**SECURITIES AND EXCHANGE COMMISSION**
SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
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## Company Information

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**SEC Registration No.:** 0000031615
**Company Name:** PILIPINO STAR NGAYON INC.
**Industry Classification:** D22110
**Company Type:** Stock Corporation

## Document Information

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**Document ID:** OST10510202381123250
**Document Type:** Financial Statement
**Document Code:** FS
**Period Covered:** December 31, 2022
**Submission Type:** Annual
**Remarks:** None

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

# COVER SHEET
for
## AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 3 1 6 1 5

COMPANY NAME

P I L I P I N O  S T A R  N G A Y O N ,  I N C .

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

2 0 2  R O B E R T O  S .  O C A  C O R N E R
R A I L R O A D  S T .  P O R T  A R E A  M A N I L A

| Form Type | Department requiring the report | Secondary License Type, if Applicable |
|---|---|---|
| A F S | C R M | N / A |

### COMPANY INFORMATION

| Company's Email Address | Company's Telephone Number/s | Mobile Number |
|---|---|---|
| N/A | (02) 527 7901 | N/A |

| No. of Stockholders | Annual Meeting (Month/Day) | Fiscal Year (Month/Day) |
|---|---|---|
| 11 | 08/25 | 12/31 |

### CONTACT PERSON INFORMATION

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| CARLOS R. DIZON | [redacted] | [redacted] | [redacted] |

### CONTACT PERSON's ADDRESS

[redacted]

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

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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

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

[redacted]

**Atty. Ray C. Espinosa**
Chairman of the Board

[redacted]

**Jaime Miguel G. Belmonte**
President/Chief Executive Officer

[redacted]

**Carlos R. Dizon**
Chief Financial Officer

Pilipino Star
NGAYON
Diyaryong disente ng masang intelihente
202 Roberto S. Oca corner
Railroad Sts., Port Area, Manila
Website: www.philstar.com/ngayon



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Board of Directors (the "Board) of Pilipino Star Ngayon, Inc. (the "Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. The Board is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Board is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax returns, withholding tax returns, and any and all other tax returns.

In this regard, the Board affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, complete and correct in all material respects. The Board likewise affirms that:

a. the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

b. any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

c. the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

[redacted]

**Atty. Ray C. Espinosa**
Chairman of the Board

[redacted]

**Jaime Miguel G. Belmonte**
President/Chief Executive Officer

[redacted]

**Carlos R. Dizon**
Chief Financial Officer

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## Independent Auditor's Report

To the Board of Directors and Shareholders of
**Pilipino Star Ngayon, Inc.**
202 Roberto S. Oca corner Railroad Street
Port Area, Manila

## Report on the Audits of the Financial Statements

### *Our Opinion*

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

*What we have audited*

The financial statements of the Company comprise:

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

### *Basis for Opinion*

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

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

*Independence*

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

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

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

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

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

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

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

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

**Report on the Bureau of Internal Revenue Requirement**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**Isla Lipana & Co.**

[redacted]
Jan Michael L. Reyes
Partner
CPA Cert. No. [redacted]
PTR No. [redacted], issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors [redacted]-SEC, Category A;
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors [redacted]-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN [redacted]
BIR A.N. 08-000745-142-2022; issued on January 25, 2022; effective until January 24, 2025
BOA/PRC Reg. No. [redacted], effective until November 14, 2025

Makati City
April 4, 2023

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Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
**Pilipino Star Ngayon, Inc.**
202 Roberto S. Oca corner Railroad Street
Port Area, Manila

We have audited the financial statements of Pilipino Star Ngayon, Inc. (the "Company") as at and for the year ended December 31, 2022, on which we have rendered the attached report dated April 4, 2023.

In compliance with SRC Rule 68 and based on the certification received from the Company's corporate secretary and the results of our work done, the Company has six (6) shareholders owning one hundred (100) or more shares each as at December 31, 2022.

**Isla Lipana & Co.**

[redacted]
Jan Michael L. Reyes
Partner
CPA Cert. No. [redacted]
PTR No. [redacted] issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors [redacted]-SEC, Category A;
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors [redacted]-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN [redacted]
BIR A.N. [redacted] issued on January 25, 2022; effective until January 24, 2025
BOA/PRC Reg. No. [redacted] effective until November 14, 2025

Makati City
April 4, 2023

Isla Lipana & Co.

Statement Required by Rule 68
Securities Regulation Code (SRC)

To the Board of Directors and Shareholders of
**Pilipino Star Ngayon, Inc.**
202 Roberto S. Oca corner Railroad Street
Port Area, Manila

We have audited the financial statements of Pilipino Star Ngayon, Inc. as at and for the year ended December 31, 2022, on which we have the rendered the attached report dated April 4, 2023. The supplementary information shown in the *Reconciliation of Retained Earnings Available for Dividend Declaration for the year ended December 31, 2022,* as an additional component required by of the SRC, is presented for purposes of filing with Securities and Exchange Commission and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the supplementary has been prepared in accordance with Rule 68 of the SRC.

**Isla Lipana & Co.**

[redacted]

Jan Michael L. Reyes
Partner
CPA Cert. [redacted]
PTR No. [redacted] issued on January 9, 2023, Makati City
SEC A.N. (individual) as general auditors [redacted] SEC, Category A;
valid to audit 2020 to 2024 financial statements
SEC A.N. (firm) as general auditors [redacted] SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN [redacted]
BIR A.N. [redacted] issued on January 25, 2022; effective until January 24, 2025
BOA/PRC Reg. No [redacted] effective until November 14, 2025

Makati City
April 4, 2023

**Pilipino Star Ngayon, Inc.**

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

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 2 | 71,519,301 | 93,271,672 |
| Trade and other receivables, net | 3 | 121,799,807 | 77,703,183 |
| Inventories | 4 | 1,170,042 | 3,215,414 |
| Other current assets | 5 | 14,779,224 | 21,041,483 |
| Total current assets | | 209,268,374 | 195,231,752 |
| **Non-current assets** | | | |
| Property and equipment, net | 6 | 6,706,860 | 7,637,452 |
| Retirement benefit asset | 13 | 4,216,405 | 5,684,676 |
| Investment properties | 9 | 29,641,336 | 29,641,336 |
| Investment in subsidiaries, at cost | 7 | 137,400,000 | 137,400,000 |
| Deferred tax assets, net | 16 | 5,589,412 | 5,717,970 |
| Total non-current assets | | 183,554,013 | 186,081,434 |
| **Total assets** | | 392,822,387 | 381,313,186 |
| **LIABILITIES AND EQUITY** | | | |
| **Current liability** | | | |
| Trade payables and other liabilities | 8 | 30,889,455 | 27,833,470 |
| **Equity** | | | |
| Share capital | 9 | 136,500,000 | 136,500,000 |
| Retained earnings | | | |
| Appropriated | 9 | 80,000,000 | 80,000,000 |
| Unappropriated | 9 | 144,034,991 | 135,343,451 |
| Reserve for remeasurement on retirement obligation | 13 | 1,397,941 | 1,636,265 |
| Total equity | | 361,932,932 | 353,479,716 |
| **Total liabilities and equity** | | 392,822,387 | 381,313,186 |

(The notes on pages 1 to 38 are integral part of these financial statements)

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VICTOR R. BONGHANOY
COLLECTION SECTION

**Pilipino Star Ngayon, Inc.**

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

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Revenues, net | | | |
| Circulation income | | 106,058,047 | 109,733,164 |
| Advertising income | | 28,853,255 | 20,752,194 |
| | 10 | 134,911,302 | 130,485,358 |
| Cost of sales and services | 11 | (63,239,245) | (52,771,435) |
| **Gross profit** | | 71,672,057 | 77,713,923 |
| Operating expenses | 12 | (65,682,617) | (68,857,274) |
| Other operating income, net | 14 | 5,516,941 | 2,319,394 |
| **Profit before income tax** | | 11,506,381 | 11,176,043 |
| Income tax (expense) benefit | 16 | (2,814,841) | 1,353,279 |
| **Profit for the year** | | 8,691,540 | 12,529,322 |
| **Other comprehensive (loss) income for the year** | | | |
| Item that will not be reclassified to profit or loss | | | |
| Remeasurements on retirement obligation, net of tax | 13 | (238,324) | 6,066,618 |
| **Total comprehensive income for the year** | | 8,453,216 | 18,595,940 |

(The notes on pages 1 to 38 are integral part of these financial statements)

**Pilipino Star Ngayon, Inc.**

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

| | Share capital (Note 9) | Retained earnings (Note 9) | | Reserve for remeasurement on retirement obligation (Note 13) | Total equity |
|---|---|---|---|---|---|
| | | Appropriated | Unappropriated | | |
| **Balances at January 1, 2021** | 136,500,000 | 80,000,000 | 93,172,793 | (4,430,353) | 305,242,440 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | 12,529,322 | - | 12,529,322 |
| Other comprehensive income for the year | - | - | - | 6,066,618 | 6,066,618 |
| **Total comprehensive income for the year** | - | - | 12,529,322 | 6,066,618 | 18,595,940 |
| **Transactions with owners** | | | | | |
| Reversal of prior year dividends payable (Note 9) | - | - | 29,641,336 | - | 29,641,336 |
| **Balances at December 31, 2021** | 136,500,000 | 80,000,000 | 135,343,451 | 1,636,265 | 353,479,716 |
| **Comprehensive income** | | | | | |
| Profit for the year | - | - | 8,691,540 | - | 8,691,540 |
| Other comprehensive income for the year | - | - | - | (238,324) | (238,324) |
| **Total comprehensive income for the year** | - | - | 8,691,540 | (238,324) | 8,453,216 |
| **Balances at December 31, 2022** | 136,500,000 | 80,000,000 | 144,034,991 | 1,397,941 | 361,932,932 |

