portion of the Conversion Options amounting to P47.7 million to APIC in 2020 (see Note 2.15).

On December 3, 2021, the Holder exercised its right to Tranche 2 Conversion and the Company was given a period until February 28, 2022 to issue the Tranche 2 Shares ("Conversion Period"). Pursuant to this, the Company derecognized the financial liability component of the ELS and recognized an equity component amounting to P3.4 billion, which is presented as Deposit for Future Stock Subscription – Equity-linked Securities under the Equity section of the statements of financial position [see Notes 2.15 and 3.2(d)].

In 2022, the Company and the Holder mutually agreed to amend or modify the Conversion Period to a later date which is presently agreed to be up to August 12, 2023 or such other date as may be mutually agreed in writing between the Holder and the Company.

The issuance of Tranche 2 Shares is expected to happen in 2023. Upon the actual conversion in 2023, the Company will reclassify the remaining portion of the Conversion Options amounting to P88.5 million to APIC (see Note 2.15).

Variable interest of P152.0 million and P52.3 million were respectively incurred in 2021 and 2020 (no declaration in 2022) and are presented as part of Interest expense in the Other Charges account under the Other Income (Charges) section of the statements of comprehensive income (see Note 7).

On January 26, 2023, the Company and Arran executed an agreement that clarified the continuation of Variable Interest on the Tranche 2 Shares effective until August 12, 2023 or the issuance of the Tranche 2 Shares, whichever comes earlier (see Note 17).

There were no related collaterals on the ELS.

(b) Reconciliation of Liabilities from Financing Activities arising from Equity-Linked Debt Securities

The Company has no liabilities arising from financing activities in 2022. Presented below is the reconciliation of liabilities arising from financing activities as of December 31, 2021, which included both cash and non-cash changes.

	Equity-linked Debt Securities	Accrued Interest Payable	Total
Balance as of January 1, 2021	P 3,443,750,000	P -	P 3,443,750,000
Cash flows from financing activity –			
Payment of interest [see Note 10.2(a)]	-	(152,000,000)	(152,000,000)
Non-cash financing activities:			
Transfer to equity component [see Notes 10.2(a)]	(3,443,750,000)	-	(3,443,750,000)
Accrual of variable interest (see Note 7)	-	152,000,000	152,000,000
Balance as of December 31, 2021	P -	P -	P -

10.3 Treasury Shares

On May 12, 2017, the Company's BOD authorized the buy-back of the Company's common shares of up to P5.0 billion for a term of 2 years from May 16, 2017 to May 16, 2019. On May 7, 2019, the buy-back program of the Company's common shares of up to P3.0 billion was extended for 12 months ending on May 16, 2020. On May 16, 2020, the BOD approved another 12-month extension ending on May 16, 2021 under the same terms and conditions. On April 12, 2021, the Company's BOD authorized another buy-back program of the Company's common shares of up to P1.0 billion from April 12, 2021 up to December 31, 2021 under the same terms and conditions as the previous program. The allotment was fully used up by the end of June 30, 2021.

The Company had spent P6.12 billion, including trading charges, to purchase a total of 759.20 million shares under the buy-back program. In 2021 and 2020, the Company has repurchased 101.7 million and 174.2 million shares for P1.0 billion and P1.63 billion, respectively (nil in 2022). Out of these, a total of 253.3 million shares had been issued to Arran for Tranche 1 Conversion pursuant to the exercise of its right to convert under Second Amendment of the ELS [see Note 10.2(a)].

As of December 31, 2022 and 2021, there were 505,919,938 shares costing P4.28 billion that were reported under Treasury Shares account in the statements of changes in equity. These repurchased shares do not form part of the outstanding shares.

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the cost of the shares to be purchased or acquired. Nevertheless, the Company has sufficient retained earnings available for dividend distribution (see Note 10.4).

10.4 Retained Earnings

The amount of retained earnings available for dividend distribution is restricted by the cost of treasury shares that the Company holds (see Note 10.3). The Company's cash dividend declarations in the years reported are as follows:

	2021	2020
Declaration date	January 4, 2021 March 8, 2021 August 2, 2021	August 5, 2020
Record date	January 15, 2021 March 19, 2021 August 13, 2021	August 18, 2020
Payable date	February 3, 2021 April 15, 2021 September 8, 2021	September 3, 2020
Dividend rate	P 0.12 0.09 0.11	P 0.11
Total amount	P 5,057,031,744	P 1,751,016,634

There were no dividends declared in 2022. There were no unpaid dividends as of December 31, 2022 and 2021.

10.5 Employee Share Option

On November 7, 2014, the Company's BOD approved an employee share option plan ("ESOP") for qualified employees of the Group. The ESOP was adopted by the shareholders on December 15, 2014 ("Plan Adoption Date").

