SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.: CS201112835
Company Name: RAPPLER INC.
Industry Classification: O92200
Company Type: Stock Corporation

Document Information

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Submission Type: Annual
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Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	1	1	2	8	3	5

COMPANY NAME

RAPPLER, INC.
(A SUBSIDIARY OF RAPPLER HOLDINGS CORPORATION)

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

UNIT B, 3/F NORTH WING
ESTANCIA OFFICES, CAPITOL
COMMONS, BRGY. ORANBO
PASIG CITY 1605

Form Type	Department requiring the report	Secondary License Type, if Applicable
AFS	CRM	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
finance@rappler.com	-	09399105834

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
12	August 25	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
Marie Fel Ducat-Dalafu	[redacted]	[redacted]	[redacted]

CONTACT PERSON's ADDRESS

[redacted]

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

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

RAPPLER

Statement of Management's Responsibility for Financial Statements

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

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

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

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

Isla Lipana & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

[redacted]

Maria A. Ressa
President and Chief Executive Officer

[redacted]

Glenda M. Gloria
Chairwoman of the Board

[redacted]

Marie Fel D. Dalafu
Chief Financial Officer

Signed this 25th day of April 2023

pwc

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Directors and Shareholders of
Rappler Inc.
Unit B, 3/F, North Wing, Estancia Offices
Capitol Commons, Brgy. Oranbo
Pasig City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Rappler Inc. (the "Company") as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SME).

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2022 and 2021;
- the statements of total comprehensive income for the years ended December 31, 2022 and 2021;
- the statements of changes in equity for the years ended December 31, 2022 and 2021;
- the statements of cash flows for the years ended December 31, 2022 and 2021; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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 audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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Independent Auditor's Report
To the Board of Directors and Shareholders of
Rappler Inc.

Emphasis of a Matter

We draw attention to Note 18 to the financial statements which describes the lawsuits and legal proceedings that the Company is currently involved in and the related actions taken by the Company. The outcome of these legal proceedings cannot be presently determined as the cases are still ongoing. Management, however, believes that the Company's positions are well supported by facts and law, and will exhaust all available legal actions to defend the Company's interest. Pending resolution of the cases, the Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue its business operations for the foreseeable future and do not include any adjustment that might result from the outcome of these uncertainties. Our opinion is not modified in respect of this matter.

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 for SME, 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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 auditor's 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 auditor's 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.

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

[redacted]

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SHEA RUZELE LYNN R. BANTA (Collection Section)

Roderick M. Danao
Partner
CPA Cert. No. [redacted]
P.T.R. No. [redacted] issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors [redacted]-SEC, Category A;
valid to audit 2022 financial statements
SEC A.N. (firm) as general auditors [redacted]-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN [redacted]
BIR A.N. [redacted] issued on December 14, 2020; effective until December 13, 2023
BOA/PRC Reg. No. [redacted] effective until November 14, 2025

Makati City
April 28, 2023

pwc

Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
Rappler Inc.
Unit B, 3/F, North Wing, Estancia Offices
Capitol Commons, Brgy. Oranbo
Pasig City

We have audited the financial statements of Rappler Inc. (the "Company") as at and for the year ended December 31, 2021, on which we have rendered the attached report dated April 28, 2023.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of our work performed, the Company has eight (8) shareholders owning one hundred (100) or more shares each as at December 31, 2022.

Isla Lipana & Co.

[redacted]

Roderick M. Danao
Partner
CPA Cert. No [redacted]
P.T.R. No [redacted] issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors [redacted]-SEC, Category A;
valid to audit 2022 financial statements
SEC A.N. (firm) as general auditors [redacted]-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN [redacted]
BIR A.N. [redacted] issued on December 14, 2020; effective until December 13, 2023
BOA/PRC Reg. No. [redacted], effective until November 14, 2025

Makati City
April 28, 2023

Rappler Inc.
(A wholly-owned subsidiary of Rappler Holdings Corporation)

Statements of Financial Position
As at December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
ASSETS			
Current assets			
Cash and cash equivalents	2	42,466,560	104,188,995
Trade and other receivables, net	3	160,452,374	115,085,553
Prepayments and other current assets	4	17,865,108	19,446,156
Total current assets		220,784,042	238,720,704
Non-current assets			
Property and equipment, net	5	6,492,799	6,547,405
Intangible assets, net	6	89,831	148,985
Deferred income tax assets, net	12	4,505,116	5,582,148
Other non-current assets		2,629,157	3,147,557
Total non-current assets		13,716,903	15,426,095
Total assets		234,500,945	254,146,799
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and other liabilities	7	32,942,665	50,573,282
Notes payable	8	-	3,824,925
Total current liabilities		32,942,665	54,398,207
Non-current liability			
Retirement benefit obligation	9	4,289,859	13,681,801
Total liabilities		37,232,524	68,080,008
Equity			
Share capital	10	120,833,366	120,833,366
Additional paid-in capital	10	255,754,302	255,754,302
Remeasurements on retirement benefit obligation	9	(2,202,188)	(780,220)
Deficit		(177,117,059)	(189,740,657)
Total equity		197,268,421	186,066,791
Total liabilities and equity		234,500,945	254,146,799

The notes on pages 1 to 30 are integral part of these financial statements.

Rappler Inc.
(A wholly-owned subsidiary of Rappler Holdings Corporation)

Statements of Total Comprehensive Income
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Service revenue	13	240,305,548	263,657,406
Cost of services	14	(167,764,295)	(159,792,958)
Gross profit		72,541,253	103,864,448
General and administrative expenses	15	(65,012,789)	(49,969,809)
Other income, net	16	9,794,668	6,449,486
Finance cost	8	(215,987)	(409,933)
Profit before income tax		17,107,145	59,934,192
Income tax expense	12	(4,483,547)	(16,728,492)
Profit for the year		12,623,598	43,205,700
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss			
Remeasurement loss on retirement benefit obligation, net of tax	9	(1,421,968)	(954,709)
Total comprehensive income for the year		11,201,630	42,250,991

The notes on pages 1 to 30 are integral part of these financial statements.

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MAREA RUZELE LYNN R. BANTA (Collection Section)

Rappler Inc.
(A wholly-owned subsidiary of Rappler Holdings Corporation)

Statements of Changes in Equity
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Share capital (Note 10)	Additional paid-in capital (Note 10)	Deficit	Reserve for remeasurements of retirement benefit obligation (Note 9)	Total equity
Balances at January 1, 2021	120,833,366	255,754,302	(232,946,357)	174,489	143,815,800
Comprehensive income for the year					
Profit for the year	-	-	43,205,700	-	43,205,700
Other comprehensive loss for the year	-	-	-	(954,709)	(954,709)
Total comprehensive income for the year	-	-	43,205,700	(954,709)	42,250,991
Balances at December 31, 2021	120,833,366	255,754,302	(189,740,657)	(780,220)	186,066,791
Comprehensive income for the year					
Profit for the year	-	-	12,623,598	-	12,623,598
Other comprehensive loss for the year	-	-	-	(1,421,968)	(1,421,968)
Total comprehensive income for the year	-	-	12,623,598	(1,421,968)	11,201,630
Balances at December 31, 2022	120,833,366	255,754,302	(177,117,059)	(2,202,188)	197,268,421

The notes on pages 1 to 30 are integral part of these financial statements.

