SECURITIES AND EXCHANGE COMMISSION
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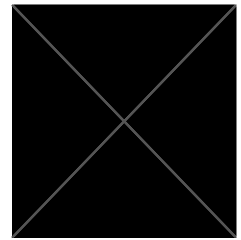

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Receiving: AARON PAGKATIPUNAN
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Company Information

SEC Registration No.: AS92002733
Company Name: PINNACLE PRINTERS CORPORATION
Industry Classification: D22210
Company Type: Stock Corporation

Document Information

Document ID: OST10706202381445386
Document Type: Financial Statement
Document Code: FS
Period Covered: December 31, 2022
Submission Type: Annual
Remarks: None

Acceptance of this document is subject to review of forms and contents

Kathy Cutamora

From: eafs@bir.gov.ph
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Transaction Code: **AFS-0-CKLKCKAD0TNPVNPMNQ2VZWTY0SSXXVN4**
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PINNACLE PRINTERS CORPORATION

2nd Floor Molave Building, 2231 Chino Roces Ave., Makati City
Tel. No. 8843-8406, 8843-8206, 8838-9073, 8843-7671

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Pinnacle Printers Corporation** (the "Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein as of and for the years ended December 31, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Machica Tan-Cruz & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company as of and for the years ended December 31, 2022 and 2021 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.

Signed in Makati City on the 24th of March 2023, by:

MACARIO S. RUFINO
Chairman of the Board and President

MA. THERESA P. VALDES
Treasurer

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An independent member of
leading edge alliance
DEZAN SHIRA ASIAN ALLIANCE

SUPPLEMENTAL INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pinnacle Printers Corporation
(Parent Only)
2nd Floor Molave Building, 2231 Chino Roces Ave.,
Brgy. Bangkal, Makati City

We have audited the separate financial statements of **Pinnacle Printers Corporation** (the "Company") as of and for the year ended December 31, 2022, on which we have rendered our report dated March 24, 2023.

In compliance with Revenue Regulations V-20, Section 8-a and 15-2010, we are stating the following:

1. The taxes paid and accrued by the Company for the year ended December 31, 2022 are shown in a separate schedule attached to the financial statements; and

2. No partner or any staff of our Firm is related by consanguinity or affinity to the president, directors, or principal stockholders of the Company.

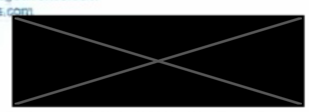
Further, in compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has fifteen (15) stockholders owning one hundred (100) or more shares each.

MACHICA TAN-CRUZ & CO., CPAs
BOA Registration No. issued 10/8/2020, valid through 9/23/2023
BIR Accreditation No valid from 10/1/2021 through 10/1/2024
SEC Accreditation No issued 03/24/2022 valid through 03/24/2027

Signing for the Firm:

MA. GRACE A. MACHICA
Partner
CPA Certificate No 5/30/2006 valid through 10/26/2024
BIR Accreditation No valid from 10/1/2021 through 10/1/2024
SEC Accreditation No issued 03/25/2021 valid through 03/24/2025
PTR No /19/2023, City of Makati
TI

Makati Business Office, Makati, Philippines
March 24, 2023



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INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Pinnacle Printers Corporation
(Parent Only)
2nd Floor Molave Building, 2231 Chino Roces Ave.,
Brgy. Bangkal, Makati City

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of **Pinnacle Printers Corporation** (the "Company"), which comprise the separate statements of financial position as of December 31, 2022 and 2021, and the separate statements of profit or loss, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years ended, and separate notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

In preparing the separate 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 ease operations, or has no realistic alternative but to do so.

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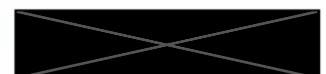

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Securities and Exchange Commission PHILIPPINES

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

Auditors' Responsibilities for the Audit of the Separate Financial Statements

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

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

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

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate 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.

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Report on Other Legal and Regulatory Requirements

The Bureau of Internal Revenue (BIR) issued on November 25, 2010 Revenue Regulation (RR) No. 15-2010 requiring companies to provide in the notes to separate financial statements information on taxes, duties and license fees paid or accrued during the taxable years. However, the Company opted to present such information in a separate schedule to be attached to the separate financial statements for filing with the BIR. The supplementary information is not a required part of the basic separate financial statements under PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68. Our opinion on the basic separate financial statements is not affected by presenting such supplementary information in a separate schedule.

MACHICA TAN-CRUZ & CO., CPAs
BOA Registration [redacted] 2020, valid through 9/23/2023
BIR Accreditation [redacted] valid from 10/1/2021 through 10/1/2024
SEC Accreditation [redacted] issued 03/24/2022 valid through 03/24/2027

Signing for the Firm:

MA. GRACE A. MACHICA
Partner
CPA Certificate [redacted] issued 5/30/2006 valid through 10/26/2024
BIR Accreditation [redacted] valid from 10/1/2021 through 10/1/2024
SEC Accreditation [redacted] issued 03/25/2021 valid through 03/24/2025
PTR No. [redacted] 1/19/2023, City of Makati

Makati Business Office, Makati, Philippines
March 24, 2023

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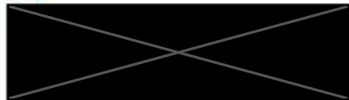

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REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY SCHEDULE FILED SEPARATELY
FROM THE SEPARATE FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Pinnacle Printers Corporation
(Parent Only)
2nd Floor Molave Building, 2231 Chino Roces Ave.,
Brgy. Bangkal, Makati City

We have audited in accordance with the Philippine Standards on Auditing, the separate financial statements of **Pinnacle Printers Corporation** (the "Company") as of and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated March 24, 2023. Our audit was made for the purpose of forming an opinion on the separate financial statements taken as a whole. The applicable supplementary schedule listed in the Index to Supplementary Schedule of the Company is the responsibility of the Company's management and is presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68 and is not a required part of the separate financial statements. The information on such supplementary schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated in all material respects in relation to the separate financial statements taken as a whole.

MACHICA TAN-CRUZ & CO., CPAs
BOA Registration [illegible] 10/8/2020, valid through 9/23/2023
BIR Accreditation [illegible] valid from 10/1/2021 through 10/1/2024
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TI[illegible]

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TIN [illegible]

Makati Business Office, Makati, Philippines
March 24, 2023

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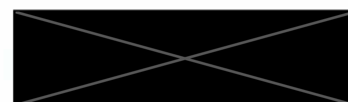
PINNACLE PRINTERS CORPORATION

(Parent Only)

SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

For the years ended **December 31, 2022** and 2021

		2022		2021
Unappropriated retained earnings, beginning	₱	**2,092,660**	₱	2,399,528
Net income actually earned during the year		**390,845,805**		65,693,132
Add (less):				
Dividend declaration during the year		**(66,000,000)**		(52,500,000)
Reversal of appropriation		**66,000,000**		52,500,000
Appropriation during the year		**(390,600,000)**		(66,000,000)
Unappropriated retained earnings, ending	₱	**2,338,465**	₱	2,092,660



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PINNACLE PRINTERS CORPORATION

(Parent Only)

SEPARATE STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Peso)

As of December 31,	*Notes*		**2022**		2021
ASSETS					
CURRENT ASSETS					
Cash	*4, 15, 16*	₱	**9,714,731**	₱	1,442,376
Receivables	*5, 7, 15, 16*		**316,740,571**		-
Other current asset			**1,122**		1,122
Total current assets			**326,456,424**		1,443,498
NON-CURRENT ASSETS					
Property and equipment, net	*6, 15*		**1**		1
Investment in subsidiaries	*7, 15*		**274,484,200**		274,484,200
Financial assets at FVTOCI	*8, 15, 16*		**5,825,121**		5,413,681
Total non-current assets			**280,309,322**		279,897,882
TOTAL ASSETS		₱	**606,765,746**	₱	281,341,380
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Accounts payable and other current liabilities	*10, 15, 16*	₱	**3,119,701**	₱	2,849,784
Dividends payable	*11, 15, 16*		**12,895,000**		13,000,000
Total current liabilities			**16,014,701**		15,849,784
NON-CURRENT LIABILITIES					
Advances from related parties	*9, 15, 16*		**194,832,958**		194,830,754
Deferred tax liability, net	*14*		**119,905**		17,045
Total non-current liabilities			**194,952,863**		194,847,799
Total liabilities			**210,967,564**		210,697,583
EQUITY					
Ordinary shares	*11*		**2,500,000**		2,500,000
Retained earnings	*11*		**392,938,465**		68,092,660
Other comprehensive income			**359,717**		51,137
Total equity			**395,798,182**		70,643,797
TOTAL LIABILITIES AND EQUITY		₱	**606,765,746**	₱	281,341,380

(See accompanying Notes to Financial Statements.)