The options shall generally vest on the 60th birthday of the option holder or until the date of his/her retirement, whichever is later, provided that the option holder had continuously served as an employee from the date of the grant until his/her 60th birthday or until the date of his retirement from the Company and/or its subsidiary, and may be exercised within 5 years from vesting date. The exercise price shall be at most a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

On August 17, 2021, the BOD approved an Amended ESOP that further provided: If the option holder aged 50 years and above has continuous service of at least 20 years before the offer date, the option shall vest whichever comes earlier of (i) after another 11 years of continuous service, or (ii) after 3 years from his/her retirement provided that his/her protégé/disciple has remained as a key employee of the Group for 3 years from date of the holder's retirement.

Pursuant to this ESOP, on November 6, 2015, the Company granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of the Company, at an exercise price of P7.00 per share. As of December 31, 2022, a total of 9.0 million shares were cancelled due to resignations.

On March 15, 2021 and August 25, 2021, share options were granted to certain qualified grantees of EDI to subscribe to 20.0 million and 55.0 million common shares of the Company, at an exercise price of P10.10 and P10.65 per share, respectively.

On February 11, 2022, share options were granted to a qualified employee of EDI to subscribe to 5.0 million common shares of the Company at an exercise price of P13.95 per share.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP.

The following principal assumptions were used in the valuation:

Average option life	11 - 22 years
Share price at grant date	P8.90 – P22.50
Exercise price at grant date	P7.00 - P13.95
Average fair value of option at grant date	P3.26 - P13.35
Average standard deviation of share price returns	10.24% - 13.13%
Average dividend yield	1.08% - 1.10%
Average risk-free investment rate	4.44% - 5.24%

The underlying expected volatility was determined by reference to historical prices of the Company's shares over a period of one year.

The Company has an obligation to settle the transaction with EDI's employees by providing the Company's own equity instruments. Accordingly, additional investments in EDI amounting to P76.4 million (net of resignees), P44.9 million and P27.0 million were recognized in 2022, 2021 and 2020, respectively, with corresponding credits to Share Options account (see Note 6).

11. BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share were computed as follows:

	2022	2021	2020
Net profit for the year	**P 3,702,092,780**	P 4,924,646,685	P 2,825,765,745
Divided by the weighted average number of outstanding common shares (see Note 2.16)	**15,736,471,238**	15,774,404,823	15,910,493,932
Basic and diluted earnings per share	**P 0.24**	P 0.31	P 0.18

The Company granted share options to qualified grantees totalling 118.0 million common shares of the Company in 2015, out of which a total of 9.0 million were cancelled in 2022 due to resignations; 75.0 million common shares in 2021; and 5.0 million in 2022 (see Note 10.5).

In 2022, 2021 and 2020, the ELS instrument has 475.0 million shares that have not yet been issued [see Note 10.2(a)].

The basic and diluted earnings per share as presented above are the same because the dilutive effects of potential common shares from the employee share options and convertible ELS are negligible for 2022, 2021 and 2020. Thus, the weighted average number of issued and outstanding common shares presented above does not include the effect of the potential common shares from the employee share options and convertible ELS.

12. COMMITMENTS AND CONTINGENCIES

Except as disclosed in Note 9.2, there are other commitments, guarantees and contingent liabilities that arise in the normal course of the Company's operations that are not reflected in the financial statements. Management is of the opinion that losses, if any, from these items will not have any material effect on the Company's financial statements.

13. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to certain financial risks in relation to financial instruments. The Company's financial assets and financial liabilities by category are discussed in Note 14. The main types of risks are market risk, credit risk and liquidity risk.

There have been no significant changes in the Company's financial risk management objectives and policies during the year.

13.1 Market Risk

The Company is exposed to market risk described below through its use of financial instruments which result from its operating, investing, and financing activities.

(a) Interest Rate Risk

As of December 31, 2022 and 2021, the Company is exposed to changes in market interest rates through its cash in banks and short-term placements which are subject to 30 to 63 days re-pricing intervals (see Note 4). Due to the short duration of short-term placements, management believes that interest rate sensitivity and its effect on the net results and equity are not significant. There are no other financial assets and financial liabilities that have variable interest rates.

(b) Price Risk

The Company's market price risk arises from its investment carried at FVTPL. The Company manages exposures to price risk by monitoring the changes in the market price of the investment and at some extent, diversifying the investment portfolio in accordance with the limit set by management.

For equity securities listed in the Philippines, an average volatility of 46% has been observed in 2022. If quoted price for these securities increased or decreased by that amount, profit before tax and equity would have changed by P192.5 million and P144.4 million, respectively, in 2022.