Rappler Inc.
(A wholly-owned subsidiary of Rappler Holdings Corporation)

Statements of Cash Flows
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso)

	Notes	2022	2021
Cash flows from operating activities			
Profit before income tax		17,107,145	59,934,192
Adjustments for:			
Depreciation and amortization	5,6	3,900,245	2,355,866
Finance cost	8	215,987	409,933
Interest income	2,16	(37,326)	(52,663)
Provision for (reversal of) doubtful accounts, net	3	1,605,699	(2,966,970)
Unrealized foreign exchange gain, net	19	(5,493,967)	(4,406,314)
Direct write-off of accounts receivables	3	-	364,060
Reversal of accruals	16	-	(906,526)
Operating profit before changes in assets and liabilities		17,297,783	54,731,578
(Increase) decrease in:			
Trade and other receivables, net		(46,930,720)	38,561,255
Prepayments and other current assets		(1,351,478)	(10,617,555)
Other non-current assets		518,400	-
(Increase) decrease in:			
Accounts payable and other liabilities		(17,858,972)	(33,310,837)
Retirement benefit obligation		3,314,746	3,601,997
Net cash (used in) generated from operations		(45,010,241)	52,966,438
Interest received	2	37,326	52,663
Contributions paid	9	(14,602,645)	(10,500,000)
Net cash (used in) from operating activities		(59,575,560)	42,519,101
Cash flows from investing activities			
Additions to property and equipment	5	(3,519,749)	(4,784,797)
Additions to intangible assets	6	(11,658)	(2,911)
Net cash used in investing activities		(3,531,407)	(4,787,708)
Cash flows from financing activities			
Payment of notes payable	8	(4,115,375)	(2,401,150)
Payment of interest on notes payable	8	(242,710)	(422,685)
Net cash used in financing activities		(4,358,085)	(2,823,835)
Net (decrease) increase in cash and cash equivalents		(67,465,052)	34,907,558
Cash and cash equivalents at beginning of year		104,188,995	64,970,188
Effect of exchange rate changes in cash and cash equivalents		5,742,617	4,311,249
Cash and cash equivalents at end of year		42,466,560	104,188,995

The notes on pages 1 to 30 are integral part of these financial statements.

Rappler Inc.
(A wholly-owned subsidiary of Rappler Holdings Corporation)

Notes to the Financial Statements
As at and for the years ended December 31, 2022 and 2021.
(All amounts are in Philippine Peso unless otherwise stated)

Note 1 - Business information

1.1 General information

Rappler Inc. (the "Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 25, 2011.

The Company is legally wholly-owned by Filipinos, 98.84% of which is owned by Rappler Holdings Corporation (RHC, the "Parent Company" and "Ultimate Parent Company"), a company organized and existing under the laws of the Philippines and registered with the SEC on December 12, 2014.

On May 25, 2015, RHC issued Philippine Depository Receipts (PDRs) to NBM Rappler, L.P. (NBM) amounting to $2.5 million (approx. P110.92 million) with the Company's 12,028,718 common shares as the underlying shares. This gave NMB an economic interest in the Company. On October 2, 2015, RHC issued another tranche of PDRs to Omidyar Network Fund LLC (Omidyar) amounting to $1.5 million (approx. P59.66 million) with the Company's 7,217,257 common shares as the underlying shares. This gave Omidyar an economic interest in the Company.

On February 19, 2018, Omidyar donated the PDRs it held to fourteen (14) managers of the Company. Consequently, these 14 managers are now the holders of the economic interest in the Company.

The Company's primary purpose is to develop and sell news, information, and social network services through various delivery formats. The scope of its services includes communications, advertising, corporate social responsibility, public relations, events, brand affinity and other related services and packages.

The registered office address of the Company is Unit B, 3/F, North Wing Estancia Offices, Capitol Commons, Brgy. Oranbo, Pasig City 1605.

1.2 Impact of COVID-19 pandemic

The Company has achieved sustained positive results during the pandemic due to the sustained demands for its unique services and solutions.

Management has assessed that the pandemic did not have a significant impact to the Company's financial position and results.

1.3 Approval of the financial statements

The financial statements of the Company were authorized and approved for issue by the Board of Directors (BOD) on April 25, 2023.

Note 2 - Cash and cash equivalents

Cash and cash equivalents as at December 31 consist of:

	2022	2021
Cash on hand	3,703,858	3,023,335
Cash in banks	38,396,914	100,799,872
Short-term investments	365,788	365,788
	42,466,560	104,188,995

Cash in banks earn interest at the prevailing bank deposit rates.

Short-term investments pertain to demand deposits which can be withdrawan anytime depending on the immediate cash requirements of the Company. Deposits earn interest at the respective short-term investment rates.

Interest income earned on cash and cash equivalents amounted to P37,326 for the year ended December 31, 2022 (2021 - P52,663) (Note 16).

Note 3 - Trade and other receivables, net

Trade and other receivables, net as at December 31 consist of:

	Note	2022	2021
Trade receivables		131,839,290	115,669,487
Allowance for impairment of trade receivables		(1,855,932)	(1,122,485)
Trade receivables, net		129,983,358	114,547,002
Due from related parties	11	6,406,763	6,406,763
Allowance for impairment of due from related parties		(6,406,763)	(6,406,763)
Due from related parties, net		-	-
Receivables from employees		92,561	139,519
Others		30,376,455	399,032
		160,452,374	115,085,553

Trade receivables are non-interest bearing and are generally on a 30 to 60-day credit term.

Receivable from employees represent advances to employees for maternity and emergency loans which are subject to salary deductions.

Other receivables as at December 31, 2022 includes receivables representing refund for professional services amounting to P30,000,000 which has been collected subsequent to the balance sheet date.

The movements in allowance for impairment of receivables for the years ended December 31 are as follows:

	Note	2022	2021
Beginning balance		7,529,248	9,678,618
Provision for (reversal of) impairment of receivables	15	1,605,699	(2,149,370)
Write-off		(872,252)	-
Ending balance		8,262,695	7,529,248

Provisions for (reversals of) impairment of receivables are charged (credited) to profit or loss, within general and administrative expenses. For the years ended December 31, the reversal of (provision for) impairment presented in the statements of total comprehensive income are as follows:

	Note	2022	2021
Provision for impairment of receivables		1,605,699	-
Reversal of impairment of receivables with allowance set-up		-	(2,149,370)
Reversal of impairment for previously written-off account		-	(817,600)
	15	1,605,699	(2,966,970)

During the year ended December 31, 2022, unrecoverable accounts previously provided for amounting to P872,252 were written-off (2021 - nil). During the year ended December 31, 2021, unrecoverable accounts amounting to P364,060 were directly written-off (Note 15).

Critical accounting judgment: Recoverability of trade and other receivables

The allowance for impairment of receivables is based on the Company's assessment of the collectability based on status of the trade and other receivables, past collection experience, disputes and other factors that may affect collectability. This assessment requires judgment regarding the outcome of disputes and the ability of each of the customer/debtor to pay the amounts owed to the Company.

Based on historical experience with clients, management has assessed that the carrying amount of trade and other receivables as at December 31, 2022 and 2021 are fully collectible.

As at December 31, 2022, allowance for impairment of receivables amounted to P8,262,695 (2021 - P7,529,248).

Note 4 - Prepayments and other current assets

Prepayments and other current assets as at December 31 consist of:

	2022	2021
Prepaid website cost and maintenance	4,974,352	7,103,168
Excess creditable withholding taxes (CWT)	6,185,729	6,349,003
Prepaid insurance	739,533	778,914
Advances to suppliers	797,493	687,943
Input valued-added tax (VAT)	686,605	-
Supplies	503,956	590,851
Advances to employees	352,577	141,642
Deferred input VAT	232,954	269,813
Others	3,391,909	3,524,822
	17,865,108	19,446,156

Prepaid website cost and maintenance consists of payments made for third party website maintenance and domain hosting. These are amortized on a straight-line basis over 12-months.

Prepaid insurance consists of prepayments for insurance services. These are amortized on a straight-line basis over the term of the insurance contract.

Advances to suppliers consists of prepayments for purchase of goods and services, which are generally applied within the next financial year.

Supplies include Rappler-branded merchandise sold in the normal course of business.

Advances to employees are provided to employees for news coverage and other project related services, which are subject to liquidation.

Excess CWT represents CWT in excess of current income tax due.

Deferred input VAT relates to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities, pursuant to existing VAT rules and regulations.