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PINNACLE PRINTERS CORPORATION

(Parent Only)

SEPARATE STATEMENTS OF PROFIT OR LOSS

(Amounts in Philippine Peso)

For the years ended December 31,	*Notes*		**2022**		2021
DIVIDEND INCOME	*12*	₱	**391,710,871**	₱	66,446,663
GENERAL AND ADMINISTRATIVE EXPENSES	*13*		**(867,020)**		(757,198)
INTEREST INCOME			**1,954**		3,667
PROFIT BEFORE INCOME TAX			**390,845,805**		65,693,132
INCOME TAX EXPENSE	*14*		**-**		-
PROFIT FOR THE YEAR		₱	**390,845,805**	₱	65,693,132

(See accompanying Notes to Financial Statements.)

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PINNACLE PRINTERS CORPORATION
(Parent Only)

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Peso)

For the years ended December 31,	*Notes*	**2022**	2021
NET PROFIT FOR THE YEAR		**₱ 390,845,805**	₱ 65,693,132
OTHER COMPREHENSIVE INCOME			
Items that will not be classified subsequently to profit or loss			
- Fair value changes on financial assets at FVTOCI, net of tax	*8*	**308,580**	215,317
- Effect of change in income tax rate	*14*	**-**	(10,945)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**₱ 391,154,385**	₱ 65,897,504

(See accompanying Notes to Financial Statements.)

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PINNACLE PRINTERS CORPORATION

(Parent Only)

SEPARATE STATEMENTS OF CHANGES IN EQUITY

(Amounts in Philippine Peso)

For the years ended December 31,	*Notes*	2022	2021
SHARE CAPITAL	*11*		
Authorized - 100,000 shares @ ₱100 par value			
Issued and outstanding - 25,000 shares		₱ **2,500,000**	₱ 2,500,000
RETAINED EARNINGS			
Balance as of January 1		**68,092,660**	54,899,528
Net profit for the year		**390,845,805**	65,693,132
Dividends declared	*11*	**(66,000,000)**	(52,500,000)
Balance as of December 31		**392,938,465**	68,092,660
OTHER COMPREHENSIVE INCOME	*8, 14*		
Balance as of January 1		**51,137**	(153,235)
Other comprehensive income		**308,580**	204,372
Balance as of December 31		**359,717**	51,137
TOTAL EQUITY		₱ **395,798,182**	₱ 70,643,797

(See accompanying Notes to Financial Statements.)

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PINNACLE PRINTERS CORPORATION
(Parent Only)

SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Philippine Peso)

For the years ended December 31,	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		₱ **390,845,805**	₱ 65,693,132
Adjustments for:			
Interest income		**(1,954)**	(3,667)
Dividend income	*12*	**(391,710,871)**	(66,446,663)
Operating loss before working capital changes		**(867,020)**	(757,198)
Changes in working capital:			
Increase in other current asset		**-**	(1,122)
Increase (decrease) in accounts payable and other current liabilities		**269,917**	(612,160)
Cash used in operating activities		**(597,103)**	(1,370,480)
Dividends received	*12*	**74,970,300**	66,446,663
Interest income received		**1,954**	3,667
Net cash provided by operating activities		**74,375,151**	65,079,850
CASH FLOWS FROM INVESTING ACTIVITY		**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from related parties:			
Obtained	*9*	**2,204**	567,216
Paid	*9*	**-**	(273,104)
Dividends paid	*10*	**(66,105,000)**	(66,500,000)
Net cash used in financing activities		**(66,102,796)**	(66,205,888)
NET INCREASE (DECREASE) IN CASH		**8,272,355**	(1,126,038)
CASH AT BEGINNING OF THE YEAR	*4*	**1,442,376**	2,568,414
CASH AT END OF THE YEAR	*4*	₱ **9,714,731**	₱ 1,442,376

(See accompanying Notes to Financial Statements.)

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PINNACLE PRINTERS CORPORATION
(Parent Only)

SEPARATE NOTES TO FINANCIAL STATEMENTS
As of and for the years ended **December 31, 2022** and 2021
(Amounts in Philippine Peso)

Note 1 – General Information

1.1 Corporate information
Pinnacle Printers Corporation (the "Company") is a domestic corporation organized under the laws of the Republic of the Philippines and duly registered with the Philippine Securities and Exchange Commission (SEC), per registration number 20000002733, as a holding Company. Its primary purposes are to invest its funds, acquire and hold as well as sell and dispose of shares of stocks and other securities and obligations granted and issued by any entity, company or organization to carry on as a holding company in so far as maybe permitted by and subject to existing laws, provided that the Company shall not act as broker or dealer of securities.

The Company's registered office address is at 2nd Floor, Molave Building, 2231 Chino Roces Avenue, Barangay Bangkal, Makati City.

The Company holds interests and exercises control in the domestic Companies as disclosed in *Notes 2.3* and *7.*

The Company adopts calendar financial reporting, ending December 31.

1.2 Approval of the financial statements
The accompanying separate financial statements of the Company for the year ended **December 31, 2022** were approved and authorized for issue by the Board of Directors (BOD) on March 24, 2023.

Note 2 – Financial Reporting Framework

The financial reporting framework that has been used in the preparation of these separate financial statements is summarized below. The framework has been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance with Philippine Financial Reporting Standards
The separate financial statements of the Company have been prepared in accordance and in compliance with the Philippine Financial Reporting Standards (PFRSs). PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

The Company is qualified to adopt the PFRS Small and Medium-sized Entities under the criteria set by SEC. However, the Company opted to adopt full PFRS in the ground that the consolidated balances has breached the ₱350 million threshold in assets or ₱250 million in liabilities, thus, as large and/or publicly-accountable entity under Revised Securities Regulation Code (SRC) Rule 68.

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2.2 Basis of preparation

The separate financial statements have been presented using the measurement bases specified by PFRS for each type of asset, liability, income or expense. These separate financial statements have been prepared on the historical cost basis, except for certain financial instruments that are to be measured at fair values at the end of each reporting period, as explained in the accounting policies below:

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using anther valuation technique.

The preparation of separate financial statements in conformity with the PFRS requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying its accounting policies. Changes in assumption may have a significant impact on the separate financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the Company's separate financial statements therefore present the financial position and results of operations fairly. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the separate financial statements are disclosed in *Note 3*.

2.3 Separate financial statements

These separate financial statements are prepared solely for compliance with the regulatory bodies.

Separate financial statements are those presented by a parent, an investor in an associate or a venture in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

Exemption from consolidation

The Company is 69.83% owned by Pentap Equities and Holdings Corp. (the "Ultimate Parent Company"), a corporation registered in the Philippines and located at 2nd Floor, Molave Building, 2231 Chino Roces Avenue, Barangay Bangkal, Makati City. Thus, the Company opted not to present consolidated financial statements having met the following criteria set out in PFRS 10:4(a), consolidated financial statements:

i.) the Company is itself partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the parent not presenting consolidated financial instruments;
ii.) the Company's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
iii.) the Company did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; and
iv.) the Company's ultimate parent produces consolidated financial statements that are available for public use and comply with PFRS.

The Company holds interests and control in the following companies:

Name	Percentage of ownership
FEP Printing Corporation (FEPPC)	55.07%
Alliance Media Printing (AMP)	55.09%
Linq Information Entertainment Quadrant (LIEQ)	60.00%
Newspaper Paraphernalia, Inc. (NPI)	55.09%
Inquirer Holdings, Inc. (IHI)	68.89%

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- FEP Printing Corporation is presently engaged in newspaper and magazine printing registered with the Philippine SEC on August 27, 1992 and with office address at 3817 Louie Prieto Press Building, Mascardo Street corner Metropolitan Avenue, Makati City.
- Alliance Media Printing is presently engaged in newspaper and magazine printing registered with the Philippine SEC on April 11, 1996 and with office address at Yague Street corner Chino Roces Avenue, Makati City.
- Inquirer Holdings, Inc. is a holding company registered with Philippine SEC on November 20, 1996 and with office address at S20 Sunvar Plaza Bldg. Amorsolo St. Corner Arnaiz Avenue, Makati City.
- Linq Information Entertainment Quadrant is a holding company registered with the Philippine SEC on July 5, 2007 and its registered address is at Ground Floor, Molave Building, 2231 Chino Roces Avenue, Barangay Bangkal, Makati City.
- Newspaper Paraphernalia, Inc. is a company engaged in trading wholesale/retail of newspaper registered with the Philippine SEC on September 29, 1997 and its principal and office address is at Yague Street corner Chino Roces Avenue, Makati City.

The Company's voting interest is the same with its ownership interest over its subsidiaries.

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

All values represent absolute amounts and are rounded to the nearest peso (₱1), except when otherwise indicated.