(The notes on pages 1 to 38 are integral part of these financial statements)

**Pilipino Star Ngayon, Inc.**

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

| | Notes | 2022 | 2021 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before income tax | | 11,506,381 | 11,176,043 |
| Adjustments for: | | | |
| Provision for impairment of trade receivables | 3,12 | 3,000,000 | 3,000,000 |
| Unrealized foreign exchange gain | 17 | (19,684) | (1,273,216) |
| Depreciation | 6 | 1,342,574 | 1,602,982 |
| Interest income | 2, 5, 14 | (595,174) | (836,908) |
| Retirement benefit expense | 12, 13 | 1,150,505 | 1,000,164 |
| Operating income before changes in assets and liabilities | | 16,384,602 | 14,669,065 |
| (Increase) decrease in: | | | |
| Trade and other receivables | | (47,096,624) | (24,965,072) |
| Inventories | | 2,045,372 | (123,522) |
| Other current assets | | 6,262,259 | (3,090,384) |
| Increase in trade payables and other liabilities | | 3,055,985 | 12,446,271 |
| **Cash used in operating activities** | | (19,348,406) | (1,063,642) |
| Interest received | | 595,174 | 836,908 |
| Income tax paid | | (2,606,841) | (1,050,838) |
| Cash received from trustee | 13 | - | 17,962,183 |
| Net cash (used in) from operating activities | | (21,360,073) | 16,684,611 |
| **Cash flows used in an investing activity** | | | |
| Acquisition of property and equipment | 6 | (411,982) | (95,904) |
| **Net (decrease) increase in cash** | | (21,772,055) | 16,588,707 |
| Cash at beginning of year | | 93,271,672 | 75,409,749 |
| Effect of foreign exchange rate | | 19,684 | 1,273,216 |
| **Cash at end of year** | | 71,519,301 | 93,271,672 |

(The notes on pages 1 to 38 are integral part of these financial statements)

**Pilipino Star Ngayon, Inc.**

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

## Note 1 - General information

### 1.1 Organization

Pilipino Star Ngayon, Inc. (the "Company"), was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on February 7, 1967. On December 16, 2016, the Company's articles of incorporation have been amended to extend the Company's corporate term to another fifty years from and after the date of expiration. Its primary purpose is to carry on business as proprietors and publishers of newspapers, journals, books and other literary work and undertakings; carry on business as printers, booksellers, bookbinders, papermakers, stationers, engravers, photographers, photographic printers, stereotypers, electrotypers, lithographers, machinists and mechanical engineers, ink, manufacturers, or any other business or manufacture that may seem expedient.

The Company's immediate parent company is Hastings Holdings, Inc. (Hastings) with 80% equity interest. The remaining 20% of the equity interest is owned by individual shareholders.

The Company's intermediate parent company is MediaQuest Holdings, Inc. (MediaQuest), which was incorporated and domiciled in the Philippines. The Company's ultimate parent company is The Benefit Plan of PLDT Co., a trust organized and domiciled in the Philippines.

The Company's registered office address, which is also its principal place of business, is at 202 Roberto S. Oca corner Railroad Street, Port Area Manila.

### 1.2 Corona Virus Disease 2019 ("COVID-19") pandemic

Management will continue to monitor the business developments amidst the pandemic and update the assessments made. While there has been recovery and operational improvements in the last year, any medium to long-term impact of the pandemic on the Company's financial position, results, and cash flows cannot be ascertained yet given the uncertainties surrounding the COVID-19 pandemic.

### 1.3 Approval of the Company's financial statements

The financial statements of the Company as at December 31, 2022 were authorized and approved for issue by the Board of Directors (BOD) on April 4, 2023.

## Note 2 - Cash and cash equivalents

Cash and cash equivalents at December 31 consist of:

| | 2022 | 2021 |
|---|---|---|
| Cash on hand | 100,000 | 100,000 |
| Cash in banks | 33,209,603 | 48,510,426 |
| Short-term placements | 38,209,698 | 44,661,246 |
| | 71,519,301 | 93,271,672 |

Short-term placements have an average term of 1 to 3 months term and earn an annual interest rate ranging from 0.25% to 3.75% for the year ended December 31, 2022 (2021 - 0.25% to 3.25%).

Interest income earned from cash and cash equivalents for the year ended December 31, 2022 amounted to P513,871 (2021 - P710,300) (Note 14).

**Note 3 - Trade and other receivables, net**

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

| | Note | 2022 | 2021 |
|---|---|---|---|
| Trade receivables | | 43,512,645 | 45,295,740 |
| Allowance for expected credit losses (ECLs) | | (18,233,745) | (15,233,745) |
| Trade receivables, net | | 25,278,900 | 30,061,995 |
| Due from related parties | 15 | 78,371,235 | 34,962,760 |
| Advances to employees | | 18,149,672 | 12,678,428 |
| | | 121,799,807 | 77,703,183 |

The movements in allowance for ECLs for the years ended December 31 are as follows:

| | Note | 2022 | 2021 |
|---|---|---|---|
| Beginning of year | | 15,233,745 | 12,233,745 |
| Provision | 12 | 3,000,000 | 3,000,000 |
| End of year | | 18,233,745 | 15,233,745 |

Advances to employees are noninterest-bearing and are normally collected within the next financial year.

**Note 4 - Inventories**

Inventories, at cost, at December 31 consist of:

| | 2022 | 2021 |
|---|---|---|
| Newsprint | 90,467 | 1,368,509 |
| Ex-deals | 406,900 | 1,089,836 |
| Office supplies | 672,675 | 757,069 |
| | 1,170,042 | 3,215,414 |

The cost of inventories recognized as expense for the year ended December 31, 2022 amounted to P31,518,597 (2021 - P30,454,008) (Notes 11 and 12).

No provision for inventory losses has been recognized for the years ended December 31, 2022 and 2021 as management deemed that the carrying amount of inventories above are fully recoverable.

Ex-deals consist of non-monetary assets received in consideration of the advertising services provided by the Company.

## Note 5 - Other current assets

Other current assets at December 31 consist of:

| | 2022 | 2021 |
|---|---|---|
| Short-term investments | 11,299,787 | 16,607,424 |
| Prepaid taxes | 2,952,877 | 3,304,962 |
| Prepaid expenses | 526,560 | 1,129,097 |
| | 14,779,224 | 21,041,483 |

Short-term investments have an average term of 6 to 12 months term and earn an annual interest rate ranging from 0.5% to 1.25% for the year ended December 31, 2022 (2021 - 0.5% to 1.25%). Interest income earned from these investments for the year ended December 31, 2022 amounted to P81,303 (2021 - P126,608) (Note 14).

Advances to suppliers are down payments made in advance for services not yet received.

## Note 6 - Property and equipment, net

Details of property and equipment, net at December 31 are as follows:

| | Office equipment | Transportation equipment | Furniture and fixtures | Billboard | Total |
|---|---|---|---|---|---|
| **At January 1, 2021** | | | | | |
| Cost | 24,590,003 | 14,449,776 | 2,109,008 | 9,687,500 | 50,836,287 |
| Accumulated depreciation | (23,889,052) | (14,233,896) | (2,068,809) | (1,500,000) | (41,691,757) |
| Net carrying value | 700,951 | 215,880 | 40,199 | 8,187,500 | 9,144,530 |
| **For the year ended December 31, 2021** | | | | | |
| Opening net carrying value | 700,951 | 215,880 | 40,199 | 8,187,500 | 9,144,530 |
| Additions | 95,904 | - | - | - | 95,904 |
| Depreciation | (406,221) | (180,823) | (28,959) | (986,979) | (1,602,982) |
| Closing net carrying value | 390,634 | 35,057 | 11,240 | 7,200,521 | 7,637,452 |
| **At December 31, 2021** | | | | | |
| Cost | 24,685,907 | 14,449,776 | 2,109,008 | 9,687,500 | 50,932,191 |
| Accumulated depreciation | (24,295,273) | (14,414,719) | (2,097,768) | (2,486,979) | (43,294,739) |
| Net carrying value | 390,634 | 35,057 | 11,240 | 7,200,521 | 7,637,452 |
| **For the year ended December 31, 2022** | | | | | |
| Opening net carrying value | 390,634 | 35,057 | 11,240 | 7,200,521 | 7,637,452 |
| Additions | 411,982 | - | - | | 411,982 |
| Depreciation | (346,129) | (18,197) | (9,498) | (968,750) | (1,342,574) |
| Closing net carrying value | 456,486 | 16,860 | 1,743 | 6,231,771 | 6,706,860 |
| **At December 31, 2022** | | | | | |
| Cost | 25,097,888 | 14,449,776 | 2,109,008 | 9,687,500 | 51,344,173 |
| Accumulated depreciation | (24,641,402) | (14,432,916) | (2,107,265) | (3,455,729) | (44,637,313) |
| Net carrying value | 456,486 | 16,860 | 1,743 | 6,231,771 | 6,706,860 |