Others include bail and travel bonds.

Critical accounting judgment: Recoverability of Excess CWT

The Company recognizes CWT to the extent that it is probable that future tax liabilities will be available against which tax credits can be utilized. Determining the realizability of CWT requires the assessment of the availability of taxable profit expected to be generated from the operations which effectively drives the tax liabilities against which such creditable taxes can be applied.

Significant judgment is required in determining the realizability of CWT. As at December 31, 2022 and 2021, management has assessed that the Company will be able to generate sufficient taxable income and future tax liabilities against which the CWT can be fully applied.

Note 5 - Property and equipment, net

Property and equipment, net as at December 31 consist of:

	Production equipment	Furniture and fixtures	Leasehold improvement	Vehicles	Total
As at January 1, 2021					
Cost	31,498,079	2,931,237	9,333,835	5,170,507	48,933,658
Accumulated depreciation	(28,317,005)	(2,714,121)	(9,291,030)	(5,166,610)	(45,488,766)
Net carrying amount	3,181,074	217,116	42,805	3,897	3,444,892
For the year ended December 31, 2021					
Opening net carrying value	3,181,074	217,116	42,805	3,897	3,444,892
Additions	5,300,700	49,108	-	-	5,349,808
Depreciation	(2,135,348)	(85,717)	(22,333)	(3,897)	(2,247,295)
Closing net carrying amount	6,346,426	180,507	20,472	-	6,547,405
As at December 31, 2021					
Cost	36,798,779	2,980,345	9,333,835	5,170,507	54,283,466
Accumulated depreciation	(30,452,353)	(2,799,838)	(9,313,363)	(5,170,507)	(47,736,061)
Net carrying amount	6,346,426	180,507	20,472	-	6,547,405
For the year ended December 31, 2022					
Opening net carrying value	6,346,426	180,507	20,472	-	6,547,405
Additions	3,713,497	61,330	-	-	3,774,827
Depreciation	(3,718,091)	(90,870)	(20,472)	-	(3,829,433)
Closing net carrying amount	6,341,832	150,967	-	-	6,492,799
As at December 31, 2022					
Cost	40,512,276	3,041,675	9,333,835	5,170,507	58,058,293
Accumulated depreciation	(34,170,444)	(2,890,708)	(9,333,835)	(5,170,507)	(51,565,494)
Net carrying amount	6,341,832	150,967	-	-	6,492,799

Depreciation expense for the years ended December 31 recognized in profit or loss are as follows:

	Notes	2022	2021
Cost of services	14	3,720,777	2,139,245
General and administrative expenses	15	108,656	108,050
		3,829,433	2,247,295

Acquisition of property and equipment as shown in the statements of cash flows for the years ended December 31 were determined as follows:

	2022	2021
Acquisition of property and equipment	3,774,827	5,349,808
Movement in unpaid portion of property and equipment	(255,078)	(565,011)
Cash settlements during the year	3,519,749	4,784,797

Unpaid property and equipment is recognized as part of accounts payable within accounts payable and other liabilitie (Note 7).

Critical accounting estimate: Estimated useful lives of property and equipment and intangible assets (Note 6)

The Company estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence, and legal or other limits on the use of assets. It is possible, however, that the future results of operations could be materially affected by changes in estimated useful lives of property and equipment and intangible assets.

Management reviewed and assessed that no change in the estimated useful lives of property and equipment and intangible assets is necessary since the current useful lives are still consistent with the expected pattern of economic benefits from these assets.

Note 6 - Intangible assets, net

Intangible assets, net as at December 31 consist of:

	Patents and rights	Website development	Other intangibles	Total
As at January 1, 2021				
Cost	603,720	805,163	2,230,165	3,639,048
Accumulated amortization	(382,384)	(805,163)	(2,196,856)	(3,384,403)
Net carrying amount	221,336	-	33,309	254,645
For the year ended December 31, 2021				
Opening net carrying value	221,336	-	33,309	254,645
Additions	-	-	2,911	2,911
Amortization	(80,317)	-	(28,254)	(108,571)
Closing net carrying amount	141,019	-	7,966	148,985
As at December 31, 2021				
Cost	603,720	805,163	2,233,076	3,641,959
Accumulated amortization	(462,701)	(805,163)	(2,225,110)	(3,492,974)
Net carrying amount	141,019	-	7,966	148,985
For the year ended December 31, 2022				
Opening net carrying value	141,019	-	7,966	148,985
Additions	-	-	11,658	11,658
Amortization	(59,078)	-	(11,734)	(70,812)
Closing net carrying amount	81,941	-	7,890	89,831
As at December 31, 2022				
Cost	603,720	805,163	2,244,734	3,653,617
Accumulated amortization	(521,779)	(805,163)	(2,236,844)	(3,563,786)
Net carrying amount	81,941	-	7,890	89,831

Amortization expense for the years ended December 31 recognized in profit or loss are as follows:

	Notes	2022	2021
Cost of services	14	808	6,844
General and administrative expenses	15	70,004	101,727
		70,812	108,571

Note 7 - Accounts payable and other liabilities

Accounts payable and other liabilities as at December 31 consist of:

	Note	2022	2021
Accounts payable		5,399,784	23,645,236
Accrued expenses			
Service fees		13,779,631	8,387,763
Sales commissions		68,117	1,430,622
Technical fees		284,878	952,418
Legal and professional fees		2,884,818	1,335,629
Deferred output VAT		7,527,048	8,473,103
Deferred income		1,513,830	1,978,343
Withholding taxes and contributions		1,472,768	1,475,952
Interest on notes payable	8	-	26,723
Others		11,791	2,867,493
		32,942,665	50,573,282

Accounts payable are non-interest bearing and are generally on a 30 to 45-day term.

Accrued expenses are non-interest bearing and are normally settled within one year.

Accrued service fees represent costs associated with business contracts pertaining to critical talents necessary for the business, such as influencers.

Deferred income pertain to advance payments made by clients prior to delivery of advertising and contents (Note 13). These are recognized as revenue as the related services are rendered.

Deferred output VAT represents VAT on uncollected receivables. These will be remitted upon collection.

Note 8 - Notes payable

On January 14, 2019, the Company entered into a US$150,000 Omnibus Loan and Security Agreement ("OLSA") with MDIF Media Finance | B.V., a Dutch limited liability company based in Amsterdam, The Netherlands. RHC is the guarantor in the OLSA. The OLSA bears interest of 7.5% per annum to be increased by fifty (50) basis points at the end of every 12-month period following the drawdown date.

On February 13, 2019, the Company drew down the full amount of US$150,000 for its working capital requirements. Quarterly principal and interest payments were made starting on February 29, 2020 and until the maturity date of September 30, 2022. The Company has fully settled the notes payable, including interest, as at December 31, 2022.

The movements in notes payable for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	3,824,925	6,002,875
Payments	(4,115,375)	(2,401,150)
Foreign exchange loss	290,450	223,200
	-	3,824,925

The movements in interest payable for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	26,723	39,475
Finance cost during the year	215,987	409,933
Payments	(242,710)	(422,685)
	-	26,723

Accrued interest payable as at December 31, 2021 is presented as part of accounts payable and other liabilities in the statement of financial position (Note 7).

There were no capitalized borrowing costs for the years ended December 31, 2022 and 2021.

Debt covenants, securities and other restrictions

The notes payable was secured by a chattel mortgage on the Company's assets with net carrying value as at December 31, 2021 amounting to P433,796.

The agreement required that the borrower shall not create or assume any other mortgage or pledge with respect to any of the properties and assets that serve as collateral to this borrowing.

There are no other warranties and covenants, including breaches thereof, related to these borrowings, during and at the end of each reporting period.

Note 9 - Retirement benefit obligation

The Company has a funded, non-contributory defined benefit plan covering substantially all of its qualified employees. The plan provides for a retirement benefit equal to 22.5 days pay for every year of credited service in accordance with Republic Act 7641, The Retirement Pay Law. The Company has obtained its Certificate of qualification as a reasonable employee's retirement benefit plan from the Bureau of Internal Revenue (BIR) on November 28, 2022.