13.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from placing deposits with banks and dividend receivable from a subsidiary.

Generally, the maximum credit risk exposure of financial assets is the total carrying amount of the financial assets as shown in the statements of financial position, as summarized below.

	Notes	2022	2021
Cash and cash equivalents	4	**P 5,250,338,713**	P 717,410,492
Receivables	4, 6	**306,279,728**	1,111,780,341
		P 5,556,618,441	P 1,829,190,833

The Company's management considers all of the above unimpaired financial assets to be of good credit quality. None of the financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents.

For cash and cash equivalents, the credit risk is considered negligible because the counterparties are reputable universal banks with high quality external credit ratings. Moreover, cash and cash equivalents are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

For receivables, the lifetime ECL rate is assessed at 0%, as there were no historical credit loss experience [see Note 2.4(b)]. The counterparty also has strong financial condition and sufficient liquidity to settle its obligations to the Company once they become due. These consist of dividend receivable from a subsidiary and accrued interest from banks, which are fully collected subsequently in the following year.

13.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in short-term placements.

As of December 31, 2022 and 2021, the Company's financial liabilities amounting to P1.2 billion and P0.7 billion, respectively, have contractual maturities of six to 12 months from the end of the reporting periods.

14. CATEGORIES AND OFFSETTING OF FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

14.1 Carrying Values and Fair Values of Financial Assets and Financial Liabilities

The Company has no financial assets carried at fair value whose fair value is required to be disclosed, except for financial assets at FTVPL (see Note 5.1). For the Company's financial assets and financial liabilities at amortized cost as of December 31, 2022 and 2021, management considers that their carrying values approximate or equal their fair values, thus, no further comparison is presented. Fair value determination of such financial instruments is discussed in Note 15.

See Note 2.4 and 2.6 for a description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 13.

14.2 Offsetting of Financial Assets and Financial Liabilities

The Company does not have relevant offsetting arrangements. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument (particularly related parties) may have the option to settle all such amounts on a net basis in the event of default of the other party through approval of both parties.

15. FAIR VALUE MEASUREMENT AND DISCLOSURES

15.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on the Company's specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

15.2 Financial Instruments Measured at Fair Value

Marketable equity securities classified as financial assets at FVTPL are included in Level 1 as their prices are derived from quoted prices in the active market that the entity can access at the measurement date.

The Company recognized fair value loss of P25.9 million in 2022 for its financial assets at FVTPL (see Note 5.1).

The Company has no financial liabilities measured at fair value as of December 31, 2022 and 2021. There were no transfers across the levels of the fair value hierarchy in both years.

15.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed (see Note 2.4 and 2.6).

	2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets:				
Cash and cash equivalents	P 5,250,338,713	P -	P -	P 5,250,338,713
Receivables	306,279,728	-	-	306,279,728
	P 5,556,618,441	**P -**	**P -**	**P 5,556,618,441**
Financial liability –				
Other payables	**P -**	**P -**	**P 1,193,823,200**	**P 1,193,823,200**

	2021			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P 717,410,492	P -	P -	P 717,410,492
Receivables	1,111,780,341	-	-	1,111,780,341
	P 1,829,190,833	P -	P -	P 1,829,190,833
Financial liability –				
Other payables	P -	P -	P 749,377,960	P 749,377,960

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying values of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 3, which are not traded in an active market, are calculated based on the expected cash flows of the underlying net asset base of the instrument.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

16. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to stockholders by identifying investment opportunities commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position.

Capital for the reporting periods under review is summarized as follows:

		2022		2021
Total liabilities	**P**	**1,201,658,441**	P	757,213,201
Total equity		**47,860,782,143**		44,082,270,942
Debt-to-equity ratio		**0.03 : 1**		0.02 : 1

The Company sets the amount of capital in proportion to its overall financing structure (i.e., equity and total liabilities). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to stockholders, issue new shares or sell assets to reduce debt.

17. EVENT AFTER THE END OF THE REPORTING PERIOD

On January 26, 2023, the Company and Arran executed an agreement that clarified the continuation of Variable Interest on the Tranche 2 Shares effective from the date of the agreement until August 12, 2023 or the issuance of the Tranche 2 shares, whichever comes earlier [see Note 10.2(a)].

P&A
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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

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

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Emperador Inc. as of and for the year ended December 31, 2022, on which we have rendered our report dated March 15, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following applicable supplementary information are presented for purpose of additional analysis in compliance with the requirements under the Revised Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

a. Reconciliation of Retained Earnings Available for Dividend Declaration; and

b. Map Showing the Relationships Between and Among the Company and its Related Entities.

Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

March 15, 2023

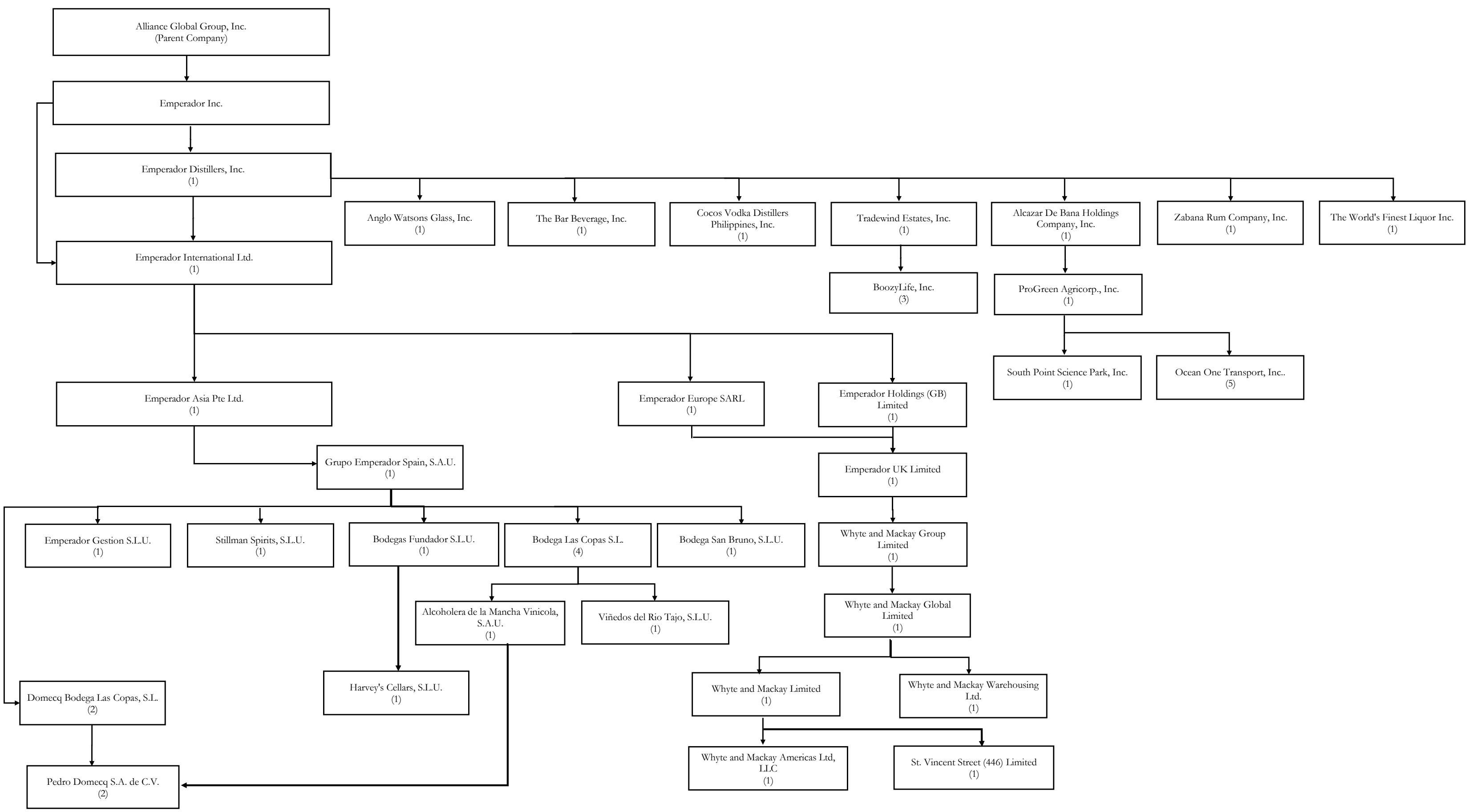
EMPERADOR INC.

7th Floor, 1880 Eastwood Avenue, Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
For the Year Ended December 31, 2022

Unappropriated Retained Earnings at Beginning of Year	P	5,297,597,402
Retained Earnings Restricted for Treasury Shares		(4,280,113,441)
Unappropriated Retained Earnings Available for Dividend Declaration at Beginning of Year, as Adjusted		1,017,483,961
Net Income per Audited Financial Statements		3,702,092,780
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	**P**	**4,719,576,741**

EMPERADOR INC. AND SUBSIDIARIES
Map Showing the Relationship Between Emperador Inc.
and its Related Parties
December 31, 2022



Legend

Relationship with Emperador Inc.

(1) Subsidiary (100%)
(2) Subsidiary (50%)
(3) Subsidiary (62%)
(4) Jointly Controlled Entity
(5) Approved by SEC on January 2023