Depreciation for the years ended December 31 charged to profit or loss is as follows:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Cost of sales and services | 11 | 986,948 | 986,979 |
| Operating expenses | 12 | 355,626 | 616,003 |
| | | 1,342,574 | 1,602,982 |

**Note 7 - Investment in subsidiaries, at cost**

Investment in subsidiaries, at cost at December 31, 2022 and 2021 consist of:

| | Registered address | Ownership Percentage | Cost |
|---|---|---|---|
| Pilipino Star Printing Co., Inc. | 202 Roberto S. Oca corner Railroad Street, Port Area Manila | 60% | 122,400,000 |
| JS' Publications (The Freeman), Inc. | V. Gullas Corner D. Jakosalem Street, Cebu City | 50% | 15,000,000 |
| | | | 137,400,000 |

*Investment in Pilipino Star Printing Co., Inc.*

Pilipino Star Printing Co., Inc. was incorporated and registered with the SEC on April 15, 1971, primarily to engage in the business of printing, circulation, distribution and/or sale of newspaper, periodicals, magazines, books, literary writings, lithographs, advertisements or any other printed forms.

*Investment in JS' Publications (The Freeman), Inc.*

JS' Publications (The Freeman) Co., Inc. was incorporated and registered with the SEC on July 13, 1993, primarily to carry on business as proprietor and publishers of newspapers, journals, magazines, books and other literary works and undertakings. The Company is operating under the brand name "Freeman".

The unlisted subsidiaries' summarized financial information on assets, liabilities and results of its operations at December 31 are as follows:

| | Pilipino Star Printing Co., Inc. | | JS' Publications (The Freeman), Inc. | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| Current assets | 293,048,848 | 239,280,204 | 54,011,574 | 46,612,304 |
| Non-current assets | 558,872,311 | 607,824,043 | 20,534,382 | 22,717,860 |
| Current liabilities | (26,217,815) | (22,762,799) | (41,471,864) | (37,209,257) |
| Non-current liabilities | (13,342,161) | (14,474,149) | (11,266,216) | (12,553,227) |
| Net assets | 812,361,286 | 809,867,299 | 21,807,876 | 19,567,680 |
| Revenue, net | 92,962,315 | 70,981,970 | 54,998,394 | 48,265,556 |
| Profit (loss) for the year | (100,777) | (21,039,905) | 764,919 | (927,666) |
| Total comprehensive income (loss) | 2,594,764 | (18,378,589) | 2,240,196 | 522,016 |
| Cash (used in) from | | | | |
| Operating activities | (9,402,093) | (22,855,851) | 5,157,235 | (281,899) |
| Investing activities | (3,907,000) | (52,900) | (72,625) | (143,989) |
| Financing activities | (530,524) | (530,524) | (841,200) | (841,199) |

**Note 8 - Trade payables and other liabilities**

Trade payable and other liabilities at December 31 consist of:

| | Note | 2022 | 2021 |
|---|---|---|---|
| Trade payables | | 6,316,264 | 9,808,439 |
| Accrued expenses | | 6,128,764 | 11,497,546 |
| Due to related parties | 15 | 15,146,675 | 4,046,366 |
| Due to regulatory agencies | | 3,297,752 | 2,481,119 |
| | | 30,889,455 | 27,833,470 |

Accrued expenses mainly consist of accruals for utilities and professional fees.

Trade payables are unsecured, noninterest-bearing and are usually paid within 30 days.

Due to regulatory agencies consists of accrued withholding taxes and statutory contributions.

**Note 9 - Equity**

*(a) Share capital*

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

| | Number of shares | Amount |
|---|---|---|
| Common shares at P100 par value per share | | |
| Authorized | 1,500,000 | 150,000,000 |
| Issued and outstanding | 1,365,000 | 136,500,000 |

*(b) Retained earnings*

Property dividend

On April 6, 2011, the Company's BOD declared "property dividend" from the Company's unrestricted retained earnings as at December 31, 2010, subject to the approval of the SEC, on all outstanding common shares of the Company, to holders of record of said common shares at the close of the business on April 6, 2011.

Property dividend at December 31, 2022 consists of parcels of land as follows:

| | |
|---|---|
| Nasugbu, Batangas | 22,141,336 |
| Commonwealth, Quezon City | 7,500,000 |
| | 29,641,336 |

The subject property pertains to TCT No. N313716 describes as Commonwealth Lot and TCT No. T-91136, described as Punta Fuego Lot; and any all improvements located on the said lots. These shall be distributed to the "Stockholders-of-Record", within 180 days after the Company has secured the approval of the SEC on the same.

Based on the latest report made by an independent assessor, the aggregate fair value of the properties amounted to P75,081,000. No impairment is deemed necessary for the years ending December 31, 2022 and 2021.

Level 2 fair value of land has been derived using the market approach. In market approach, the value of the land is based on recorded sales and listing (or asking price) of comparable property registered within the vicinity. The most significant input into this valuation approach is price per square meter.

As at December 31, 2022 and 2021 and in the light of recent developments, management assessed that actions required to complete the distribution are expected to be completed beyond one year from said date. Accordingly, these assets are classified as "Investment properties".

On February 17, 2021, the BOD decided to reverse the property dividend declared on April 6, 2011 and agreed to donate the properties instead to Azzurra Prime Ventures, Inc. under a deed of donation to be entered into between the latter and the Company provided all transfer taxes shall be for the account of the latter.

Appropriation

On March 22, 2004, the BOD approved the appropriation of retained earnings amounting to P30,000,000 representing amounts earmarked for the acquisition /construction of building and equipment for its new office under the Company's expansion/modernization program. Based on the modernization program, significant capital expenditures are expected to happen within 3 to 5 years from current reporting date.

On February 6, 2020, the BOD approved additional appropriation of retained earnings amounting to P50,000,000 for the construction of building and equipment for its new office under the Company's expansion/modernization program which is expected to happen within 3 to 5 years from current reporting date.

Cash dividend

There were no dividends authorized and approved for declaration and payment for the year ended December 31, 2022 and 2021. There were no outstanding cash dividend payable as at December 31, 2022 and 2021.

Under the Corporation Code of the Philippines (the "Code"), stock corporations are prohibited from returning surplus profits in-excess of 100% of their paid-up capital, except when justified by any reasons mentioned in the code. As at December 31, 2022, the Company has accumulated unappropriated retained earnings amounting to P144,034,991 which is in excess of its paid-up capital.

The Company is in the process of evaluating its business growth strategies and capital structure to assess retention of excess retained earnings and/or declaration of dividends to its shareholders in the ensuing year, subject to the approval of its shareholders and Board of Directors, to address excess retained earnings over capital stock.

Subsequent event

On April 4, 2023, the Company's BOD approved the declaration of a cash dividend to shareholders of record as at December 31, 2022 amounting to P4,345,770 or P3.18 per share out of the Company's unrestricted retained earnings at December 31, 2022.

The retained earnings will be subject to a cycle of capital structure review wherein management will determine the amount of dividends to be declared after taking into consideration the need to appropriate for future capital expenditure and expansion plan which is subject to the BOD's approval.

**Note 10 - Revenues, net**

The components of net revenues for the years ended December 31 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Recognized at point in time | | |
| Gross circulation income | 190,877,110 | 188,053,355 |
| Sales returns, discounts and rebates | (84,819,063) | (78,320,191) |
| | 106,058,047 | 109,733,164 |
| Recognized over time | | |
| Gross advertising income | 29,390,417 | 22,145,299 |
| Commission and cash discounts | (537,162) | (1,393,105) |
| | 28,853,255 | 20,752,194 |
| | 134,911,302 | 130,485,358 |

**Note 11 - Cost of sales and services**

The components of cost of sales and services for the years ended December 31 are as follows:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Cost of sales | | | |
| Newsprint | | 30,232,384 | 29,300,125 |
| Cost of services | | | |
| Printing charges | 15 | 17,559,110 | 10,992,352 |
| Production cost | | 3,715,490 | 4,849,795 |
| Articles and others | | 11,732,261 | 7,629,163 |
| | | 63,239,245 | 52,771,435 |

Articles and others mainly consist of salaries and fees of regular and free-lance writers and the depreciation of billboard.