An independent actuary conducts a periodic actuarial valuation of the defined benefit plan using the projected unit credit method. The latest actuarial valuations were performed to determine the retirement expense and liability to be recognized as at and for the year ended December 31, 2022.

The amounts recognized in the statements of financial position as at December 31 are as follows:

	2022	2021
Present value of defined benefit obligation	27,543,551	24,181,801
Fair value of plan assets	(23,253,692)	(10,500,000)
Retirement benefit obligation	4,289,859	13,681,801

The movements in the present value of defined benefit obligation for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	24,181,801	19,290,241
Current service cost	2,655,792	2,840,032
Interest cost	1,177,654	761,965
Remeasurement (gain) loss	(471,696)	1,289,563
End of the year	27,543,551	24,181,801

The movements in the fair value of plan assets for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	10,500,000	-
Contributions during the year	14,602,645	10,500,000
Interest income	518,700	-
Remeasurement loss	(2,367,653)	-
End of the year	23,253,692	10,500,000

Plan assets as at December 31 consist of:

	2022	2021
Investment in equity funds	18,356,389	8,288,666
Unit investment trust funds	4,897,303	2,211,334
	23,253,692	10,500,000

The plan is being administered by a trustee-bank which is authorized to invest the fund as it deems proper under the investment policies approved by the Board of Trustees.

The movements in the retirement benefit obligation for the years ended December 31 are as follows:

	2022	2021
Beginning of the year	13,681,801	19,290,241
Retirement benefit expense recognized in profit or loss	3,314,746	3,601,997
Remeasurement loss recognized in other comprehensive income	1,895,957	1,289,563
Employer contributions	(14,602,645)	(10,500,000)
End of year	4,289,859	13,861,801

The amounts recognized in the statements of total comprehensive income for the years ended December 31 are as follows:

	Notes	2022	2021
Current service cost		2,655,792	2,840,032
Net interest cost		658,954	761,965
Retirement benefit expense recognized in profit or loss	14,15	3,314,746	3,601,997
Remeasurement (gain) loss on defined benefit obligation		(471,696)	1,289,563
Remeasurement loss on plan assets		2,367,653	-
Remeasurement loss, gross of tax		1,895,957	1,289,563
Deferred income tax			
On current year remeasurements		(473,989)	(322,391)
Change in income tax rate		-	(12,463)
	12	(473,989)	(334,854)
Remeasurement loss, net of tax recognized in other comprehensive income		1,421,968	954,709

The amounts charged to profit or loss for the years ended December 31 are distributed as follows:

	Notes	2022	2021
Cost of services	14	2,645,100	2,953,638
General and administrative expenses	15	669,646	648,359
		3,314,746	3,601,997

Movements in the reserve for remeasurements of retirement benefit obligation for the year December 31 are as follows:

	2022	2021
Beginning of the year	(780,220)	174,489
Remeasurement loss, net of tax	(1,421,968)	(954,709)
End of the year	(2,202,188)	(780,220)

The principal assumptions used at December 31 were as follows:

	2022	2021
Salary increase rate	2.00%	2.00%
Discount rate	6.99%	4.94%

Discount rate

The discount rate is determined by reference to yields on long-term Philippine treasury bonds and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary as at the end of the reporting period as there is no deep market in high quality corporate bonds in the Philippines.

Salary increase rate

This is the expected long-term average rate of salary increase taking into account inflation sensitivity, promotion and other market factors. Salary increase comprise of the general inflationary measure plus a factor increase for individual productivity, merit, and promotion. The salary increase rate is set by management over the period which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding future mortality and disability are set based on published statistics and experience in the Philippines.

Expected maturity analysis of undiscounted retirement benefits as at December 31 follows:

	2022	2021
One year to five years	24,084,326	22,113,788
More than five years	70,280,502	75,428,295
Total expected payments	94,364,828	97,542,083

The weighted average duration of the defined benefit obligation as at December 31, 2022 is 10 years (2021 - 12 years).

Critical accounting estimates and assumptions: Principal actuarial assumptions on retirement benefit obligation

The determination of the Company's retirement benefit obligation is dependent on the selection of certain assumptions used by the actuary in calculating such amount. Those assumptions include, among others, discount rate and salary increase rate. Actual results that differ from the Company's assumptions generally affect the recognized expense and recorded obligation in such future periods. One or more of the actuarial assumptions may differ significantly and as a result, the actuarial present value of the defined benefit obligation estimated at the reporting dates may differ significantly from the amounts reported.

The sensitivity of the retirement benefit obligation as at December 31 to changes in the principal actuarial assumptions are as follows:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
2022			
Discount rate	+/-1.00%	(2,446,864)	2,711,848
Salary increase rate	+/-1.00%	2,851,852	(2,560,274)
2021			
Discount rate	+/- 1.00%	(3,410,102)	3,934,168
Salary increase rate	+/- 1.00%	4,056,171	(3,501,392)

The sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statements of financial position.

The method and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Note 10 - Equity

Details of share capital at December 31, 2022 and 2021 are as follows:

	Number of shares	Amount
Common shares at P1 par value per share		
Authorized	446,600,000	446,600,000
Issued and outstanding	120,833,366	120,833,366

Each common share confers upon a common shareholder: a) the right to vote at any shareholders' meeting or on any resolution of the shareholders; and b) the right to distribution of income under such terms and conditions as the BOD may approve. All holders of common shares shall have pre-emptive rights to acquire new shares to be issued by the Company.

Additional paid-in capital amounted to P255,754,302 as at December 31, 2022 and 2021.

Note 11 - Related party transactions and balances

The tables below summarizes the Company's transactions and balances with its related parties as at and for the years ended December 31:

Due from related parties

	2022		2021		
	Transactions	Balance	Transactions	Balance	Terms and conditions
Parent company Cost recharges (Note 3)	-	5,174,763	-	5,174,763	Transaction pertains to advances used for the payment of business registration expenses, professional fees, and other common expense recharges. These are non-interest bearing and collectible upon demand.
Shareholder Subscriptions (Note 3)	-	1,232,000	-	1,232,000	Transaction pertains to the subscription fees from subscribing to the Company's membership plan in its website. These are non-interest bearing and collectible upon demand.
	-	6,406,763	-	6,406,763	

Key management compensation

	2022		2021		
	Transactions	Balance	Transactions	Balance	Terms and conditions
Salaries and other short-term benefits	26,953,086	-	26,042,740	-	Key management compensation covering salaries and wages and other short term benefits are determined based on contract of employment and payable in accordance with the Company's payroll process. There are no amounts due to key management personnel as at December 31, 2022 and 2021.

The Company has not provided share-based payments, termination benefits and other long-term benefits for its key management personnel other than retirement benefits which are determined and recorded as part of the retirement liability in accordance with policies disclosed in Note 9 for the years ended December 31, 2022 and 2021.

There are no collaterals held or guarantees issued with respect to related party transactions and balances.