2.5 Impact of new and revised PFRS

(a) Standards and interpretations effective in the current reporting period

The amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform – Phase 2, as approved by the FRSC, are effective for the current period. The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free interest rate ("RFR"):

- practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- relief from discontinuing hedging relationships
- relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

These amendments have no impact on the Company's financial statements.

(b) Standards effective subsequent to the current reporting period:

The Company has not applied the following new and revised standards that have been issued but are not yet effective as of reporting date. The Company assessed that these new and revised standards have no material impact on its financial statements.

(i) PFRS 3 (Amendments), Reference to the Conceptual Framework

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual

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Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, Provisions, Contingent Liabilities and Contingent Assets or Philippine-IFRIC 21, Levies, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments are effective for annual reporting years beginning on or after January 1, 2022 and are to be applied prospectively.

(ii) PAS 16, (Amendments) Property, Plant and Equipment – Proceeds before Intended Use

The amendments prohibit entities to deduct from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity shall recognize the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendments are effective for annual reporting years beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest year presented when the entity first applies the amendment.

These amendments have no impact on the Company's financial statements.

(iii) PFRS 37 (Amendments), Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs that do not relate directly to a contract are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting years beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting year in which it first applies the amendments.

These amendments have no impact on the Company's financial statements.

(iv) Annual Improvements to PFRS Cycle 2018-2020 contain a number of changes to standards with consequential amendments to other standards and interpretations.

PFRS 1 (Amendments)	Subsidiary as a first-time adopter
PFRS 9 (Amendments)	Fees in the '10 percent' test for derecognition of financial liabilities
PFRS 16 (Amendments)	Lease incentives
PAS 41 (Amendments)	Taxation in fair value measurement

- PFRS 1 (Amendments), Subsidiary as a first-time adopter

The amendments permit a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. These amendments are also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1. The amendments are effective for annual reporting years beginning on or after January 1, 2022 with earlier adoption permitted.

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- PFRS 9 (Amendments), Fees in the '10 per cent' test for derecognition of financial liabilities

The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting year in which the entity first applies the amendments. The amendments are effective for annual reporting years beginning on or after January 1, 2022 with earlier adoption permitted.

- PFRS 16 (Amendments), Lease incentives

The amendments to Illustrative Example 13 accompanying PFRS 16 remove from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example. The amendments are effective for annual reporting years beginning on or after January 1, 2022 with earlier adoption permitted.

- PAS 41 (Amendments), Taxation in fair value measurement

The amendments remove the requirement in paragraph 22 of PAS 41 for entities to exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41. An entity applies the amendments prospectively to fair value measurements on or after the beginning of the first annual reporting year beginning on or after January 1, 2022 with earlier adoption permitted.

(v) PAS 1 (Amendments), Classification of Liabilities as Current or Non-Current

Amendments to PAS 1, Classification of Liabilities as Current or Non-current The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- what is meant by a right to defer settlement
- that a right to defer must exist at the end of the reporting year
- that classification is unaffected by the likelihood that an entity will exercise its deferral right
- that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting years beginning on or after January 1, 2023 and must be applied retrospectively.

(vi) PFRS 17, Insurance Contracts

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 shall replace PFRS 4, Insurance Contracts. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions shall apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach)
- a simplified approach (the premium allocation approach) mainly for short-duration contracts

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PFRS 17 is effective for reporting year beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

(c) Standard with deferred effectivity date

PFRS 10 and PAS 28 (Amendments), Sale or Contribution of Assets between an Investor and its Associates or Joint Venture clarify the treatment of the sale or contribution of assets from an investor to its associate or joint venture, as follows: (1) require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in PFRS 3 Business Combinations) and (2) require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves.

On January 13, 2016, the FRSC decided to postpone the original effective date of January 1, 2016 of the said amendments until IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and other aspects of accounting for associates and joint ventures.

The Company assessed that these amendments have no material impact on its financial statements.

2.6 Summary of significant accounting policies

The principal accounting and financial reporting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all years presented.

2.6.1 Separate Statements of Financial Position Captions

The following are descriptions of specific accounting policies on separate statements of financial position captions. Refer to the related Separate Notes to Financial Statements for additional information.

Financial instruments – Initial recognition and subsequent measurement

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

Financial assets

Date of recognition

Regular way purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market, except for derivatives, are recognized on the settlement date. Settlement date is the date on which the transaction is settled by delivery of the assets that are the subject of the agreement. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Company, and (b) the de-recognition of an asset and recognition of any gain or loss of disposal on the day that it is delivered by the Company.

Initial recognition and measurement

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

Financial assets are recognized initially at fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

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Classification and measurement
The Company classifies its financial assets, other than hedging instruments, into the following categories: financial assets at amortized costs (e.g. cash in bank) and financial assets at FVTOCI.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at the end of each reporting period, at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVTOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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

Below are the financial assets of the Company with their specific description:

Financial assets at amortized cost (debt instruments)
The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash in bank and receivables.

Receivables pertain to dividend receivable.

These receivables are reduced for any impairment, its carrying amount corresponds to its fair value.

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Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI when they meet the definition of equity under PAS 32 *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never reclassified to profit or loss. Dividends are recognized as other income in the separate statements of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Any gain or loss on the sale of equity instruments designated as FVTOCI will be transferred directly from other comprehensive income to other equity account such as retained earnings. Equity instruments designated at FVTOCI are not subject to impairment assessment.

De-recognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

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

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

On de-recognition of financial asset in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On de-recognition of a financial asset other than in its entirety (e.g. when the Company retains an option to repurchase part of a transferred asset), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

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

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

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

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

Financial asset reclassification
For financial assets, reclassification is required between FVTPL, FVTOCI and amortized cost, if and only if the entity's business model objective for its financial assets changes so its previous model assessment would no longer apply.

If reclassification is appropriate, it must be done prospectively from the reclassification date which is defined as the first day of the first reporting period following the change in business model. An entity does not restate any previously recognized gains, losses, or interest.

PFRS 9 does not allow reclassification for equity instruments measured at FVTOCI, or where the fair value option has been exercised in any circumstance for a financial assets or financial liability.

<u>Financial liabilities and equity instruments</u>

Classification as financial liabilities or equity instruments
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instruments.

Classification of financial instruments between liability and equity
A financial instrument is classified as liability if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

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

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Financial liabilities
Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Company's financial liabilities are of the nature of other financial liabilities.

Financial liabilities are recognized in the Company's financial statements when the Company becomes a party to the contractual provisions of the instrument.

Initial recognition of financial liabilities
Financial liabilities are recognized at fair value of the consideration received plus directly attributable transaction costs.

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

Other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

The following categories of other financial liabilities are hereunder described:

Accounts payable and other current liabilities (except payable to government agencies)
Accounts payable and other current liabilities arise when the Company receives money, goods, or services from supplier or creditor. They are included in current liabilities, except for maturities greater than twelve (12) months after the reporting date which are classified as non-current liabilities. Expenses that accrue from day to day but unpaid at the end of the accounting period (excluding withholding taxes) are recorded as accrued expenses and are included in this category.

Advances from related parties
In the normal course of business, the Company avails advances from related parties to support its working capital requirements. This is an interest-free unsecured advances.

Dividends payable
Dividends are recognized as financial liabilities when the dividends are approved by the BOD, for cash dividends, or by the shareholders in case of stock dividends.

Derecognition of financial liabilities
Financial liabilities are derecognized by the Company when the obligation under the liability is discharge, cancelled or expired.

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the separate statements of financial position when there is legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross in the separate statements of financial position.

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Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market participants act in their economic best interest.

The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participants that would use the asset in its highest and best use.

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

Equity
Equity is the residual interest in the Company's assets after deducting all its liabilities. Equity includes paid up share capital by shareholders of the Company, plus additions to those investments earned through profitable operations and retained for use in the Company's operations, minus reductions to owners' investments as a result of unprofitable operations and distributions to owners or shareholders.

*Ordinary share*s are determined using the nominal value of shares that have been issued. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Equity instruments are measured at fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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Retained earnings include all current and prior period results as disclosed in the separate statements of profit or loss. Appropriated retained earnings are those earnings earmarked and separated by the Company for specific use as approved by the BOD.

Dividends are recognized as financial liabilities when the dividends are approved by the BOD, for cash dividends, by the shareholders in case of stock dividends.

Basic earnings per common share
EPS is computed by dividing income for the year by the weighted average number of shares issued and outstanding after giving retroactive effect to any stock split and stock dividends declared during the year. The Company does not have dilutive potential common shares.

Diluted EPS is computed by dividing the net profit for the year attributable to the equity holders of the Company by the weighted average number of common shares outstanding to the equity holders of the Company during the period, adjusted for any subsequent stock dividends declared and potential common shares resulting from the assumed exercise of any outstanding stock options and convertible preferred stock if any.