**Note 12 - Operating expenses**

The components of operating expenses for the years ended December 31 are as follows:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Salaries and allowances | | 33,767,251 | 34,875,402 |
| Employee welfare | | 6,948,834 | 6,542,724 |
| Delivery | | 5,405,029 | 5,286,446 |
| Professional services | | 3,017,973 | 2,334,408 |
| Communication and transportation | | 3,233,461 | 3,710,743 |
| Provision for impairment of trade receivables | 3 | 3,000,000 | 3,000,000 |
| Management fees | 15 | 2,101,954 | 2,096,822 |
| Maintenance and facilities | | 1,817,727 | 1,592,204 |
| Taxes and licenses | | 1,400,783 | 1,070,583 |
| Office supplies | | 1,286,213 | 1,153,883 |
| Retirement benefits | 13 | 1,150,505 | 1,000,164 |
| Repairs and maintenance | | 957,678 | 849,630 |
| Representation and entertainment | | 670,573 | 992,607 |
| Depreciation | 6 | 355,626 | 616,003 |
| Selling and promotion | | 12,275 | 1,289,260 |
| Miscellaneous | | 556,735 | 2,446,395 |
| | | 65,682,617 | 68,857,274 |

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**Note 13 - Retirement plan**

The Company adopted a formal non-contributory retirement plan for the benefit of its qualified employees. Under the Company's Retirement Plan, an employee with the age of 60 years and with at least 5 years of service will receive a sum equivalent to 100% of his monthly salaries for every year of service. An independent actuary conducts a periodic actuarial valuation of the defined benefit plan using the projected unit credit method.

Retirement asset recognized in the statement of financial position as at December 31 are determined as follows:

| | 2022 | 2021 |
|---|---|---|
| Present value of the defined benefit obligations | 21,581,751 | 27,077,680 |
| Fair value of plan assets | (26,694,631) | (33,610,279) |
| Effect of the asset ceiling | 896,475 | 847,923 |
| Retirement benefit asset | (4,216,405) | (5,684,676) |

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

| | 2022 | 2021 |
|---|---|---|
| Beginning of year | 27,077,680 | 30,357,923 |
| Current service cost | 1,307,666 | 1,537,328 |
| Interest cost | 1,324,099 | 1,111,100 |
| Remeasurement loss (gain) | (3,186,202) | (3,009,371) |
| Benefits paid from plan assets | (4,941,492) | (2,919,300) |
| End of year | 21,581,751 | 27,077,680 |

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

| | 2022 | 2021 |
|---|---|---|
| Beginning of the year | 33,610,279 | 50,709,487 |
| Interest income | 1,522,723 | 1,802,544 |
| Benefits paid | (4,941,492) | (2,919,300) |
| Benefits paid to the Company | - | (17,962,183) |
| Remeasurement (loss) gain | (3,496,879) | 1,979,731 |
| End of year | 26,694,631 | 33,610,279 |

The Company's plan assets are managed by a trustee-bank, governed by local regulations and practices and approved by the management of the Company. Benefits paid to the Company in 2021 amounting to P17,962,183 pertain to the amount of cash reimbursed by the trustee-bank to the Company for the benefits paid directly from book reserves in the prior years.

Plan assets at December 31 consist of:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | Amount | % | Amount | % |
| Cash and cash equivalents | 2,670 | 0.01% | 3,361 | 0.01% |
| Equity instruments | 26,499,760 | 99.27% | 33,364,924 | 99.27% |
| Others | 192,201 | 0.72% | 241,994 | 0.72% |
| | 26,694,631 | 100.00% | 33,610,279 | 100.00% |

The movements in the retirement asset recognized in the statement of financial position at December 31 are as follows:

| | Note | 2022 | 2021 |
|---|---|---|---|
| Beginning of the year | | (5,684,676) | (16,136,260) |
| Retirement benefit expense recognized in profit or loss | 12 | 1,150,505 | 1,000,164 |
| Remeasurements recognized in other comprehensive income | | 317,766 | (8,510,763) |
| Benefits paid to the Company | | - | 17,962,183 |
| End of the year | | (4,216,405) | (5,684,676) |

The net movement in retirement benefit asset has been presented as part of operating activities in the statement of cash flows.

The movements in the reserve for remeasurement on retirement obligation recognized in the statement of financial position at December 31 are as follows:

| | Note | 2022 | 2021 |
|---|---|---|---|
| Beginning of the year | | (1,636,265) | 4,430,353 |
| Remeasurements recognized in other comprehensive income | | 317,766 | (8,510,763) |
| Effect of change in tax rate | | - | 316,454 |
| Deferred tax adjustment | 16 | (79,442) | 2,127,691 |
| End of the year | | (1,397,941) | (1,636,265) |

The components of retirement benefit expense recognized in profit or loss within operating expenses for the years ended December 31 are as follows (Note 12):

| | 2022 | 2021 |
|---|---|---|
| Current service cost | 1,307,666 | 1,537,328 |
| Net interest income | | |
| Interest expense on defined benefit obligation | 1,324,099 | 1,111,100 |
| Interest income on plan assets | (1,522,723) | (1,802,544) |
| Interest on the effect of the asset ceiling | 41,463 | 154,280 |
| | 1,150,505 | 1,000,164 |

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

| | 2022 | 2021 |
|---|---|---|
| Remeasurement (gain) loss on defined benefit obligation | | |
| Changes in liability experience | 7,177 | (566,635) |
| Changes in demographic assumptions | - | (1,135) |
| Changes in financial assumptions | (3,193,379) | (2,441,601) |
| | (3,186,202) | (3,009,371) |
| Remeasurement (gain) loss on | | |
| Plan assets | 3,496,879 | (1,979,731) |
| Changes in the effect of asset ceiling | 7,089 | (3,521,661) |
| | 317,766 | (8,510,763) |
| Effect of deferred tax | (79,442) | 2,444,145 |
| | 238,324 | (6,066,618) |

The principal actuarial assumptions used for the years ended December 31 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Discount rate | 7.08% | 4.89% |
| Future salary increases | 2.00% | 2.00% |

*Discount rate*

The discount rate is determined based on the theoretical spot yield curve calculated from the Bankers Association of the Philippines (BAP) PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market by stripping the coupons from government bonds to create virtual zero coupon bonds as of the valuation date, and considering the average years of remaining working life of the employees as the estimated term of the benefit obligation.

*Future salary increase*

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

*Demographic assumptions*

Assumptions regarding future mortality experience are set based on advice from published statistics and experience.

The average working life to retirement in years as at December 31, 2022 for both male and female is 14.6 years (2021 - 14.6 years).

*Sensitivity analysis*

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions as at December 31 is as follows:

| | Impact on defined benefit obligation | | |
|---|---|---|---|
| | Change in Assumption | Increase in assumption | Decrease in assumption |
| 2022 | | | |
| Discount rate | +/-100 basis points | Decrease by 1,213,276 | Increase by 1,356,895 |
| Salary growth rate | +/-100 basis points | Increase by 1,413,936 | Decrease by 1,282,192 |
| 2021 | | | |
| Discount rate | +/-100 basis points | Decrease by 1,731,570 | Increase by 1,955,844 |
| Salary growth rate | +/-100 basis points | Increase by 1,994,078 | Decrease by 2,244,887 |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method has been applied as when calculating the retirement benefit obligation recognized within the statement of financial position.

The weighted average duration of the defined benefit obligation as at December 31, 2022 is 6.0 years (2021 - 6.8 years).

*Expected maturity analysis*

Expected maturity analysis of undiscounted retirement benefit payments as at December 31 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Less than one year | 3,514,105 | 1,293,220 |
| Between 1-2 years | 3,389,802 | 4,478,869 |
| Between 2-5 years | 10,194,264 | 13,175,332 |
| Over 5 years | 10,736,625 | 10,905,903 |
| | 27,834,796 | 29,853,324 |

**Note 14 - Other operating income, net**

The components of other operating income, net for the years ended December 31 are as follows:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Commission income | 15 | 3,161,722 | 796,578 |
| Foreign exchange gain | 17 | 2,019,902 | 941,560 |
| Interest income | 2, 5 | 595,174 | 836,908 |
| Bank charges | | (162,055) | (11,100) |
| Others | | (97,802) | (244,552) |
| | | 5,516,941 | 2,319,394 |

**Note 15 - Related party transactions**

The Company, in the ordinary course of business, has transactions with its related parties as follows:

*Transactions for the years ended December 31 are as follows:*

| | Terms and conditions | 2022 | 2021 |
|---|---|---|---|
| (A) Printing charges<br>*Subsidiary* | PSP charges for printing services rendered to the Company. Printing charges are based on the number and type of copies printed as mutually agreed by the parties (Note 11). | 17,559,110 | 10,992,352 |
| (B) Movie advertisement<br>*Entity under common control* | Related party collected proceeds from movie advertisements based on invoice amount, on behalf of the Company. Amounts are based on actual collection with no mark-up and is presented as part of advertising revenue (Note 10). | - | - |
| (C) Purchase of ex-deals<br>*Entity under common control* | Transactions with PSD involve purchase of ex-deal items including gift certificates (GC), based on recoverable value of GCs, which are being used for promotional activities. | 199,786 | 422,423 |
| (D) Management fees<br>*Intermediate Parent Company* | Management fee is being charged to the Company by its intermediate parent company which is based on a fixed monthly service fee mutually agreed by the parties. These are presented as part of operating expenses (Note 12). | 2,101,954 | 2,096,822 |
| (E) Rental and utilities<br>*Entities under common control* | Related parties paid for certain operating expenses, based on allocated costs with no mark-up, on behalf of the Company. Reimbursement of expenses to related parties is recorded as part of related expenses in profit or loss in the period when the related expense is incurred. | 1,995,983 | 1,770,460 |
| (F) Commission income<br>*Entity under common control* | The Company charges commission income to Freeman in relation to the advertisement placements obtained by the Company's account executives (Note 14). | 3,161,722 | 796,578 |
| (G) Advertising placement with a related party<br>*Entity under common control* | The Company placed an advertisement on a related party's website as part of their advertising bundle with their third party customers. These are presented as part of selling and promotion in operating expenses (Note 12). | - | 666,098 |
| (H) Advances to a related party<br>*Entity under common control* | The Company paid for certain operating expenses in behalf of its related parties. Such outstanding advances and payments were recorded as part of due from related parties (Note 3). | 8,000 | 136,863 |
| (I) Collection by a related party<br>*Entity under common control* | The related party collected proceeds from certain scrap sales, on behalf of the Company. These are remitted based on actual collection. | 129,360 | 155,516 |
| (J) Expenses paid by a related party<br>*Entity under common control* | The related party paid for certain operating expenses, mainly gasoline and oil, on behalf of the Company. These are billed to the Company based on invoice amount with no mark-up. | 817,693 | 611,823 |

There were no contributions made to the Company's plan asset for the years ended December 31, 2022 and 2021.