Note 12 - Income tax

Income tax expense

The components of income tax expense for the years ended December 31 are as follows:

	2022	2021
Current	2,932,526	10,841,350
Deferred	1,551,021	5,887,142
	4,483,547	16,728,492

The reconciliation between the statutory income tax on profit before income tax and the Company's effective income tax expense for the years ended December 31 are as follows:

	2022	2021
Provision at statutory tax rate of 25%	4,276,786	14,983,548
Adjustments in income tax arising from:		
Non-deductible expense	216,093	94,307
Interest income subjected to final tax	(9,332)	(13,166)
Recovery of receivables previously written-off	-	(204,400)
Change in tax rates	-	1,868,203
Income tax expense	4,483,547	16,728,492

Deferred income tax (DIT)

The components of the Company's DIT assets, net as at December 31 are as follows:

	2022	2021
Expected to be (settled) realized within 12 months		
Unrealized foreign exchange gain	(2,475,070)	(1,101,579)
Provision for impairment of receivables	463,983	280,621
Deferred revenue	378,458	-
Provision for employee benefits	17,210	357,656
	(1,615,419)	(463,302)
Expected to be realized after 12 months		
Retirement benefit obligation	3,697,465	6,045,450
Unamortized past service cost	2,423,070	-
	6,120,535	6,045,450
Total DIT assets, net	4,505,116	5,582,148

The movement in DIT assets, net for the years ended December 31 are as follows:

	Note	2022	2021
Beginning of the year		5,582,148	16,397,752
Amount (charged) credited to:			
Profit for the year		(1,551,021)	(5,887,142)
Other comprehensive income for the year	9	473,989	334,854
DTA on minimum corporate income tax (MCIT) applied		-	(5,263,316)
End of the year		4,505,116	5,582,148

Net operating loss carry-over (NOLCO)

In compliance with the Tax Reform Act of 1997, NOLCO for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.

In 2020, pursuant to Section 4 of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

For the year ended December 31, 2021, the Company fully applied its remaining NOLCO incurred during the taxable year ended December 31, 2018 amounting to P6,710,842. There are no outstanding NOLCO as at December 31, 2022 and 2021.

Excess MCIT

In compliance with the Act, the Company shall pay the higher of the MCIT, which is 2% of gross income as defined under the Act, and normal income tax. Any excess over the normal income tax shall be carried forward for the next three (3) consecutive taxable years immediately following the year such MCIT was paid.

The details of the Company's excess MCIT as at and for the year ended December 31, 2021 are as follows:

Year incurred	Year of expiration	
2020	2023	2,608,031
2019	2022	1,900,264
2018	2021	755,021
		5,263,316
Applied during the year		(5,263,316)
DIT asset on excess MCIT		-

Critical accounting judgment: Recoverability of DIT assets

The Company reviews the carrying amounts of DIT assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will allow all or part of its DIT assets to be utilized. Realization of future tax benefit related to DIT assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered.

On this basis, management has assessed and concluded that as at December 31, 2022 and 2021, the Company will be able to generate sufficient taxable profits that will allow the benefits of the DIT assets to be utilized in the future.

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act No.11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprise Act (CREATE), was signed into law. Among the salient provisions of CREATE which are relevant to the Company include the following:

1. Reduction in Corporate Income Tax (CIT) rate effective July 1, 2020 as follows:
   a. Domestic Corporations will be subject to the following reduced CIT rates depending on their assets and taxable income:
      i. Those with assets amounting to P100,000,000 and below, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate;
      ii. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.

b. Foreign corporations (resident and non-resident foreign corporations) will have a fixed reduced tax rate of 25%.

2. Effective July 1, 2020 until June 30, 2023, the Minimum Corporate Income Tax (MCIT) rate shall be one percent (1%).

Under CREATE, the Company prepared its annual income tax return for the years ended December 31, 2022 and 2021 using the updated rate of 25%.

For financial reporting purposes, the enactment of CREATE after December 31, 2020 was deemed a non-adjusting subsequent event in the December 31, 2020 financial statements. Hence, effect of changes in the tax rates applied is reflected in the income tax reconciliation for the year ended December 31, 2021.

Note 13 - Service revenue

Service revenues for the years ended December 31 consist of:

	2022	2021
Advertising, content, and business intelligence	133,558,841	159,700,106
Sponsorship	70,285,730	43,886,461
Programmatic	29,848,713	36,099,756
Special projects	981,857	17,949,875
Others	5,630,407	6,021,208
	240,305,548	263,657,406

Note 14 - Cost of services

Cost of services for the years ended December 31 consist of:

	Notes	2022	2021
Salaries, wages and other benefits		67,181,261	63,765,793
Services fees		26,327,960	47,119,152
Technical fees		31,734,439	19,649,057
Professional and consultant fees		10,475,051	8,019,570
Transportation		5,499,125	1,332,998
Communications		4,748,675	1,810,070
Rent	17	4,520,239	3,848,886
Contributor and stringent fees		4,265,462	3,965,098
Advertising expenses		4,179,306	3,493,329
Depreciation and amortization	5, 6	3,721,585	2,146,089
Retirement benefit expense	9	2,645,100	2,953,638
Production expenses		1,458,392	949,471
Others		1,007,700	739,807
		167,764,295	159,792,958

Service fees represent costs associated with business contracts pertaining to critical talents necessary for the business, such as influencers.

Note 15 - General and administrative expenses

General and administrative expenses for the years ended December 31 consist of:

	Notes	2022	2021
Salaries, wages and other benefits		30,860,435	29,123,848
Professional fees		20,216,697	9,453,845
Communication, light, and water		3,382,232	3,317,704
Taxes and licenses		2,092,806	2,057,564
Provision for (reversal of) impairment of receivables		1,605,699	(2,966,970)
Travel and transportation		1,565,643	957,822
Association dues		1,554,009	1,553,294
Rent	17	1,042,913	1,491,522
Retirement benefit expense	9	669,646	648,359
Depreciation and amortization	5, 6	178,660	209,778
Insurance		49,972	41,555
Direct write-off of receivables	3	-	364,060
Others		1,794,077	3,717,428
		65,012,789	49,969,809

Professional fees for the year ended December 31, 2022 is net of P30,000,000 refund of legal fees as agreed with the service provider.

Note 16 - Other income, net

Other income, net for the years ended December 31 consist of:

	Notes	2022	2021
Foreign exchange gain, net	19	7,220,385	4,211,872
Crowdfunding receipts		2,733,400	1,469,777
Interest income from bank deposits	2	37,326	52,663
Bank charges		(196,443)	(195,878)
Reversal of accruals		-	906,526
Others		-	4,526
		9,794,668	6,449,486

Crowdfunding receipts pertains to amounts and voluntary pledges received by the Company from various individuals to help defray the legal expenses of the Company in connection with various cases filed against it and/or its directors and officers by the Philippine government.

In 2021, as part of the management's review and assessment of its vendor accounts, certain accruals amounting to P906,526 were written-off as these are no longer considered as valid obligation.

Note 17 - Leases

The Company leases its office space at Capital Commons that commenced in January 2019 initially for a period of 2 years, renewable upon mutual agreement of both parties. The current lease term expires on October 1, 2023.

The Company also leases studio equipment and several other venues for its projects.

Rent expense from the above lease agreement for the years ended December 31 are recognized on a straight-line basis and are charged to profit or loss as follows:

	Notes	2022	2021
Cost of services	14	4,520,239	3,848,886
General and administrative expense	15	1,042,913	1,491,522
		5,563,152	5,340,408

Rental security deposits for the office space recoverable at the end of the lease term amounted to P2,629,157 as at December 31, 2022 and 2021, which is presented as part of non-current assets in the statements of financial position.

Future minimum lease payments on office space due within one year based on the lease agreement as at December 31, 2022 amounted to P3,244,500 (2021 - 3,943,728).

Note 18 - Contingencies

The Company and certain members of its past and/or current Board of Directors were made parties to criminal and administrative cases filed against them by the Philippine government.

Cases on supposed foreign ownership of the Company

On October 2, 2015, RHC issued 7,217,257 PDRs to Omidyar Network Fund LLC (Omidyar; PDR holder) (Note 1.1). Although it was found that Omidyar is not a stockholder of either the Company or RHC and has not exercised any form of control over the companies, lawsuits were filed wherein the Philippine government asserts that there is a supposed violation of Section 11 (1) of Article XVI of the Constitution for the issuance of the PDRs.