Since the Company's shares of stocks are not traded, computation of diluted earnings per share is not relevant.

Other current asset
This account consists of prepayments.

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the separate statements of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year of the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets. Prepayments include prepaid insurance.

Property and equipment
This account pertains to office equipment only. Property and equipment are subsequently carried at cost less accumulated depreciation, amortization and impairment losses, if any. Initially, an item of property and equipment is measured at its cost, which comprises its purchase price, directly attributable costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the item, if any. When each major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Subsequent expenditures are added to the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefit, in excess of the originally assessed standard of performance will flow to the Company. All other repairs and maintenance costs are recognized as expenses in the period in which they are incurred. Major renovations are depreciated over the remaining useful life of the related asset.

Depreciation of property and equipment commences once the property is available for use and computed using the straight-line basis over the estimated useful life of the property or equipment as follows:

	No. of years
Office equipment	5

The Company's management periodically monitors the conditions of the property and equipment as well as the depreciation method used and the estimates on related useful lives to ensure that estimates adopted represent the actual situation.

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The residual values, depreciation method and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at each reporting period.

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

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

An item of property and equipment is de-recognized either when it has been disposed or when it is permanently withdrawn from use and no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of income in the year the item is de-recognized.

Investment in subsidiaries

The Company's investment in subsidiaries are accounted for in these separate financial statements at cost, less any impairment loss as disclosed in *Note 7*.

Subsidiaries are entities over which the Company has the power to govern the financial reporting policies generally accompanying a shareholding of more than one half of the voting rights. The Company obtains and exercises control through voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Company controls another entity. When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee rights arising from other contractual agreements, and the Company's voting rights and potential voting rights.

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

When control is lost, the parent derecognizes all assets and liabilities at their carrying amounts and derecognizes NCI. Any retained interest in the former subsidiary is recognized at its fair value at the date control is lost and is subsequently accounted for under the applicable PFRS. The cumulative amount of exchange differences that was recognized in equity is reclassified to profit and loss (recycled). If the loss of control of the former subsidiary involves the distribution of equity interests to owners of the parent acting in their capacity as owners, that distribution is recognized at the date control is lost.

Impairment loss is provided when there is objective evidence that the investment in subsidiaries will not be recovered. The impairment loss is measured as the difference between the carrying amount of the investment and the present value of the estimated cash flows discounted at the current market rate of return for similar financial asset. Such amount of impairment loss is recognized in the separate statements of profit or loss.

Any goodwill arising from the acquisition of investment in subsidiaries, representing the excess of the acquisition costs over the fair value of the Company's share in the identifiable net assets of the acquired subsidiaries or associates at the date of acquisition is included in the amount recognized as investment in subsidiaries.

Impairment of non-financial assets

Non-financial asset of the Company is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the separate statements of profit or loss. The recoverable amount is the higher of an asset's selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life.

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

For the years ended **December 31, 2022** and 2021, based on management's assessment, there was no impairment loss recognized on non-financial assets.

2.6.2 Separate Statements of Profit or Loss and Other Comprehensive Income Captions
The following are descriptions of specific accounting policies on separate statements of profit and loss and other comprehensive income captions. Refer to the related Separate Notes to Financial Statements for additional information.

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow and the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duties. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or as an agent. The Company has concluded that it is acting as a principal in a majority of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Dividends are recognized in the period in which they are declared or when the Company's right to receive payment is established.

Interest income is recognized as it accrues, using the effective rate method.

Cost and expense recognition
The separate financial statements are prepared on the accrual basis of accounting. Under this basis, cost and expenses are recognized when they occur and are reported in the separate financial statements in the period to which they relate and when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Employee benefits
Employee benefits are all forms of consideration given by an entity in exchange for services rendered by its employees. These benefits include salary-related benefits (such as wages, salaries, profit-sharing, bonuses, long-service leave and share-based payments), termination benefits (such as severance or redundancy pay) and post-employment benefits (such as retirement benefit plans).

a) *Short term benefits*
   Short-term employee benefits are benefits that are wholly due within twelve months after the end of the period in which the employee render the related services. Short-term employee benefits include items such as wages, salaries and social security contributions; 13th month pay; bonuses, allowances and other short-term benefits received by the employees during the current period.

b) *Retirement or post-employment benefits*
   Post-employment benefits are employee benefits that are payable after the completion of employment. The Company is imposed to provide retirement benefit under Republic Act (RA) No. 7641 (New Retirement Law) took effect on January 7, 1993. Under the said law, the Company is required to provide minimum retirement benefits to qualified retiring employees.

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Taxes

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

A provision is recognized for those matters for which the tax determination is uncertain but is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgment of tax professionals within the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

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

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

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interest in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax acquired as part of business combination, but not satisfying the criteria for separate recognition at that date, is recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in profit or loss.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT except where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense items as applicable.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “other current assets” or “other current liabilities” accounts in the separate statements of financial position.

The Company has no input VAT and output VAT as of **December 31, 2022** and 2021.

Other comprehensive income
Other comprehensive income is used to record items of income, gain, expense, and loss that are not recognized in the regular separate statements of profit or loss as required or permitted by PAS 1 and other PFRS. The Company’s OCI pertains to the following:

- Remeasurements of a net defined benefit liability or asset recognized in accordance with PAS 19 (2011);
- Gains and losses on remeasuring an investment in equity instruments where the entity has elected to present them in other comprehensive income in accordance with PFRS 9; and
- Impact of change in income tax rate not recognized in profit or loss.

Related party transactions and relationships
A related party transaction is a transfer of resources, services or obligations between related parties. Transactions between the related parties are accounted for at arm’s length prices or on terms similar to those offered to non-related entities in an economically comparable market. It also includes related party transactions with key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Provisions and contingencies

Recognition and initial measurement
A provision is recognized only when: the entity has a present obligation to transfer economic benefits as a result of past event; it is probable (more likely than not) that an entity will be required to transfer economic benefits in settlement of an obligation; and the amount of the obligation can be estimated reliably.

Initially, the amount recognized as a provision is the best estimate of the amount required to settle the obligation at the reporting date. Where material, the amount of provision is the present value

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of the amount expected to be required to settle the obligation at pre-tax discount rate that reflects current market assessments of time value of money.

Subsequently, management reviews provisions at each reporting date and adjusts them to reflect the current best estimate of the amount that would be required to settle the obligation at that reporting date. The unwinding of the discount is recognized as finance cost in profit or loss in the period in which it arises.

A provision is only used for expenditures for which it was originally recognized. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received on settlement of the obligation.

Contingent liabilities
A contingent liability is either a possible but uncertain obligation, or a present obligation that is not recognized as a liability because either it is not probable an outflow will occur, or the amount cannot be measured reliably. Management does not recognize (but discloses) contingent liability as a liability unless it has been acquired in a business combination.

Contingent assets
Contingent assets are not recognized. When the realization of benefits is virtually certain, the related asset is not a contingent asset but meets the definition of asset and is recognized as such.

A provision is derecognized when all the obligations are settled.

Onerous contracts
Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist when the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructuring
A restructuring provision is recognized when the Company has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Asset retirement obligation
The net present value of legal obligations associated with the retirement of an item of property, plant and equipment that resulted from the acquisition, construction or development and the normal operation of property, plant and equipment is recognized in the period in which it is incurred. The retirement obligation is initially measured at the present value of the estimated future dismantlement or restoration cost using current market borrowing rates. Subsequently, the discount is amortized as interest expense.

Events after the end of the reporting period
Events after the end of the reporting period are those events, favorable and unfavorable, that occur between the end of the reporting period and the date when the separate financial statements are authorized for issue. There are two types of events:

(a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the end of the reporting period), and
(b) those that are indicative of conditions that arose after the end of the reporting period (non-adjusting events after the end of the reporting period).

The event after the end of the reporting period for disclosure is the date of authorization for issue of the separate financial statements as authorized by the BOD as disclosed in *Notes 1* and *17.*

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Note 3 – Significant Accounting Judgments and Estimates

The Company's separate financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the separate financial statements and related notes. The estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the reporting period. Actual results could differ from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The following presents the summary of these judgments and estimates, which have the most significant effect on the amounts recognized in the separate financial statements:

<u>3.1 Critical judgments in applying the Company's accounting policies</u>
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the separate financial statements:

Functional currency
Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso. It is the currency that mainly influences the normal operations of the Company.

Identification of contract with customers under PFRS 15
The Company applied PFRS 15 guidance to a portfolio of contracts with similar characteristics as the Company reasonably expect that the effects on the financial statements if applying this guidance to the individual contract within that portfolio. Hence, the Company considered that it has a single portfolio of contracts.