*Balances at December 31 are as follows:*

| | Reference | Terms and conditions | 2022 | 2021 |
|---|---|---|---|---|
| Due from related parties (Note 3) | | | | |
| *Entities under common control* | (B), (H), (K) (F) | These are settled in cash on a gross basis, unsecured, non-interest bearing and collectible on demand, but not later than 12 months from reporting period. | 78,371,235 | 34,962,760 |
| Due to related parties (Note 8) | | | | |
| *Subsidiary* | (A), (E) | Amounts are payable in the form of cash. Amounts are settled in cash on a gross basis, unsecured, non-interest bearing and payable on demand, but not later than 12 months from reporting period. | 2,599,535 | 3,533,666 |
| *Entity under common control* | (G) | | 12,547,140 | 512,700 |
| | | | 15,146,675 | 4,046,366 |

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

No provisions for impairment have been recognized against due from related parties for the years ended December 31, 2022 and 2021.

*Key management compensation*

Key management compensation for the years ended December 31 consist of:

| | Terms and conditions | 2022 | 2021 |
|---|---|---|---|
| Salaries and other short-term employee benefits | Key management compensation covering salaries and wages and other short-term benefits are determined based on contract of employment and payable in accordance with the Company's payroll process. These were fully paid at reporting period. The Company does not have receivables from/payables to key management personnel arising from the existing compensation agreement as at December 31, 2022 and 2021. There are also no termination benefits and other long-term employee benefits for key management personnel in 2022 and 2021. | 9,716,084 | 9,330,685 |
| Retirement benefits expense | | 1,150,505 | 404,488 |
| | | 10,866,589 | 9,735,173 |

## Note 16 - Income tax

Deferred income tax (DIT) assets as at December 31 represent the tax effect of the following temporary differences:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| *To be realized within 12 months* | | | |
| Allowance for ECLs | | 4,558,436 | 3,808,436 |
| Unrealized foreign exchange loss (gain) | | (651,679) | (318,304) |
| Minimum corporate income tax (MCIT) | | | - |
| *To be realized (settled) after 12 months* | | | |
| Unamortized contribution | | 2,736,756 | 3,649,007 |
| Retirement benefit asset | 13 | (1,054,101) | (1,421,169) |
| | | 5,589,412 | 5,717,970 |

The above DIT assets are determined using the income tax rates in the period the temporary differences are expected to be realized.

In compliance with the Tax Return Act of 1997 (the "Act"), the Company shall pay the greater minimum corporate income tax (MCIT), which is 2% of gross income and normal income tax. Any excess over the normal income tax shall be carried forward for the next three (3) consecutive taxable years immediately following the year such MCIT was paid.

The movements in DIT assets for the years ended December 31 are as follows:

| | Note | 2022 | 2021 |
|---|---|---|---|
| Beginning of year | | 5,717,970 | 5,208,743 |
| (Charged) credited to profit or loss | | (208,000) | 2,953,372 |
| Credited (charged) to other comprehensive income | 13 | 79,442 | (2,444,145) |
| End of year | | 5,589,412 | 5,717,970 |

Realization of the future tax benefit related to DIT assets is dependent on the Company's ability to generate future taxable income during the periods in which these are expected to be recovered. The Company has considered these factors in reaching a conclusion as to the amount of DIT assets recognized as at December 31, 2022 and 2021 and regularly reviews the recoverability of the DIT assets recognized.

The components of income tax (benefit) expense for the years ended December 31 are as follows.

| | 2022 | 2021 |
|---|---|---|
| Current | 2,606,841 | 1,600,093 |
| Deferred | 208,000 | (2,953,372) |
| | 2,814,841 | (1,353,279) |

The reconciliation of income tax computed at the statutory income tax rate to income tax (benefit) expense as shown in the statement of total comprehensive income for the years ended December 31 is as follows:

| | 2022 | 2021 |
|---|---|---|
| Income tax at 25% on profit before tax | 2,876,595 | 2,794,011 |
| Adjustments in income tax arising from: | | |
| Interest income subjected to final tax | (148,794) | (209,227) |
| Effect of previously unrecognized DIT asset | - | (4,490,546) |
| Effect of change in income tax rate | - | 491,345 |
| Non-deductible expense | 87,040 | 61,138 |
| Income tax expense (benefit) | 2,814,841 | (1,353,279) |

The Company did not avail the optional standard deduction for purpose of income tax calculation in 2022 and 2021.

**Note 17 - Foreign currency denominated monetary assets**

The Company's foreign denominated financial assets as at December 31 are as follows:

| | 2022 | 2021 |
|---|---|---|
| Cash and cash equivalents | US$4,144 | US$652,169 |
| Closing rate of U.S. Dollar to Philippine Peso | 55.75 | 51.00 |
| Philippine Peso equivalent | 231,028 | 33,260,619 |

The closing rate used by the Company approximates the closing rate prescribed by the Bangko Sentral ng Pilipinas.

Foreign exchange gain for the year ended December 31, 2022 amounted to P2,019,902 (2021 - P941,560 gain) (Note 14) of which P19,684 gain (2021 - P1,273,216 gain) is unrealized.

**Note 18 - Critical accounting estimates, assumptions and judgments**

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

**18.1 Critical accounting estimates and assumptions**

*Provision for expected credit losses on trade receivables (Note 3)*

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

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.

*Estimated useful lives of property and equipment (Note 6)*

The useful life of each of the Company's property and equipment is estimated based on the period over which these assets are expected to be available for use. Such estimation is based on a collective assessment of, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset.

It is possible, however, that future results of operations could materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A change in the estimated useful life of any item of property and equipment would impact the recorded expenses and non-current assets.

*Principal assumptions and estimation of retirement benefit obligation (Note 13)*

The determination of the obligation, and cost for retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rate and rate of salary increase. Any changes in these assumptions will impact the carrying amount of retirement benefit obligation.

The Company determines the appropriate discount rate at the end of each reporting period. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligation.

Other key assumptions for retirement obligations are based in part on current market conditions. Additional information is disclosed in Note 13.

### 18.2 Critical judgments in applying the Company's accounting policies

*Realizability of DIT assets (Note 16)*

The recognition of deferred income tax (DIT) assets depends on management's assessment of the probability of available future taxable income against which the temporary differences can be applied.

The Company reviews the carrying amounts of DIT assets at each reporting date and reduces the amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the DIT assets to be utilized.

The Company's management believes that the DIT assets as at December 31, 2022 of P5,589,412 (2021 - P5,717,970) will be fully realized.

*Impairment of non-financial assets (Notes 6, 7 and 9)*

The Company's non-financial assets are reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The amount and timing of recorded expenses for any period would therefore differ based on the judgments or estimates made.

Management believes that there are no events or changes in circumstances indicating that the carrying value of its non-financial assets, such as property and equipment, investment properties, investment in subsidiaries, at December 31, 2022 and 2021 may not be recoverable.

*Classification of land declared as property dividends (Note 9)*

The Company follows the guidance of PFRS 5 "Non-current assets held for sale and discontinued operations" in determining proper classification of land, declared as property dividends, in the statements of financial position. As stated in PFRS 5, assets can only be classified as held for distribution to owners when (a) the entity is committed to distribute the assets, and (b) actions to complete the distribution must have been initiated and should be expected to be complete within one year from the date of classification.

The Company's management reviews the classification at each reporting date and ensures that the classification of the said property dividends are in accordance with PFRS 5.

*Determining control over investment with ownership of less than 51% of the investee's total equity (Note 7)*

The Company follows the guidance of PFRS 10 "Consolidated financial statements" in determining if control exists for investments with ownership of less than 51% of the investee's total equity. In making this judgment, the Company considers the power over more than half of the voting rights by virtue of an agreement with other investors, power to govern the financial and operating policies of the investee under a statute or an agreement, power to appoint or remove the majority of the members of the BOD and control of the entity by that board; or power to cast the majority of votes at meetings of the BOD and control of the entity by that board.

Having control over the key economic decisions and policies evidenced by a duly signed shareholder's agreement, the Company considers Freeman as an investment in subsidiary as at December 31, 2022 and 2021 (Note 20.13).