A case was instituted against the Company and RHC by the Office of the Solicitor General with the SEC which resulted in a ruling that the Certificates of Incorporation of the Company and RHC should be revoked. This ruling was appealed to the Court of Appeals ("CA"), which found that the Company and RHC have never been owned, managed and/or controlled by foreigners. Further, the CA remanded the case to the SEC for determination on how the subsequent donation of the Omidyar PDRs to qualified Filipino staff of the Company affect the ruling of the SEC on the revocation. The SEC later affirmed its ruling on the revocation and the Company and RHC moved for reconsideration of this ruling.

As a result of the findings of the SEC special committee in this case, Information for violation of the Anti-Dummy Act and the Revised Security Code were filed with the Regional Trial Court of Pasig against past and/or current Directors of the Company and RHC. Trial has not commenced.

As the facts (as affirmed by the CA) show that the Company and RHC have never been owned, managed and/or controlled by foreigners, and as jurisprudence supports their position, management and counsels for the companies are confident in their legal positions that the revocation is unwarranted and that the Directors should be acquitted. Management and the lawyers anticipate, however, that these cases will not be resolved any time soon due to the complexity of the legal issues.

The details of the cases, administrative proceedings, and complaints being faced by the Company are as follows:

a. *"Rappler Inc. and Rappler Holdings Corporation v. Securities and Exchange Commission Special Panel Created Pursuant to SEC Resolution No. 436, Series of 2017" CA-G.R. No. 154292*

On January 11, 2018, the SEC En Banc issued its decision in SP Case No. 08-17-001, "In re: Rappler Inc. and Rappler Holdings Corporation", revoking the Company and RHC's Certificates of Incorporation for allegedly violating the Constitution in issuing, PDRs to Omidyar.
The same SEC En Banc decision rendered the PDRs void.

On January 26, 2018, the Company and RHC filed a Petition for Review before the CA, questioning the decision of the SEC in SP Case No. 08-17-001.

On July 26, 2018, the CA rendered a Decision (the "CA Decision") denying the Petition for Review but directing the SEC to conduct an evaluation of the legal effect of the alleged supervening donation made by Omidyar of all its PDRs to the Company's staff. Effectively, CA did not affirm the revocation by the SEC of the Certificates of Incorporation of the Company and RHC. CA ruled that "In view of the donation made by Omidyar of all the Omidyar PDRs to the Company's staffs, the negative foreign control found objectionable by the SEC appears to have been permanently removed. The CA notes that the terms and conditions of the donation made by Omidyar was not discussed by the petitioners in their Reply. Also, petitioners did not attach a copy of the document containing the alleged donation in their Reply. Thus, it is incumbent upon the SEC to evaluate the terms and conditions of the said alleged supervening donation and its legal effect, particularly, whether the same has the effect of mitigating, if not curing the violation it found that the petitioners have committed. If so, this may warrant a re-examination of the sanction of revocation of the Company and RHC's Certificates of Incorporation imposed by the SEC En Banc in the assailed Decision."

To date, the SEC has not rendered its evaluation of the legal effect of the donation made by Omidyar of all its PDRs to the Company's staff.

On August 17, 2018, the Company and RHC filed a Motion for Partial Reconsideration of the CA Decision. Through a Resolution dated February 21, 2019, the CA affirmed its July 26, 2018 decision. The Company and RHC have manifested to the CA and the Supreme Court that while they do not agree entirely with the CA Decision, they will not appeal it and will instead await the resolution of the SEC on whether the donation of the Omidyar PDRs have an effect on the revocation of the certificates of incorporation of the Company and RHC before taking any action.

On March 1, 2021, the Company and RHC received the February 10, 2021 Manifestation of the SEC. Attached to the Manifestation is a December 2020 Compliance rendered by the SEC Special panel supposedly in compliance with the CA Decision.

On March 16, 2021, the Company and RHC filed with the SEC Motion for Reconsideration dated March 15, 2021 to set aside the Compliance for being void. Further, on March 19, 2021, the Company and RHC filed a Counter-Manifestation with the Court of Appeals with a copy of the said Motion for Reconsideration. The Motion for Reconsideration remains pending to this date.

Meanwhile, in an Order dated June 28, 2022, the SEC affirmed the administrative penalties imposed in the Decision dated January 11, 2018 declaring void the Omidyar PDRs pursuant to Section 71.2 of the Securities Regulation Code and revoking the Certificates of Incorporation of the Company and RHC.

Due to the CA's inaction on their application for a TRO and writ of preliminary injunction, the Company and RHC filed a Very Urgent Motion to Resolve (Petitioner's Application for the Issuance of a Temporary Restraining Order and/or Writ of Preliminary Injunction) dated July 29, 2022. Said motion likewise remains pending to date.

b. *"Rappler, Inc. and Rappler Holdings Corporation v. Securities and Exchange Commission Special Panel Created Pursuant to SEC Resolution No. 436, Series of 2017", CA-G.R. No. 174288*

This is a Petition for Certiorari and Prohibition under Rule 65 of the Rules of Court to annul the following issuances for having been issued without jurisdiction and/or with grave abuse of discretion amounting to lack of jurisdiction: (a) the December 2020 Compliance issued by the SEC Special Panel in SEC SP Case No. 08-17-001; and (b) the June 28, 2022 Order issued by the SEC En Banc in SEC SP Case No. 08-17-001. The Company and RHC filed the Petition for Certiorari and Prohibition dated July 12, 2022 on July 13, 2022, respectively.

The SEC and SEC Special Panel, through the OSG, then filed their Comment (on the Petition for Certiorari and Prohibition dated July 12, 2022) dated October 24, 2022. In response thereto, the Company and RHC filed their Reply on December 2, 2022.

In a Resolution dated February 8, 2023, the CA required the parties to comment on the matter of consolidating this case with CA-G.R. SP 154292 and CA-G.R. SP 165335. Through the Company and RHC's Manifestation on March 21, 2023, and the SEC's and SEC Special Panel's Comment/Opposition dated March 17, 2023, all of the parties opposed the consolidation of CA-G.R. SP 174288 with CA G.R. SP 154292 and CA-G.R. SP 165335.

c. *"Alleged violation of Anti-Dummy Act v. Board Directors Maria Ressa, Glenda Gloria, Manuel Ayala, James Bitanga, Nico Jose Nolledo, James Velasquez, Felicia Atienza, Jose Maria G. Hofilena"*

This case involves a charge of violation of Section 2-A of Commonwealth Act 108 or the Anti-Dummy Law, in relation to the sanctions under Section 6(i) of Presidential Decree 902-A, as amended, and Section 5.1(f) of the Securities and Regulation Code; Section 2 of Presidential Decree 1018, Limiting the Ownership and Management of Mass Media to Citizens of the Philippines and for Other Purposes, in relation to the sanctions under Section 6(i) of Presidential Decree 902-A, as amended, and Section 5.1(f) of the Securities and Regulation Code; and Section 7 in relation to Section 14 of Republic Act 7042 or the Foreign Investments Act of 1991, as amended for the supposed improper issuance of the Omidyar PDRs.

On September 19, 2018, the National Bureau of Investigation ("NBI") filed a complaint with the Office of the City Prosecutor of Pasig asking the latter to conduct a preliminary investigation of the Company's Directors for violation of PD 1018, the Anti Dummy Act and the Foreign Investments Act.

On March 26, 2019, Information charging for violations of the Anti-Dummy Law ("Anti-Dummy Law case") and Section 26.1 in relation to Section 73 of Republic Act No. 8799 ("SRC case") were filed against the Company Directors. Arraignment and pre-trial conference were completed for the Anti-Dummy Law case. However, before the Prosecution could present its first witness, the Accused moved that the Anti-Dummy Law case be consolidated with the SRC case. The consolidation was granted. Thereafter, the SRC case was suspended upon motion of the Accused and referred back to the Office of the City Prosecutor ("OCP") Pasig for conduct of preliminary investigation. Consequently, proceedings in the Anti-Dummy Law case were also suspended.