Classifying financial instruments
The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of the financial instrument, rather than its legal form, governs its classification in the statements of financial position. The Company determines the classification at initial recognition and reevaluates this classification, where allowed and appropriate, at each reporting period.

Definition of default and credit-impaired financial assets
The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

<u>Quantitative criteria</u> – for receivable, the counterparty receives a notice of cancellation and does not continue the payments

<u>Qualitative criteria</u> - The counterparty meets unlikeliness to pay criteria, which indicates the counterparty is in significant financial difficulty. These are instances where:
a. The counterparty is experiencing financial difficulty or is insolvent
b. The counterparty is in breach of financial covenant(s)
c. An active market for that financial assets has disappeared because of financial difficulties
d. Concessions have been granted by the Company, for economic or contractual reasons relating to the counterparty's financial difficulty
e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization
f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

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The criteria above have been applied to the financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Company's expected loss calculation.

Determining the stage for impairment.
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Simplified approach for calculation of ECL
The Company uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every financial reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

Determination of control
Management exercises its judgement in determining whether the Parent Company has a control over another entity by evaluating the substance of relationship that indicates the control of Parent Company over its subsidiaries. The recognition and measurement if the Parent Company's investment over these entities has power over more than half of the voting rights, power to govern the financial and operating policies of an entity, power to appoint or remove the majority of the members of the BOD or equivalent governing body and control of the entity is by that board or body, power to cast the majority of votes at meetings of the BOD or equivalent governing body and control of the entity is by that board or body.

Determination of significant influence
Management exercises its judgement in determining whether the Company has influence over another entity by evaluating the substance of relationship that indicates the significant influence of the Company over its associates. The recognition and measurement of the Company investment over these entities will depend on the result of the judgement made.

<u>3.2 Critical accounting estimates and assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainty at reporting period that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value measurements and valuation process
When the fair value of financial assets and financial liabilities recorded in the financial position or for disclosure purposes cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques, including the discounted cash flow (DCF) model and dividend discount model (DDM). The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include consideration of inputs such as liquidity risk, credit

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risk, and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When estimating fair value of financial instruments, the Company uses the following hierarchy:

a. quoted price for an identical asset in an active market (or the current bid price);
b. a recent transaction bid price; and
c. a valuation technique.

The Company uses valuation techniques that include inputs that are not based on observable market data or estimate the fair value of certain types of financial instruments.

The dividend discount model (DDM) is a method of valuing a company's stock price based on the theory that its stock is worth the sum of all of its future dividend payments, discounted back to their present value. In other words, it is used to value stocks based on the net present value of the future dividends.

The Company believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments. Any changes in fair value of these financial assets and liabilities would affect profit or loss and equity.

Business model test
The Company manages its financial assets based on business models that maintain adequate level of financial assets to match expected cash outflows and maintain adequate level of high quality liquid assets.

The Company's business model can be to hold financial assets to collect contractual cash flows even when sales for certain financial assets occur. PFRS 9, however, emphasizes that if more than an infrequent number of sales are made out of a portfolio of financial assets carried at amortized cost and those sales are more than insignificant in value (either individually or in aggregate), the entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

Cash flow characteristic test
In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of these financial assets give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated.

Measurement of ECLs.
ECLs are derived from unbiased and probability-weighted estimates of expected loss. The ECLs for the Company's financial assets which are not credit-impaired at the reporting date are measured as the present value of all cash shortfalls over the expected life of the financial asset discounted by the EIR. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive. The Company leverages existing risk management indicators, credit risk rating changes and reasonable and supportable information which allows the Company to identify whether the credit risk of financial assets has significantly increased. The Company's ECL is measured on either a 12-month basis.

Incorporation of forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Company has identified and documented key drivers of credit risk and credit losses of each financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. Predicted relationship between the key indicators and default and loss rates on financial assets have been developed based on analyzing historical data. The Company has not identified any uncertain

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event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Provision for ECL of receivables
The Company uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments and that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

Estimating useful lives, reviewing residual values and depreciation method of property and equipment
The residual value, useful lives and depreciation method of the Company's property and equipment are reviewed periodically, and adjusted prospectively if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. The useful lives of property and equipment are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of the industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the useful lives of property and equipment would increase the recorded general and administrative expenses and decrease non-current assets. The Company uses a depreciation method that reflects the pattern in which it expects to consume the asset's future economic benefits. If there is an indication that there has been a significant change in the pattern used by which the Company expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern.

In both years, Management assessed that there were no significant changes from the previous estimates since the most recent annual reporting period.

Evaluating impairment of property and equipment
The Company reviews property and equipment of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Company.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Based on management's assessment, there was no impairment of property and equipment for years ended **December 31, 2022** and 2021 .

Evaluating impairment of investment in subsidiaries
Impairment review of investment in subsidiaries is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires

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management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on management assessment, no allowance for impairment of investment in subsidiaries were recognized in **2022** and 2021.

Evaluating impairment of non-financial assets
The Company reviews the property and equipment and other non-current assets for impairment of value. Determining the value of the assets, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Company.

The preparation of the estimated future cash flows involves judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

Based on management's assessment, there was no impairment of non-financial assets for years ended **December 31, 2022** and 2021.

Estimating realizability of deferred tax assets
The carrying amount of deferred tax assets at each reporting date is reviewed and reduced to the extent that there is no longer sufficient taxable income available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the succeeding periods. This projection is based on the Company's past result and future results of operations.

Note 4 – Cash

This account is composed of the following:

		2022		2021
Cash in bank	**₱**	**9,713,731**	₱	1,441,376
Petty cash fund		**1,000**		1,000
	₱	**9,714,731**	₱	1,442,376

The above figures reconcile with the amount of cash shown in the separate statements of cash flows at the end of the financial year.

Cash in bank earns interest at the respective bank deposits rates and is unrestricted and immediately available for use in the current operations.

The total interest income earned from cash in bank for the years ended **December 31, 2022** and 2021 amounted to **₱1,954** and ₱3,667, respectively.

Note 5 – Receivables

This account represents outstanding dividend receivable from its subsidiaries amounting to **₱316,740,571** and NIL as of **December 31, 2022** and 2021, respectively.

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Note 6 – Property and Equipment, Net

This account consists only of office equipment.

		2022		2021
Cost	₱	**61,077**	₱	61,077
Accumulated depreciation		**(61,076)**		(61,076)
	₱	**1**	₱	1

No movement for the office equipment in **2022** and 2021.

The Company's property and equipment are fully depreciated as of **December 31, 2022** and 2021. Hence, no depreciation expense were recognized for the years ended **December 31, 2022** and 2021. Property and equipment are still used by the Company in its operations.

The Company's property and equipment are valued based on cost model. There had been no property and equipment revaluation made by independent appraisers since the start of Company operations.

As of **December 31, 2022** and 2021, the Company has no contractual commitments for the acquisition of property and equipment nor was not used as collateral for the Company's liabilities.

Note 7 – Investment in Subsidiaries

This account consists of the following:

Name		
FEP Printing Corporation (FEPPC)	₱	**118,742,300**
Linq Information Entertainment Quadrant (LIEQ)		**59,999,600**
Alliance Media Printing (AMP)		**48,205,000**
Inquirer Holdings, Inc. (IHI)		**40,650,000**
Newspaper Paraphernalia, Inc. (NPI)		**6,887,300**
	₱	**274,484,200**

No movement of this account in **2022** and 2021.

In **2022** and 2021, the Company earned dividends from these investments amounting to **₱391,710,871** and ₱66,446,663, respectively, as disclosed in *Note 12.*

There are no restrictions on transfer of funds, nor commitments, support arrangements and contractual arrangements between the Company and its subsidiaries for the years ended **December 31, 2022** and 2021.