## Note 19 - Financial and capital risk management

### 19.1 Financial risk factors

The Company's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation and management of some degree of risk or combination 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 financial performance.

Financial risk management is carried out by management under the direction of the BOD. Management identifies and evaluates financial risks in close cooperation with the Company's department heads. The BOD reviews and approves policies and procedures covering specific financial risk areas. These policies and procedures enable the Company's management to make strategic and informed decisions with regard to the operations of the Company. The most important types of risk the Company manages are credit risk, market risk and liquidity risk. Market risk includes foreign exchange, interest and price risks.

The Company has no significant financial assets and liabilities that are exposed to interest risk and price risk during and at the end of each reporting period.

### 19.2 Components of financial assets and liabilities by category

Details of the Company's financial assets measured at amortized cost at December 31 are as follows:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Cash and cash equivalents | 2 | 71,519,301 | 93,271,672 |
| Trade receivables, at gross | 3 | 43,512,645 | 45,295,740 |
| Advances to employees | 3 | 18,149,672 | 12,678,428 |
| Due from related parties | 3, 15 | 78,371,235 | 34,962,760 |
| Short-term investments | 5 | 11,299,788 | 16,607,424 |
| | | 222,852,641 | 202,816,024 |

Details of the Company's financial liabilities measured at amortized cost at December 31 are as follows:

| | Notes | 2022 | 2021 |
|---|---|---|---|
| Trade payables | 8 | 6,316,264 | 9,808,439 |
| Accrued expenses | 8 | 6,128,764 | 11,497,546 |
| Due to related parties | 8, 15 | 15,146,675 | 4,046,366 |
| | | 27,591,703 | 25,352,351 |

The fair values of these financial assets and liabilities approximate their net carrying amounts as the impact of discounting is not considered significant due to their short-term maturities.

### 19.3 Market risk

*Foreign exchange risk*

The Company is exposed to foreign exchange risk primarily with respect to its cash deposits maintained in U.S. Dollar. The Company's financial position and results of operations are affected by the movement in the U.S. Dollar to Philippine Peso exchange rate. Foreign exchange risk arises when recognized assets denominated in a currency that is not the entity's functional currency.

The following table demonstrates the sensitivity to a reasonably possible change in U.S. Dollar currency rates against the Philippine Peso with all variables held constant, of the Company's post-tax profit for the years ended December 31:

| | 2022 | 2021 |
|---|---|---|
| U.S. Dollar strengthened/weakened | +/-0.10% | +/-0.10% |
| Effect on post-tax profit and equity | 231 | 31,957 |

The sensitivity rates used represent the rates of change between the foreign currency at December 31, 2022 and 2021 and the use of foreign currency exchange rates determined 30 days from the reporting period, by which management is expected to receive the Company's financial assets.

The Company manages its foreign currency exchange risk through timely settlement of foreign currency denominated balances. Also, the Company maintains sufficient cash in foreign currency to cover its maturing obligations.

### 19.4 Credit risk

Credit risk refers to the risk that a counterparty will cause a financial loss to the Company by failing to discharge an obligation. Significant changes in the economy that may represent a concentration in the Company's business, could result to losses that are different from those provided for at reporting date.

Credit risk arises from cash deposits with banks and financial institutions, as well as credit exposure on receivable from customers, related parties and other counterparties. The fair values of these financial assets approximate their net carrying amounts.

The Company has no significant concentration of credit risk. Credit exposure is spread over a large number of counterparties. The Company has a robust credit review process. A credit assessment is being made to check the creditworthiness of all counterparties prior to signing the contract. In addition, credit risk is minimized by monitoring receivables regularly.

The Company has the following financial assets as at December 31, 2022 and 2021 where the expected credit loss model has been applied:

| Class of financial assets | At gross amounts | Expected credit losses | Net carrying amount | Internal credit rating | Basis for recognition of expected credit loss (ECL) |
|---|---|---|---|---|---|
| *December 31, 2022* | | | | | |
| Cash and cash equivalents | 71,419,301 | - | 71,419,301 | Performing | 12-month ECL |
| Trade receivables | | | | | |
| Group 2 | 25,278,900 | - | 25,278,900 | Performing | Lifetime ECL- simplified |
| Group 3 | 18,233,745 | (18,233,745) | - | Credit-impaired | Lifetime ECL- simplified |
| Advances to employees | 18,149,672 | - | 18,149,672 | Performing | Lifetime ECL |
| Due from related parties | 78,371,235 | - | 78,371,235 | Performing | Lifetime ECL |
| Short-term investments | 11,299,788 | - | 11,299,788 | Performing | 12-month ECL |
| Total | 222,752,641 | (18,233,745) | 204,518,896 | | |
| *December 31, 2021* | | | | | |
| Cash and cash equivalents | 93,171,672 | - | 93,171,672 | Performing | 12-month ECL |
| Trade receivables | | | | | |
| Group 2 | 30,061,995 | - | 30,061,995 | Performing | Lifetime ECL- simplified |
| Group 3 | 15,233,745 | (15,233,745) | - | Credit-impaired | Lifetime ECL- simplified |
| Advances to employees | 12,678,428 | - | 12,678,428 | Performing | Lifetime ECL |
| Due from related parties | 34,962,760 | - | 34,962,760 | Performing | Lifetime ECL |
| Short-term investments | 16,607,424 | - | 16,607,424 | Performing | 12-month ECL |
| Total | 202,716,024 | (15,233,745) | 187,482,279 | | |

*Cash and cash equivalents and short-term investments*

To minimize credit risk exposure from cash in banks, the Company maintains cash deposits in reputable banks. The Company assesses that cash and cash equivalents have low credit risk considering the bank's external credit ratings.

The remaining balance of cash as at December 31, 2022 amounting to P100,000 (2021 - P100,000) represents cash on hand, which is not exposed to credit risk.

*Trade and other receivables*

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit quality of trade and other receivables are further classified and assessed by reference to historical information about each counterparty's historical default rates.

Group 1 - Customer balances without history of default and assessed to be fully recoverable.
Group 2 - Customers with some defaults in the past. All defaults were fully recovered.
Group 3 - Individual assessed customer with defaults and which the Company no longer expects to recover the balance despite its collection efforts.

*Advances to employees*

Advances to employees are collectible on demand and with no history of default. Credit risk exposure is not considered significant.

*Due from related parties*

Due from related parties arising mainly from collections on behalf of the Company and advances to related parties are collectible on demand and therefore, expected credit losses are based on the assumption that repayment of balances outstanding are demanded at the reporting date.

Based on assessment of qualitative and quantitative factors that are indicative of the risk of default, including but not limited to, availability of accessible highly liquid asset and internal and external funding of related parties, Company has assessed that the outstanding balances are exposed low credit risk. Expected credit losses on these balances have therefore been assessed to be insignificant.

### 19.5 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet operating capital requirements. The Company aims to maintain flexibility in funding its operations through an efficient collection of clients' accounts.

At December 31, 2022, the Company's financial liabilities maturing within the next 12 months from the reporting period amounted to P27,591,703 (2021 - P25,352,351). The Company has sufficient financial assets to settle financial liabilities that are due within 12 months from the reporting periods. Also, the Company will be able to meet unexpected net cash outflow, if any, by accessing additional funding sources.

The Company has no long-term financial liabilities as at December 31, 2022 and 2021.

### 19.6 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can implement its key operating plans to achieve profitable operations in the near future.

The Company manages its capital structure, which is the total equity (except reserve for remeasurement on retirement obligation) as shown in the statement of financial position, and makes adjustments to it, in light of changes in economic conditions

As at December 31, 2022 and 2021, the Company is not subject to externally imposed capitalization.

## Note 20 - Summary of significant accounting policies

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

### 20.1 Basis of preparation

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

These financial statements have been prepared under the historical cost convention except for retirement benefit asset/obligation measured at net of fair value of plan assets.

The financial statements are prepared as the Company's separate financial statements. The Company did not present consolidated financial statements as at and for the years ended December 31, 2022 and 2021 because it is a controlled entity of MediaQuest, through Hastings (immediate parent company) and its intermediate parent company (MediaQuest) publishes consolidated financial statements which are available for public use and prepared in accordance with PFRS. In accordance with PFRS 10, Consolidated Financial Statements, a parent that is in itself a controlled subsidiary and that meets certain requirements need not present consolidated financial statements. MediaQuest prepares consolidated financial statements which includes the Company and its subsidiaries' (Note 20.13), in accordance with PFRS. The consolidated financial statements can be obtained from the SEC website.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 18.

**20.2 Changes in accounting policies and disclosures**

*(a) New standards, amendments, and interpretations to existing standards adopted by the Company*

The Company has applied the following amendment for the first time for the financial year beginning January 1, 2021:

- Amendments to PFRS 9, PAS 39 and PFRS 7 Interest Benchmark Reform

In the prior year, the Company adopted the Phase 1 amendments Interest Rate Benchmark Reform - Amendments to IFRS 9/IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments are amended as a result of the interest rate benchmark reform.

In the current year, the Company adopted the Phase 2 amendments Interest Rate Benchmark Reform-Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Company to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements.