The OCP Pasig filed a Motion for Partial Reconsideration on October 15, 2019, which was opposed by Ms. Ressa and Ms. Glenda M. Gloria ("Ms. Gloria") in their Ex Abundanti Ad Cautelam Joint Comment/Opposition on November 21, 2019. Finding for Ms. Ressa, Ms. Gloria, and the rest of the Company's Directors, the RTC Pasig denied the Motion for Partial Reconsideration in an Order dated February 14, 2020.

On August 18, 2020, the OSG filed a Petition for Certiorari (with prayer for the issuance of a Status Quo Ante Order), which was docketed as CA-G.R. SP No. 165535. On April 1, 2022, Ms. Ressa and Ms. Gloria received the CA Resolution dated February 23, 2022, ordering them to comment on the Petition for Certiorari. Thus, on April 11, 2022, Ms. Ressa and Ms. Gloria filed their Comment. Thereafter, on April 18, 2022, Ms. Ressa and Ms. Gloria received the March 30, 2022 Comment of the rest of the Company's Directors.

The CA in its Resolution dated November 29, 2022 noted the comments of the respondents and required all the parties to submit memoranda. Thus, respondents Manuel I. Ayala, Nico Jose Nolledo, and Felicia Atienza filed their Memorandum on January 17, 2023; the OSG filed its Memorandum on March 1, 2023; and Ms. Ressa and Ms. Gloria filed their Memorandum on March 2, 2023.

d. *Other cases - Cyber liber cases*

To date, certain Company directors and several current and former employees are respondents to three (3) cyber libel cases. These complaints do not contain any amount of civil damages. These cyber libel cases were filed for motion and are still pending resolution from the respective courts.

Overall, management believes that the ultimate resolution of the cases will not have a material impact on the results of operations and financial condition of the Company.

Note 19 - Foreign currency denominated monetary assets and liabilities

The Company's USD denominated monetary assets and liabilities as at December 31 are as follows:

	2022	2021
Assets		
Cash and cash equivalents	519,786	1,572,342
Trade receivables	531,132	341,197
Liabilities		
Accounts payable and other liabilities	-	(22,647)
Notes payable	-	(75,000)
Net foreign currency assets	1,050,918	1,815,892
Exchange rates at December 31	55.76	50.99
Peso equivalent	58,599,188	92,592,333

For the years ended December 31, foreign exchange gain, net recognized in profit or loss are as follows:

	Note	2022	2021
Realized foreign exchange gain (loss)		1,726,418	(194,442)
Unrealized foreign exchange gain		5,493,967	4,406,314
	16	7,220,385	4,211,872

Note 20 - Critical accounting estimates, assumptions and judgments

Estimates, assumptions, and judgments 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.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

20.1 Critical accounting estimates and assumptions

- *Estimated useful lives of property and equipment and intangible assets (Notes 5 and 6)*
- *Principal actuarial assumptions on retirement benefit obligation (Note 9)*

20.2 Critical accounting judgments

- *Recoverability of trade and other receivables (Note 3)*
- *Recoverability of excess CWT (Note 4)*
- *Recoverability of DIT assets (Note 12)*
- *Contingencies (Note 18)*

Note 21 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

21.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities(PFRS for SME).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with PFRS for SME requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Areas involving higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 20.

Amendments to PFRS for SME adopted by the Company

There are no amendments that are effective beginning on or after January 1, 2022 that are relevant to and have a material impact on the Company's financial statements.

21.2 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Company classifies its financial instruments into the following categories: (a) basic financial instruments; and (b) complex financial instruments.

Initial recognition and measurement

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

On initial recognition, a basic financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar debt instrument.

The Company does not hold any complex financial instrument as at the reporting periods.

Subsequent measurement

Basic financial instruments are subsequently measured at amortized cost using the effective interest rate method.

Impairment of financial instruments measured at cost or amortized cost

At each reporting date, the Company assesses whether there is objective evidence of impairment on any financial assets that are measured at cost or amortized cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

For an instrument measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. Where an asset is measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset in a sale at the reporting date.

Derecognition of financial assets

An entity only derecognizes a financial asset when:

- The contractual rights to the cash flows from the assets have expired or are settled;
- The entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset; or
- It has retained some significant risks and rewards but has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. The asset is therefore derecognized, and any rights and obligation created or retained are recognized.

Derecognition of financial liabilities

Financial liabilities are derecognized only when these are extinguished - that is, when the obligation is discharged, cancelled or has expired.

Offsetting financial instruments

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

21.3 Cash and cash equivalents

Cash includes cash on hand and deposits held at call with banks. Cash is carried in the statement of financial position at face amount or at nominal amount. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in values.

21.4 Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. Such assets are recognized initially at fair value, including transactions costs.

Subsequent to initial measurement, trade and other receivables are carried at amortized cost using the effective interest method, less any impairment in value.

At the end of each reporting period, the carrying amount of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable and for which impairment loss must be recognized in the statement of comprehensive income.

21.5 Prepayments and other current assets

Prepayments are recognized in the event that payment has been made in advance of obtaining right of access to goods or receipt of services and these are measured at nominal accounts. These are derecognized in the statement of financial position either with the passage of time or through use or consumption.

Prepayments are included in current assets, except when the related goods or services are expected to be received and rendered more than twelve months after the end of the reporting period, in which case, these are classified as non-current assets.

Security deposits are recognized initially at transaction price and subsequently measured at amortized cost using the effective interest method. Security deposits are amounts paid to the lessor, which are refundable upon expiry of the lease term, subject to certain conditions. If part or all of a security deposit becomes non-refundable, (e.g. where no refund will be paid due to damage to the property by the lessee), the right to receive the deposit or part thereof is impaired and the carrying amount is reduced, and the corresponding loss is recognized in profit or loss within general and administrative expenses.

Prepaid taxes consist substantially of income tax overpayment or excess CWT which are recognized as assets to the extent that it is probable that the benefit will flow to the Company. These are derecognized when there is a legally enforceable right to apply the recognized amounts against related liability with the period prescribed by the relevant tax laws.

Other assets in the form of input VAT represent taxes imposed on the Company for the acquisition of goods and services. These are stated at face value less any provision for impairment and are utilized when there is a legally enforceable right to offset the recognized amounts against output VAT obligations and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Input VAT are included in current assets, except when utilization and claims against output VAT are expected to be more than twelve (12) months after the reporting date, in which case these are classified as non-current assets.

21.6 Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation, amortization, and provision for impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and the cost of replacing part of property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the cost of day-to-day servicing.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Depreciation and amortization on assets is calculated using the straight-line method to allocate the cost of each asset less its residual value over its estimated useful life as follows:

	In years
Leasehold improvements	3 years or lease term, whichever is shorter
Production equipment	3
Furnitures and fixtures	3
Vehicles	5

The assets' residual values and useful lives are reviewed periodically, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 21.8).

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognized within other income in the statement of total comprehensive income.

21.7 Intangible assets, net

Intangible assets consist of Company's patents and rights, website development and computer software. Intangible assets acquired separately are initially recognized at cost.

Costs associated with maintaining the website development are recognized as an expense as incurred. Development costs that are directly attributable to the design and web developments controlled by the Company are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the developments so that it will be available for use and management intends to complete the site, use or sell it;
- there is an ability to use or sell the website;
- it can be demonstrated how the website will generate probable future economic benefits; and
- the expenditure attributable to the website during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the website development include employee costs and an appropriate portion of relevant overheads.

Capitalized development costs are recorded as intangible assets and amortized from the point at which the asset is ready for use.

Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment loss.

Intangible assets are amortized using the straight-line method over the following estimated useful lives:

	In years
Patents and rights	10
Website development	3
Computer software	3

The assets' residual values and estimated useful lives are reviewed periodically, and adjusted as appropriate, at each reporting date. Intangible assets are assessed for impairment whenever there is an indication that the asset may be impaired (Note 21.8).

Intangible assets are derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and their related accumulated amortization are removed from the accounts. Any gains and losses on disposals are recognized in profit or loss during the period of disposal.