As of **December 31, 2022** and 2021, the Company's owned shares are as follows:

	AMP	FEPPC	LIEQ	NPI	IHI
Subscribed shares	11,018,075	2,271,534	599,995	550,940	103,338
Nominal shares	-	-	-	-	-
Stock dividend	16,527,020	-	-	-	-
Total	27,545,095	2,271,534	599,995	550,940	103,338

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The condensed financial information of the subsidiaries as of December 31, 2022 and 2021 are as follows:

2022		AMP		FEPPC		LIEQ		NPI		IHI *
Statement of financial position										
Current assets	₱	408,576,744	₱	441,852,998	₱	56,510,584	₱	82,163,737	₱	39,429,022
Non-current assets		103,266,886		699,951,804		47,054,239		6,709,491		381,392,343
Total assets		511,843,630		1,141,804,802		103,564,823		88,873,228		420,821,365
Current liabilities		160,849,659		677,857,493		1,026,513		5,626,718		7,384,132
Non-current liabilities		19,016,030		7,523,631		-		-		227,016,701
Equity		331,977,941		456,423,678		102,538,310		83,246,510		186,420,532
Total liabilities and equity	₱	511,843,630	₱	1,141,804,802	₱	103,564,823	₱	88,873,228	₱	420,821,365
Statement of profit or loss and other comprehensive income										
Income	₱	96,816,595	₱	225,543,864	₱	-	₱	24,428,322	₱	-
Dividend income		-		-		-		-		26,098,920
Cost of services		(86,926,337)		(201,956,468)		-		(22,595,448)		-
General and administrative expenses		(8,409,037)		(27,164,548)		(145,637)		(1,543,411)		(1,217,604)
Finance income		470,466		416,059		782,238		161,952		26,368
Finance costs		(1,006,999)		(300,000)		-		-		-
Other income		6,397,618		30,063,502		-		356,084		-
Profit before tax		7,342,306		26,602,409		636,601		807,499		24,907,684
Income tax expense		(2,402,622)		(2,735,122)		(113,591)		(986,715)		-
Profit (loss) for the year		4,939,684		23,867,287		523,010		(179,216)		24,907,684
Other comprehensive income		1,462,225		1,078,059		-		277,479		-
Total comprehensive income for the year	₱	6,401,909	₱	24,945,346	₱	523,010	₱	98,263	₱	24,907,684

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2021:		AMP		FEPPC		LIEQ		NPI		IHI *
Statement of financial position										
Current assets	₱	380,304,238	₱	595,339,662	₱	57,525,787	₱	83,887,329	₱	148,026,648
Non-current assets		243,512,593		701,546,910		45,455,681		5,733,650		326,645,602
Total assets		623,816,831		1,296,886,572		102,981,468		89,620,979		474,672,250
Current liabilities		265,574,976		857,086,042		966,168		6,472,732		7,294,962
Non-current liabilities		32,665,823		8,322,198		-		-		317,377,288
Equity		325,576,032		431,478,332		102,015,300		83,148,247		150,000,000
Total liabilities and equity	₱	623,816,831	₱	1,296,886,572	₱	102,981,468	₱	89,620,979	₱	474,672,250
Statement of profit or loss and other comprehensive income										
Income	₱	112,030,448	₱	404,109,524	₱	-	₱	21,186,774	₱	-
Dividend income		-		-		-		-		5,688,257
Cost of services		(91,207,787)		(378,454,368)		-		(20,428,794)		-
General and administrative expenses		(13,622,637)		(27,869,0370		(71,797)		(3,289,395)		(15,766)
Finance income		93,253		28,594		945,520		122,754		-
Finance costs		(1,404,015)		(215,697)		-		-		-
Other income		5,109,097		20,124,130		-		29,718		-
Profit (loss) before tax		10,998,359		17,723,146		886,723		(2,378,943)		5,672,491
Income tax expense		(6,709,122)		(881,092)		(50,799)		(3,341,188)		-
Profit (loss) for the year		4,289,237		16,842,054		835,924,		(5,720,131)		5,672,491
Other comprehensive income (loss)		2,034,220		2,957,351		-		172,654		-
Total comprehensive income (loss) for the year	₱	6,323,457	₱	19,799,405	₱	835,924	₱	(5,547,477)	₱	5,672,491

*unaudited

The subsidiaries had no contingent liabilities nor capital commitments as of **December 31, 2022** and 2021.

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Note 8 – Financial assets at FVTOCI

This account consists of investment in shares of stock, whose shares are not publicly traded. The Company used dividend discount model (DDM) in valuing the Company's current stock price, based on the theory that its stock is worth the sum of all of its future dividend income.

Based on Management's assessment, the valuation technique applied to financial assets at FVTOCI approximates the fair value as of **December 31, 2022** and 2021.

The details of this account are as follows:

		2022		2021
Cost:				
At January 1	₱	**5,345,500**	₱	5,345,500
Additions		**-**		-
Redemptions		**-**		-
At December 31	₱	**5,345,500**	₱	5,345,500
Fair value adjustments:				
At January 1		**68,181**		(218,908)
Changes in fair value recognized in OCI		**411,440**		287,089
At December 31		**479,621**		68,181
	₱	**5,825,121**	₱	5,413,681

No dividends received from this investment for the years ended **December 31, 2022** and 2021.

Note 9 – Related Party Transactions

Nature of relationship of the Company and its related parties are disclosed below:

Related party	Nature of relationship	Country of incorporation/residency
Alliance Media Printing	Subsidiary	Philippines
FEP Printing Corporation	Subsidiary	Philippines
LRP, Inc.	Affiliate	Philippines
Individuals	Stockholders	Philippines

Affiliates refer to entities under common ownership or management.

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The Company, in the normal course of business, has transactions with related parties which, among others, consist of:

9.1 Advances from related parties

The movements of advances from related parties are as follows:

2022:

Relationship	Amount of transactions during the year	Outstanding balances	Terms and conditions
Stockholders			
Balance, January 1		₱ 193,277,706	
Advances obtained, net	₱ 2,204	-	
Balance, December 31	2,204	193,279,910	
Affiliates			
Balance, January 1		5,359	This account is unsecured, non-interest bearing and is to be settled in cash.
Advances obtained	-	-	
Advances paid	-	-	
Balance, December 31	-	5,359	
Subsidiary			
Balance, January 1		1,547,689	
Advances obtained	-		
Advances paid	-		
Balance, December 31	-	1,547,689	
Total, December 31	**₱ 2,204**	**₱ 194,832,958**	

2021

Relationship	Amount of transactions during the year	Outstanding balances	Terms and conditions
Stockholders			
Balance, January 1		₱ 192,983,594	
Advances obtained	₱ 567,216	-	
Advances paid	(273,104)	-	
Balance, December 31	294,112	193,277,706	
Affiliates			
Balance, January 1		5,359	This account is unsecured, non-interest bearing and is to be settled in cash.
Advances obtained	-	-	
Advances paid	-	-	
Balance, December 31	-	5,359	
Subsidiary			
Balance, January 1		1,547,689	
Advances obtained	-	-	
Advances paid	-	-	
Balance, December 31	-	1,547,689	
Total, December 31	₱ 294,112	₱ 194,830,754	

9.2 Dividend income

This is composed of dividend income from investment in subsidiaries amounting to **₱391,710,871** and ₱66,446,663 for the years ended **December 31, 2022** and 2021, respectively. The outstanding receivables arising from this transaction amounting to **₱316,740,571** as of **December 31, 2022** (2021: NIL).

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9.3 Free use of office space
The Company has its office within the vicinity of Ionian Realty and Development Corporation which is an affiliate company and they have common stockholders and officers. Hence, granting them rent-free office space.

9.4 Key management personnel compensation and benefits
The key management personnel of the Company received salaries and compensation from Ionian Realty and Development Corporation, an affiliate, which receives management fees from the Company for the years ended **December 31, 2022** and 2021 amounting to **₱420,012** and ₱412,623, respectively, as disclosed in *Note 13*.

9.5 Guarantees
During **2022** and 2021, there were no guarantees received or given by the Company in favor of its stockholders or vice versa.

Note 10 – Accounts Payable and Other Current Liabilities

This account consists of the following:

		2022		2021
Accounts payable	₱	**2,789,741**	₱	2,790,981
Withholding tax payable		**278,996**		7,839
Deposits		**50,000**		50,000
Contracts payable		**964**		964
	₱	**3,119,701**	₱	2,849,784

Note 11 – Equity

11.1 Ordinary shares

This account consists of the following:

	2022			2021		
	Shares		**Amount**	Shares		Amount
Authorized capital stock – 100,000 shares @ ₱100 par value						
Subscribed and paid-up:						
Balance at the beginning of the year	**25,000**	₱	**2,500,000**	25,000	₱	2,500,000
Subscribed during the year	**-**		**-**	-		-
Paid-up share capital	**25,000**	₱	**2,500,000**	25,000	₱	2,500,000

As of **December 31, 2022** and 2021, the Company has a total number of fifteen (15) stockholders owning one hundred or more shares each.

11.2 Retained earnings

This account consists of the following:

		2022		2021
Unappropriated retained earnings	₱	**2,338,465**	₱	2,092,660
Appropriated retained earnings (see *Note 11.2.1*)		**390,600,000**		66,000,000
	₱	**392,938,465**	₱	68,092,660

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Below is the reconciliation of retained earnings available for dividend declaration:

		2022		2021
Unappropriated retained earnings, beginning	₱	**2,092,660**	₱	2,399,528
Net income actually earned during the year		**390,845,805**		65,693,132
Add (less):				
Dividend declaration during the year		**(66,000,000)**		(52,500,000)
Reversal of appropriation		**66,000,000**		52,500,000
Appropriation during the year		**(390,600,000)**		(66,000,000)
Total unappropriated retained earnings, ending	₱	**2,338,465**	₱	2,092,660

In **2022** and 2021, the BOD approved the reversal of appropriation for cash dividend declaration amounting to **₱66,000,000** and ₱52,500,000 respectively.