Both the Phase 1 and Phase 2 amendments have no significant impact to the Company's financial statements because it does not have cash flow hedges where IBOR-linked derivatives are designated as a cash flow hedges of IBOR-linked bank borrowings.

*(b) New standards, amendments and interpretations not yet adopted*

- PAS 1: Classification of Liabilities as Current or Non-current

Amendments to paragraphs 69 to 76 of PAS 1 were issued to specify the requirements for classifying liabilities as current or non-current. The amendments clarify the following:

- the definition of right to defer settlement;
- that a right to defer must exist at the end of the reporting period;
- that classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- 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 periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company does not expect the amendments to have a significant impact to the Company's financial statements.

- PFRS 3: 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 Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of PFRS 3 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 or IFRIC 21 Levies, if incurred separately.

At the same time, the amendments clarified the existing guidance in PFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Company does not expect the amendments to have a significant impact to the Company's financial statements.

- PAS 16: 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 recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods 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 period presented when the entity first applies the amendment. The Company does not expect the amendment to have a significant impact to the Company's financial statements.

- PAS 37: Onerous Contracts - Costs 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 do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company does not expect the amendment to have a significant impact to the Company's financial statements.

- PFRS 9 Financial Instruments - Fees in 10% Test for Derecognition of Financial Liabilities

The amendment clarifies 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 amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Company does not expect the amendment to have a significant impact to the Company's financial statements.

- PAS 1 and PFRS Practice Statement 2: Making Materiality Judgments - Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The Company does not expect the amendment to have a significant impact to the Company's financial statements.

- PAS 8: Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors

The amendments are effective for annual periods beginning on or after January 1, 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The Company does not expect the amendment to have a significant impact to the Company's financial statements.

- PAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The Company does not expect the amendment to have a significant impact to the Company's financial statements.

There are no other relevant standards, amendments or interpretations that are effective beginning on or after January 1, 2021 that are expected to have a material impact on the Company's financial statements.

### 20.3 Financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

(a) those to be measured subsequently at fair value (either through OCI or through profit or loss), and
(b) those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

The Company did not hold financial assets under category (a) during and as at December 31, 2022 and 2021.

The Company's financial assets at amortized cost category include cash and cash equivalents, trade and other receivables and short-term investments.

The Company's financial assets are detailed in Note 19.2.

Recognition and subsequent measurement

The Company recognizes a financial asset in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Regular-way purchases and sales of financial assets are recognized on trade date - the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequently, assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

Impairment

The Company assesses on a forward-looking basis the expected credit loss associated with its financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Impairment losses are presented within operating expenses in the statement of total comprehensive income.

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset

*Simplified approach*

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

*Measurement of ECLs*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

*Credit-impaired financial assets*

At each reporting date, the Company assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the counterparty;
- a breach of contract such as a default; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization.

<u>Write-off</u>

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

<u>Derecognition</u>

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Any gain or loss arising on derecognition is recognized directly in the statement of total comprehensive income and presented in other gains/(losses).

### 20.4 Financial liabilities

Classification

The Company classifies its financial liabilities in the following categories: (i) financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and (ii) other financial liabilities at amortized cost. The classification depends on the purpose for which the financial liabilities were incurred. Management determines the classification of its financial liabilities at initial recognition.

The Company did not hold financial liabilities at fair value through profit or loss during and at the end of each reporting period.

Financial liabilities at amortized cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company. They are included in current liabilities, except for maturities greater than 12 months after the reporting period which are classified as non-current liabilities.

Details of the Company's financial liabilities as at December 31, 2022 and 2021 are disclosed in Note 19.2.

Recognition and measurement

The Company's financial liabilities at amortized cost are initially recognized at fair value plus transaction costs. Subsequently, these are measured at amortized cost using the effective interest method.

Interest expense on financial liabilities is recognized in profit or loss within finance cost, at gross amount.

Derecognition

Financial liabilities are derecognized when extinguished, that is, when the obligation specified in a contract is discharged, is cancelled, expires, there is a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) resulting to extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

### 20.5 Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

### 20.6 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 of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

*Financial assets and financial liabilities*

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price within the bid-ask spread that is most representative of fair value is used. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

*Non-financial assets*

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - Valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.

- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The Company has no financial and non-financial assets and liabilities carried at fair value during and at the end of each reporting period.

**20.7 Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less and earn interest at the prevailing bank deposit rates. Cash and cash equivalents are recognized at face value or nominal amount.

**20.8 Trade and other receivables**

Trade receivables are amounts due from customers for newspapers sold or advertising services performed in the ordinary course of business.

Trade receivables for circulation and advertising with average credit term of 60 to 90 days and 90 to 120 days, respectively, are measured at the original invoice amount (as the effect of discounting is immaterial), less any provision for impairment.

Other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

The relevant policy on classification, recognition, measurement and derecognition of receivables is disclosed in Note 20.3.

**20.9 Inventories**

Inventories are stated at the lower of actual cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. The initial cost of inventories shall comprise of all costs of purchase and other costs incurred in bringing the inventories to their present location. Subsequent to initial recognition, cost is further reduced by any provision for inventory losses and obsolescence. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Inventories like ex-deals are recorded at net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less applicable variable selling expense.

Provision for inventory losses is established for slow-moving, obsolete, defective and damaged inventories based on physical inspection and management's evaluation. Inventories and its related provision for impairment are written-off when the Company has determined that the related inventory is already obsolete and damaged. Write-offs represent the release of previously recorded provision from the allowance account and credited to the related inventory account following the disposal of the inventories. Destruction of the obsolete and damaged inventories is made in the presence of regulatory agencies.

Reversals of previously recorded impairment provisions are credited in profit or loss within cost of sales and services based on the result of management's update assessment, considering available facts and circumstances, including but not limited to net realizable value at the time of disposal.

Inventories are derecognized when sold, written-off or otherwise disposed of.

### 20.10 Assets held for distribution to owners

A non-current asset (or disposal group) is classified as held for distribution to owners when the entity is committed to distribute the asset (or disposal group) to the owners. For this to be the case, the assets must be available for immediate distribution in their present condition and the distribution must be highly probable. For the distribution to be highly probable, actions to complete the distribution must have been initiated and should be expected to be completed within one year from the date of classification. An extension of the period required to complete the sale does not preclude an asset from being classified as held for distribution if the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to distribute the asset. Actions required to complete the distribution should indicate that it is unlikely that significant changes to the distribution will be made or that the distribution will be withdrawn. The probability of shareholders' approval should be considered as part of the assessment of whether the distribution is highly probable.

An entity shall measure a non-current asset (or disposal group) classified as held for distribution to owners at the lower of its carrying amount and fair value less costs to distribute. Assets that do not meet the criteria for held for distribution classification is presented as investment property or property and equipment as appropriate.

### 20.11 Property and equipment

Property and equipment is recognized at historical cost during initial recognition. Historical cost includes expenditures that are directly attributable to the acquisition of the items including the cost of bringing the asset to its working condition and location for its intended use.

Following initial recognition at cost, all property and equipment are recorded at cost less accumulated depreciation, amortization and impairment, if any. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Major renovations are depreciated over the remaining useful life of the related asset or to the date of the next major renovation, whichever is sooner. All other repairs and maintenance are expensed in profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives, as follows:

| | |
|---|---|
| Office equipment | 5 years |
| Transportation equipment | 5 years |
| Furniture and fixtures | 3 years |
| Billboard | 10 years |

Fully depreciated assets are retained in the property and equipment accounts until these are retired. The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at each reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its disposal, at which time the cost and their related accumulated depreciation are removed from the accounts. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

### 20.12 Investment properties

Investment properties, comprising of parcels of land, are held for capital appreciation and are not occupied by the Company. Investment properties are carried at cost less accumulated depreciation and any impairment, except for land, which is shown at cost less any impairment. Cost is the fair value of the initial consideration given to acquire the property, including transaction costs such as legal fees and taxes on the purchase of the property. Valuations are performed with sufficient regularity, at least once every 3 to 5 years, enough to ensure that the fair value of investment properties do not differ significantly from its carrying value. Investment property is derecognized in the statement financial position upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gain or losses arising from the retirement of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the investment property and shall be recognized in profit or loss in the period of the retirement or disposal.

Investment property is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 20.14).

### 20.13 Investment in subsidiaries

Investments in subsidiaries of the Company are accounted for at cost less any impairment in value.

Subsidiaries are all entities controlled by the Company. The Company controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Shares of stock acquired are issued to the Company only upon full payment of subscription price. Any unpaid portion of subscription price is presented as subscription payable in the statement of financial position.

Distributions from accumulated profits of the subsidiary arising after the date of acquisition are recognized as income from investments. Any distributions in excess of the accumulated profits of the subsidiary are regarded as recovery of investments and are recognized as reduction of the costs of investments.

*Transfer of subsidiaries between entities under common control*

If the Company acquires a subsidiary under common control, the Company accounts for the investment in subsidiary at cost or transaction price which is the amount of cash or cash equivalents paid or the fair value of the consideration given. Accordingly, no gain or loss is recognized in the transfer.

When the Company surrenders control to a related party within the Company it ultimately belongs, the Company accounts for the transfer at transaction price, or the amount of cash or cash equivalent received or the fair value of the consideration received. The difference between the transaction price and the carrying value of the subsidiary at transfer date is recognized as other charges to equity.