21.8 Impairment of non-financial assets

Non-financial assets that are mainly property and equipment and other intangible assets which are subject to depreciation and amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses, if any, are recognized in the statement of total comprehensive income.

Non-financial assets other than goodwill for which an impairment loss has been recognized are reviewed for possible reversal of the impairment at each reporting date.

21.9 Accounts payable and other liabilities

Accounts payable and other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable and other liabilities are classified as current liabilities if payment is due within one year or less. If not, these are presented as non-current liabilities.

Accounts payable and other liabilities are recognized initially at fair value and subsequently measured at amortized cost using effective interest method which is normally equal to their nominal value.

Derecognition of accounts payable and other liabilities (excluding provisions and amounts due to the government and its agencies) is described in Note 21.2.

21.10 Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities which are under control with the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

21.11 Share capital and additional paid-in capital

Common shares are classified as equity and measured at par value for all shares issued.

Any amount received by the Company in excess of par value of its shares is credited to additional paid-in capital which forms part of the non-distributable reserve of the Company and can be used only for purposes specified under the corporate legislation.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

When the Company receives consideration or additional investment in the form of cash or other assets, from one or more shareholders without a contractual obligation to repay it or to deliver equivalent number of shares, it is credited to additional paid-in capital account.

Deficit pertains to the accumulated losses from operations of the Company.

21.12 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably. When the outcome of a transaction can be estimated reliable, service revenue is recognized by reference to the stage of completion at the end of the reporting period. When services are performed by an indeterminate number of acts over a specified period of time, service revenue is recognized on a straight-line basis over the specified period unless another method better represents the stage of completion. When a specific act is much more significant than any other act, the entity postpones recognition of revenue until the significant act is executed.

Advertising and content, and business intelligence revenue is recognized as income as the advertising and content and deliverables are developed up to the publishing date and/or submission of report.

Programmatic revenues are recognized as income when impressions are published within a specified delivery period.

Sponsorship revenues are recognized as services are rendered.

Special projects are recognized as income over time as the special projects are developed up to the completion date.

Interest income is recognized as it accrues, taking into account the effective yield on the assets.

Crowdfunding receipts, representing cash receipts from voluntary pledges and financial support to help the Company fund its various legal cases, are recognized and credited to other income when received.

All other income is recognized when earned or when the right to receive payment is established.

21.13 Cost and expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. These are presented in the statement of total comprehensive income according to function of such costs and expenses.

21.14 Income taxes

Income tax expense for the year is composed of current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and the carry forward tax benefits of the net operating loss carryover (NOLCO) and the minimum corporate income tax (MCIT) over the regular corporate income tax. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the assets can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that sufficient future taxable profit will allow the deferred tax asset to be recovered.

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

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.
Deferred tax assets and liabilities are offset if the Company has a legally enforceable right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Company reassesses at each reporting period recoverability of any unrecognized DIT assets.

21.15 Leases - the Company as lessee

Leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of total comprehensive income on a straight-line basis over the period of the lease.

When the Company enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys a right to use an asset or is dependent on the use of a specific asset or assets, the Company assesses whether the arrangement is, or contains, a lease. The Company does not have such type of arrangements.

21.16 Notes payable

Notes payable are recognized initially at fair value, net of transaction costs incurred. Notes payable are subsequently stated at amortized cost; any difference between the proceeds and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method. Notes payable are classified as current liabilities unless (a) the terms of the agreement state that the maturity date is 12 months after the reporting date, or (b) the Company has an unconditional right to defer settlement of the liability for more than twelve (12) months after the reporting period. These are derecognized when paid and/or extinguished.

Borrowing costs incurred in connection with the notes payable are recognized as an expense in profit or loss in the period in which these are incurred.

Refer to Note 21.2 for the relevant policies on financial liabilities.

21.17 Employee benefits

Short-term benefits

Provision is made for benefits accruing to employees in respect of vacation leave and sick leave benefits when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits expected to be settled within twelve months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the Company in respect of services provided by employees up to reporting date.

Retirement benefits

The Company has a funded, non-contributory defined benefit plan covering substantially all of its qualified employees. The obligation and costs of retirement benefits of the Company are actuarially computed by an independent actuary using the projected unit credit method on an annual basis. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employee's projected salaries.

Retirement costs consist of service cost and interest on the defined benefit obligation. Service cost which includes current service costs, past service costs and gain or losses on non-routine settlements are recognized as part of profit or loss. Interest on the defined benefit obligation is the change during the period in the defined benefit obligation that arises from the passage of time which is determined by applying the discount rate based on the Philippine government treasury bond yields that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation.

The liability recognized in the statement of financial position in respect of the defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less fair value at the reporting date of plan assets.

If the present value of the defined benefit obligation at the reporting date is less than the fair value of plan assets at that date, the plan has a surplus. The Company recognises a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise and presented as reserve for remeasurements on retirement benefit obligation in the statement of financial position.

Curtailment gain or loss resulting from the reduction in number of employees covered by the plan are recognized immediately in profit or loss.

The interest cost is calculated by applying the discount rate to the balance of the defined benefit obligation. This cost is included in employee benefit expense in profit or loss.

21.18 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is more likely that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation

21.19 Contingencies

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

21.20 Foreign currency transactions and translation

Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (functional currency). The financial statements are presented in the Philippine Peso, which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the Philippine Peso using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized through profit or loss in the statement of total comprehensive income.

21.22 Subsequent events

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

Note 22 - Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information required by the BIR and is presented for purposes of filing with the BIR and is not a required part of the basic financial statements:

Revenue Regulations (RR) No. 15-2010

(i) *Output value-added tax (VAT)*

	Gross receipts	Output VAT
Sales of services		
Subject to 12% VAT	142,655,045	17,118,605
Zero-rated transactions	78,925,488	-
	221,580,533	17,118,605

VAT treatment on the Company's zero-rated sales is based on Section 108 (B) (2) of the National Internal Revenue Code which pertains to services rendered to a person engaged in business conducted outside the Philippines, the consideration for which is paid for in acceptable foreign currency and accounted for in accordance with the rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

In the Company's case, the zero-rated VAT sales refer to services rendered to offshore clients operating outside the Philippines, the inward remittance of which are within the accounts regulated by Philippine banking system.

The gross revenues shown above are based on gross receipts of the Company for sale of services and other income, while gross revenue presented in the statement of total comprehensive income are measured in accordance with the Company's policy.

Total output VAT paid after considering applied input VAT amounted to P5,218,448.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2022 are as follows:

Input VAT at beginning of the year		-
Add: Input tax deferred on capital goods exceeding P1 million from previous year		269,813
Add: Current year's domestic purchases/payments for:		
Purchase of services	11,824,344	
Capital goods not exceeding P1M	347,400	
Goods other than capital goods	378,159	12,549,903
Less: Input tax deferred on capital goods exceeding P1 million during the current year		(232,954)
Total available input VAT		12,586,762
Application against output VAT		
Declared output VAT	17,118,605	
Paid output VAT	(5,218,448)	(11,900,157)
Input VAT at end of the year		686,605

(iii) Excise tax

The Company has no transactions that are subject to excise tax for the year ended December 31, 2022.

(iv) Documentary stamp tax

For the year ended December 31, 2022, the Company paid documentary stamp taxes in relation to its lease agreements amounting to P11,513.

(v) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2022 consist of:

Business tax	2,070,346
BIR annual registration	500
Others	10,447
	2,081,293

(vi) Withholding taxes

Withholding taxes paid and accrued and/or withheld for the year ended December 31, 2022 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	13,948,869	1,247,196	15,196,065
Expanded withholding tax	1,807,325	171,657	1,978,982
	15,756,194	1,418,853	17,175,047

(vii) Tax assessments

The Company did not receive any Final Assessment Notice as at and for the year ended December 31, 2022

(viii) Tax cases

The Company has no pending tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2022.

RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.