11.2.1 Appropriated retained earnings

The movement of this account is as follows:

		2022		2021
Balance, January 1	₱	**66,000,000**	₱	52,500,000
Additions		**390,600,000**		66,000,000
Reversals		**(66,000,000)**		(52,500,000)
Balance, December 31	₱	**390,600,000**	₱	66,000,000

On July 31, 2021, October 29, 2021 and November 26, 2021, the BOD approved the reversal of appropriation in the amount of ₱28,500,000, ₱11,000,000 and ₱13,000,000, respectively, for cash dividend declaration to be declared within the year 2021 and payable depending on the availability of funds.

On December 21, 2021, the BOD approved the appropriation of ₱66,000,000 for dividend declaration This is to be utilized within one (1) year from the date of approval.

On **May 27, 2022**, **June 24, 2022**, **October 7,2022** and **December 15, 2022**, the BOD approved the reversal of appropriation in the amount of **₱25,560,000**, **₱22,035,000**, **₱5,510,000 and ₱12,895,000**, respectively, for cash dividend declaration to be declared within the year **2022** and payable depending on the availability of funds.

On **December 19, 2022**, the BOD approved the appropriation of **₱390,600,000** for dividend declaration. This is to be utilized within one (1) year from the date of approval.

11.2.2 Dividends declared

In **2022** and 2021, the BOD in its special meetings, approved the declaration of cash dividends out of its unappropriated retained earnings, which shall be distributed to stockholders of record as of dates of declaration, provided that the release of the proportionate cash dividends to stockholders shall be subject to availability of funds amounting to **₱66,000,000** and ₱52,500,000 for the years ended **December 31, 2022** and 2021, respectively. Out of the amounts declared, **₱12,895,000** and ₱13,000,000 are unpaid for the years ended **December 31, 2022** and 2021, respectively.

Final taxes thereon were remitted correspondingly.

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Note 12 – Dividend Income

This account consists of dividend income from investment in subsidiaries and investment in shares of stock.

This account consists of the following:

		2022		2021
Alliance Media Printing, Inc.	₱	**122,299,800**	₱	11,018,000
FEP Printing Corporation		**268,806,271**		55,428,663
Print Town, Inc		**604,800**		-
	₱	**391,710,871**	₱	66,446,663

Note 13 – General and Administrative Expenses

This account consists of the following:

		2022		2021
Management fees (see *Note 9.4*)	₱	**420,012**	₱	412,623
Taxes and licenses		**159,641**		81,846
Professional fees		**109,217**		104,016
Service fees		**49,458**		46,525
Light and water		**36,588**		25,306
Other charges		**92,104**		86,882
	₱	**867,020**	₱	757,198

Other charges include out-of-pocket expenses.

Note 14 - Income Tax

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or RA No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the corporate income tax rate from 30% to 25%.

Reconciliation and computation of income tax expense is shown below:

		2022		2021
Profit before tax	₱	**390,845,805**	₱	65,693,132
Permanent differences:				
Dividend income exempt from tax		**(391,710,871)**		(66,446,663)
Interest income subject to final tax		**(1,954)**		(3,667)
Taxable loss		**(867,020)**		(757,198)
Income tax benefit		**216,755**		189,300
Unrecognized deferred tax asset		**(216,755)**		(189,300)
Income tax	₱	**-**	₱	-

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14.1 Deferred tax liability

Details of the Company's deferred tax liability on fair value changes on financial assets at FVTOCI as follow:

		2022		2021
At January 1,	₱	**17,045**	₱	65,672
Reversal		**102,860**		(71,772)
Impact of CREATE law		**-**		(10,945)
At December 31,	₱	**119,905**	₱	(17,045)

14.2 Unrecognized deferred tax asset

Benefits from the application of NOLCO can be claimed as follows:

Year incurred	*Availment period*		*Amount*		*Remeasurement*		*Expired / Applied*		*Balance*
2022	**2023-2027**	₱	**216,755**	₱	**-**	₱	**-**	₱	**216,755**
2021	2022-2026		189,300		-		-		189,300
2020	2021-2025		219,411		(36,569)		-		182,842
2019	2020-2022		277,420		(46,237)		(231,183)		-
		₱	902,886	₱	(82,806)	₱	(231,183)	₱	588,897

DTA on NOLCO can be carried over for the next three (3) years immediately following the year the loss was actually incurred. However, in 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 25-2020 allowing net operating loss for the taxable years **2022** and 2021 to be carried over as a deduction from gross income for the next five (5) years immediately following the year of such loss.

The income tax expense or benefit is computed at statutory income tax rate of **25%** for both years ended **December 31, 2022** and 2021 based on normal corporate income tax.

The Company is subject to the minimum corporate income tax (MCIT) which is computed at **1%** for both years ended **December 31, 2022** and 2021 of gross income, as defined under the tax regulations. As of **December 31, 2022** and 2021, the Company has no taxable gross income subject to MCIT.

RA No. 9504 was approved in July 2008 giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross profit. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

In **2022** and 2021, the Company opted to continue claiming itemized standard deductions.

Note 15 – Fair Value Measurements

15.1 Fair value estimation

The Company holds financial instruments that are not-traded in active markets. Hence, their fair values are determined by using valuation techniques. The Company uses a variety of method and makes assumptions that are based on market conditions existing at each reporting period.

The Company uses dividend discount method (DDM) to determine the fair value of financial assets at FVTOCI. DDM is a method of valuing a company's stock price based on the theory that its stock is worth the sum of all of its future dividend payments, discounted back to their present value. In other words, it is used to value stocks based on the net present value of the future dividends.

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15.2 Fair value hierarchy

PFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable. Observable inputs reflect market data from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (from example, Philippine Stock Exchange, Inc., Philippine Dealing and Exchange Corp., etc).

(b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices or interest rates) or indirectly (i.e. derived from prices or interest rates). This level includes the majority of the OTC derivative contracts. The primary source of input parameters like LIBOR yield curve or counterparty credit risk is Bloomberg.

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in the valuation where possible.

Subsequent to initial recognition, the Company uses the fair value hierarchy in determining the fair value of its financial assets at FVTOCI, financial assets at FVTPL and financial liabilities at FVTPL. The fair value hierarchy groups the financial instruments into Levels 1 to 3 based on the degree to which the fair value is observable.

There were no transfers between Level 1 and 2 in **2022** and 2021.

15.3 Fair value of financial assets and liabilities

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities are presented below:

	2022		2021		
	Carrying amount	**Fair value**	Carrying amount	Fair value	Hierarchy
Financial Assets:					
Cash in bank	₱ **9,713,731**	₱ **9,713,731**	₱ 1,441,376	₱ 1,441,376	Level 2
Receivables	**316,740,571**	**316,740,571**	-	-	Level 3
Financial assets at FVTOCI	**5,825,121**	**5,825,121**	5,413,681	5,413,681	Level 3
	₱ **332,279,423**	₱ **332,279,423**	₱ 6,855,057	₱ 6,855,057	

	2022		2021		
	Carrying amount	**Fair value**	Carrying amount	Fair value	Hierarchy
Financial Liabilities:					
Accounts payable and other current liabilities*	₱ **2,840,705**	₱ **2,840,705**	₱ 2,841,945	₱ 2,841,945	Level 3
Dividends payable	**12,895,000**	**12,895,000**	13,000,000	13,000,000	Level 3
Advances from related parties	**194,832,958**	**194,832,958**	194,830,754	194,830,754	Level 3
	₱ **210,568,663**	₱ **210,568,663**	₱ 210,672,699	₱ 210,672,699	

*Excludes withholding tax payable amounting to **₱278,996** and ₱7,839 as of **December 31, 2022** and 2021, respectively as disclosed in *Note 10.*

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The carrying amounts of cash in bank, dividends receivable, accounts payable and other current liabilities (excluding taxes payable) and dividends payable approximate fair values due to the relatively short-term maturities of these financial assets and liabilities.

The carrying value of advances from related parties approximates the present value of future cash flows, discounted at the market rate of interest at the reporting date.

15.4 Fair value information of non-financial assets and liabilities

	2022		2021		
	Carrying amount	**Fair value**	Carrying amount	Fair value	Hierarchy
Assets:					
Property and equipment, net	₱ **1**	₱ **1**	₱ 1	₱ 1	Level 3
Investment in subsidiaries	**274,484,200**	**274,484,200**	274,484,200	274,484,200	Level 3
	₱ **274,484,201**	₱ **274,484,201**	₱ 274,484,201	₱ 274,484,201	

Note 16. Financial Risk Management Objectives and Policies

The Company's management provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyze exposures by degree and magnitude of risks. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's performance. The Company's financial instruments consist of financial assets and liabilities at amortized cost and financial assets at FVTOCI. These risks include market risk, including credit risk and liquidity risk.

16.1 Market risk management

Financial risk management objectives and policies
The Company is exposed to a variety of financial risks which result from its operating, investing and financing activities. The BOD, in close coordination with top management, takes charge of the Company's overall risk management and strategies which focused on actively monitoring and securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Company's activities expose it to a variety of financial risks such as market risk, liquidity risk, credit risk, and cash flows interest rate risk. The Company's policies and objective in managing these risks are summarized below:

Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's profit or the value of its holdings of financial instruments. The Company focuses on interest rate risk. The objective and management of this risk is discussed below.

Interest rate risk
The Company's exposure to market risk for changes in interest rates relates primarily to the Company's interest-bearing asset. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt instruments as to minimize its exposure caused by interest rate variability. It also sets limit on interest rate spread – the difference between financial assets' interest rates and financial liabilities' interest rates so as to ensure a net positive cash flow interest position.

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The management believes that a general increase of one percentage point in interest rates of interest-bearing financial instruments would not materially affect the Company's financial statements.

The Company believes that presentation of the sensitivity analysis of interest rate is immaterial to the financial statements. Furthermore, the Company is not exposed to equity prices and foreign exchange rate.

Liquidity risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities. The company monitors the maturities of its financial assets and liabilities and ensure that it has sufficient current assets to settle its current liabilities.

Management of liquidity risk
The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Company's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal policies such as rolling forecasts of the Company's liquidity reserves and cash as shown in *Note 4,* as the basis of expected cash flow.

The Company's liquidity risk focuses on its accounts payable and other current payables, dividends and advances from related parties.

Gap analysis on maturity profile
The following table summarizes the maturity profile of the Company's financial assets and 6+assets to be generated from operations:

2022	Maturity date			
	No maturity	Less than 1 year	Between 1 and 5 years	Over 5 years
Financial Assets:				
Cash in bank	₱ 9,713,731	₱ -	₱ -	₱ -
Receivables		316,740,571		
Financial assets at FVTOCI	-	5,825,121	-	-
	9,713,731	322,565,692	-	-
Financial Liabilities:				
Accounts payable and other current liabilities*	₱ -	₱ 124,920	₱ 2,715,786	₱ -
Dividends payable	-	12,895,000	-	-
Advances from related parties	-	-	194,832,958	
	-	13,019,920	197,548,744	-
Net Gap	**₱ 9,713,731**	**309,545,772**	**(197,548,744)**	**₱ -**

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2021	Maturity date			
	No maturity	Less than 1 year	Between 1 and 5 years	Over 5 years
Financial Assets:				
Cash in bank	₱ 1,441,376	₱ -	₱ -	₱ -
Financial assets at FVTOCI	-	5,413,681	-	-
	1,441,376	5,413,681	-	-
Financial Liabilities:				
Accounts payable and other current liabilities*	-	126,159	2,715,786	-
Dividends payable	-	13,000,000	-	-
Advances from related parties	-	-	194,830,754	
	-	13,126,159	197,546,540	-
Net Gap	₱ 1,441,376	₱ (7,712,478)	₱ (197,546,540)	₱

*Excludes withholding tax payable amounting to **₱278,995** and ₱7,839 as of **December 31, 2022** and 2021, respectively, as disclosed in *Note 10.*

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities and investing activities, including deposits with banks and financial institutions, and other financial instruments.

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure ECL. The provision rates are based on days past due for groupings of various segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company's financial assets comprise mainly of cash in bank, receivables and financial assets at FVTOCI, accordingly, exposure to credit risk is minimal. The Company has maximum credit exposure equal to the carrying amounts of these instruments, net of value of collaterals, if any. The Company has no significant concentration of risk with any counterparty.

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Set out below is the information about the credit risk exposure on the Company's finanppcial assets using a provision matrix:

2022

	Neither past due nor impaired						
	High grade	Medium grade	Low grade	Total	Past due but not impaired	Individually impaired	TOTAL
Cash in bank	₱ 9,713,731	₱ -	₱ -	₱ 9,713,731	₱ -	₱ -	₱ 9,713,731
Receivables	-	-	316,740,571	316,740,571	-	-	361,740,571
Financial assets at FVTOCI	-	-	5,825,121	5,825,121	-	-	5,825,121
	₱ 9,713,731	**₱ -**	**₱ 322,565,692**	**₱ 332,279,423**	**₱ -**	**₱ -**	**₱ 332,279,423**

2021

	Neither past due nor impaired						
	High grade	Medium grade	Low grade	Total	Past due but not impaired	Individually impaired	TOTAL
Cash in bank	₱ 1,441,376	₱ -	₱ -	₱ 1,441,376	₱ -	₱ -	₱ 1,441,376
Financial assets at FVTOCI	-	-	5,413,681	5,413,681	-	-	5,413,681
	₱ 1,441,376	₱ -	₱ 5,413,681	₱ 6,855,057	₱ -	₱ -	₱ 6,855,057

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16.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital by pricing its products commensurately with the level of risk assumed.

The Company monitors capital on the basis of the carrying amount of equity as presented in the face of the statements of financial position. Capital for reporting periods under review is summarized below:

- The Company's goal in capital management is to maintain a debt-to-equity structure ratio of 1:1 to 1:2 on an annual basis.
- The Company sets the amount of capital in proportion to its overall financing structure, i.e., equity, and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares.

		2022		2021
Total liabilities	₱	**210,967,564**	₱	210,697,583
Total equity		**395,798,182**		70,643,797
Debt-to-equity ratio	₱	**0.53:1**	₱	2.98:1

The Company is not subject to any externally imposed capital requirement.

Note 17 - Earnings Per Share

The computation of basic earnings per share is shown below:

		2022		2021
Net profit	₱	**390,845,805**	₱	65,693,132
Number of shares outstanding		**25,000**		25,000
Earnings per share	₱	**15,633.83**	₱	2,627.73

Earnings per share is computed based on the weighted average number of common shares outstanding during each year adjusted for any stock dividend declared, if any. No stock options, warrants, and debenture bonds were offered, exercised nor converted for the year and the Company has no potential common shares. Accordingly, weighted average number of outstanding shares remains the same.

Note 18 - Events after Reporting Period

The separate financial statements of the Company were approved and authorized for issue by the BOD on March 24, 2023.

Aside from the abovementioned events, there are no significant events after reporting period that need adjustment or disclosure.

Note 19 - Supplementary Information Required by the BIR

The Bureau of Internal Revenue (BIR) issued on November 25, 2010 Revenue Regulations (RR) No. 15-2010, *Amending Certain Provisions of Revenue Regulations No. 21-2002, as Amended, Implementing Section 6 (H) of the Tax Code of 1997, Authorizing the Commissioner of Internal Revenue to Prescribe Additional Procedural and/or Documentary Requirements in Connection with the Preparation and Submission of Separate financial statements Accompanying Income Tax Returns*. Under the said RR, companies are required to provide, in addition to the disclosures mandated under PFRSs, and such other standards and/ or conventions as may be adopted, in

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the notes to the separate financial statements, information on taxes, duties and license fees paid or accrued during the taxable year.

However, the Company opted to present such information in a separate schedule to be attached to the separate financial statements for filing with the BIR. The supplementary information is not a required part of the basic separate financial statements under sections cited in PFRSs and not a required disclosure by the SEC.

Additional disclosures in the notes to the separate financial statements are also required under RR No. 19-2011 of the following schedules (a) sales/receipts/fees; (b) costs of sales/services; (c) non-operating and taxable; (d) itemized deductions (if the taxpayer did not avail of OSD); (e) taxes and licenses; and (f) other information prescribed to be disclosed in the notes to the separate financial statements.

The required disclosures for **2022** and 2021 are as follows:

a. Sales / receipts / fees – no taxable income for the years ended **December 31, 2022** and 2021
b. Other taxable income – no other taxable income for the years ended **December 31, 2022** and 2021
c. Taxes and licenses – refer to the attachment supplemental schedule
d. Itemized deductions

The breakdown of the Company's itemized deductions are as follows:

		2022		2021
Management fees	₱	**420,012**	₱	412,623
Taxes and licenses		**159,641**		81,846
Professional fees		**109,217**		104,016
Service fees		**49,458**		46,525
Light and water		**36,588**		25,306
Miscellaneous		**92,104**		86,882
	₱	**867,020**	₱	757,198

e. Other information – N/A

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