*Impairment of investments in subsidiaries*

Investments in subsidiaries are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that have been impaired are reviewed for possible reversal of the impairment at each reporting period. Impairment losses, if any, are recognized as provision for impairment loss in profit or loss.

If future benefit from related subsidiaries cannot be anymore ascertained and right to hold such investments cannot be anymore established, the Company may directly write-off accounts provided appropriate approval has been obtained.

*Disposal of subsidiaries*

When an investment in subsidiary is sold in an arm's length transaction, the carrying amount of the investment disposed of is derecognized. The difference between the fair value of the consideration paid by the third party and the carrying amount of the investment would be recorded in profit or loss as gain or loss on disposal.

### 20.14 Impairment of non-financial assets

Non-financial assets that have an indefinite useful life, such as land, are not subject to depreciation and are tested annually for impairment. Other non-financial assets, mainly property and equipment which are subject to depreciation, investment properties and investment in subsidiaries, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting period.

### 20.15 Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the income tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax (DIT) is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, DIT is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. DIT is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company reassesses at each reporting period the need to derecognize a previously recognized DIT asset.

DIT liabilities are recognized in full for all taxable temporary differences that are expected to increase taxable profit in the future.

DIT assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the DIT assets and liabilities relate to income taxes levied by the the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

DIT expense or credit is recognized for changes in DIT assets and liabilities during the reporting period. Income tax expense includes income tax as currently payable and those deferred because of temporary differences in the financial and tax reporting bases of assets and liabilities, and unused tax losses and tax credits.

DIT assets and liabilities are derecognized when the related temporary difference are realized or settled.

### 20.16 Trade payables and other liabilities

Trade payables and other liabilities are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are recognized initially at invoice amount, which approximates fair value plus transaction costs and subsequently measured at amortized cost using effective interest method.

Trade payables and other liabilities are derecognized when the obligation under the liability is discharged, cancelled or expired.

Detailed policy on trade payables and other liabilities' classification, recognition and measurement, derecognition and impairment is disclosed in Note 20.4.

### 20.17 Provisions

Provisions are recognized when: the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as finance cost in profit or loss.

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

### 20.18 Equity

*Share capital*

Common shares are classified as equity.

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

*Retained earnings*

Appropriated retained earnings pertain to the portion of the accumulated profit from operations which are restricted or reserved for a specific purpose such as capital expenditures and approved by the Company's BOD.

Unappropriated retained earnings pertain to the unrestricted portion of accumulated profit from operations of the Company which are available for dividend declaration.

**20.19 Dividend distribution**

*Cash dividend*

Cash dividend to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's BOD.

*Property dividend*

Property dividend to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's BOD. They are included in current liabilities, except for issuance expected to be more than 12 months after reporting period which are classified as non-current liabilities.

The liability is initially measured based on the amount of dividends declared by the Company's BOD. Property dividend is derecognized upon distribution, after all of the necessary statutory approvals have been obtained.

**20.20 Revenue recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied. The Company recognizes revenue when the customer obtains control of promised services, in an amount that reflects the consideration which the Company expects to receive in exchange for those services. To determine revenue recognition, the Company performs the following five steps:

(i) identify the contract(s) with a customer;
(ii) identify the performance obligations in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract; and
(v) recognize revenue as or when the Company satisfies the performance obligation.

At contract inception, the Company assesses the goods or services promised within each contract and determines those that are distinct performance obligations. The Company then assess whether it acts as an agent or a principal for each identified performance obligation and includes revenue within the transaction price for third-party costs when it determines that it acts as principal. The Company has assessed that it acts as a principal in its revenue generating activities mentioned below.

*Advertising revenue*

The Company provides advertising services which represents the performance obligation to publish the advertisements of its customer in its various media platforms. These are entered under fixed-price contracts, revenue from which are recognized over time as the advertisements are published. Contract price includes is reduced for related amounts of commission. Commissions are recognized at a rate agreed with the advertising agencies.

Barter transactions, if any, representing advertisements exchanged for merchandise or services, are carried at fair value of the consideration received and are included in advertising revenue in profit or loss. The related merchandise or service vouchers are treated as investment properties (if received merchandise is in the form of property) or other assets and derecognized when utilized or otherwise sold or disposed. These assets are classified as current except when the expected benefit from such would be recovered after more than 12 months from the reporting period.

*Circulation revenue*

Circulation revenue is recognized at a point in time, when the newspapers and other printed materials have been delivered to customers, newspaper subscribers and distributors. Such revenue is reduced for related amounts of rebates, returns and discounts for prompt payment.

*Interest income*

Interest income from bank deposits is recognized in profit or loss when it is determined that such income will accrue to the Company and is presented net of final tax withheld by the banks.

*Other income*

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

**20.21 Costs and expenses**

Costs and expenses are recognized when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Costs and expenses are recognized:

(i) on the basis of a direct association between the costs incurred and the earning of specific items of income;
(ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or
(iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position.

Costs and expenses are presented in the profit or loss according to their function.

**20.22 Employee benefits**

*Short-term benefits*

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

*Retirement benefits*

The Company adopted a formal non-contributory retirement plan for the benefit of its qualified employees which was approved on January 26, 2015. Under the Company's Retirement Plan, an employee with the age of 60 years with at least 5 years of service will receive a sum equivalent to 100% of his monthly salaries for every year of service.

A defined benefit plan is a retirement plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service or compensation. The liability recognized in the statement of financial position in respect of defined benefit retirement plan is the present value of the defined benefit obligation at the end of the reporting period less fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in reserve for remeasurement on retirement obligation in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

*Termination benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

**20.23 Leases (where the Company is the lessee)**

Assets and liabilities arising from a lease are initially measured on a present value basis. The interest expense is recognized in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

*Measurement of lease liabilities*

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and interest expense. The interest expense is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

*(i) Measurement of right-of-use assets*

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

*(ii) Extension and termination options*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.

The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

*(iii) Short-term leases and leases of low-value assets*

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

**20.24 Related party relationships and transactions**

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

**20.25 Functional and presentation currency and transaction**

*Functional and presentation currency*

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

*Transactions and balances*

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**20.26 Subsequent events**

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

## Note 21 - Supplementary information required by the Bureau of Internal Revenue (BIR)

On December 28, 2010, Revenue Regulations (RR) No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the Notes to Financial Statements information on taxes, duties and license fees paid or accrued during the year in addition to what is mandated by PFRS.

Below is the additional information required by RR No.15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

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

Output VAT declared for the year ended December 31, 2022 and the gross revenues upon which the same was based consist of:

| | Gross receipt/amount of revenues | Output VAT declared |
|---|---|---|
| Regular rate | | |
| Advertising income | 28,853,255 | 3,462,390 |
| Exempt | | |
| Circulation revenue | 106,058,048 | - |
| | 134,911,303 | 3,462,390 |

The gross revenues shown above are based on gross receipts of the Company for advertising revenues and gross invoice amount for circulation revenues for VAT purposes while gross revenue amounting to P134,911,302 in the statement of comprehensive income are measured in accordance with the Company's accounting policy disclosed in the notes to the financial statements.

Circulation income is considered VAT-exempt under RR No. 16-2005.

*(ii) Input VAT*

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

| | |
|---|---|
| Beginning of the year | - |
| Current year's purchases | 909,382 |
| | 909,382 |
| Application against output VAT | (909,382) |
| End of the year | - |

*(iii) Importations*

The Company has no importations for the year ended December 31, 2022.

*(iv) Excise Taxes*

The Company is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

*(v) Documentary stamp taxes*

Documentary stamp taxes paid for the year ended December 31, 2022 amounting to P28,301 were lodged under taxes and licenses account in operating expenses.

*(vi)* *Other taxes and licenses*

Other taxes and licenses for the year ended December 31, 2022

| | |
|---|---|
| Municipal taxes | 1,122,213 |
| Others | 250,269 |
| | 1,372,482 |

Other taxes and licenses are presented within taxes and licenses in profit or loss as part of operating expenses.

*(vii) Withholding taxes*

Withholding taxes accrued and paid as at and for the year ended December 31, 2022 consist of:

| | Paid | Accrued | Total |
|---|---|---|---|
| Expanded withholding tax | 2,144,588 | 264,680 | 2,409,268 |
| Withholding tax on compensation | 1,356,405 | 239,389 | 1,595,794 |
| | 3,500,993 | 504,069 | 4,005,062 |

Accrued withholding taxes are presented as part of due to regulatory agencies within trade payables and other liabilities in the statement of financial position.

*(viii) Tax assessments*

During the year, the Company did not receive any Final Assessment Notice for the year ended December 31, 2022.

*(ix)* *Tax cases*

The Company does not have any outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at and for the year ended December 31, 2022.

**Pilipino Star Ngayon, Inc.**

**Reconciliation of Retained Earnings Available for Dividend Declaration**

As at December 31, 2022
(All amounts in Philippine Peso)

| | Amount |
|---|---|
| **Unappropriated retained earnings, beginning** | 135,343,451 |
| **Net profit based on the face of audited financial statements** | 8,691,540 |
| Less: Non-actual/unrealized income net of tax | |
| Equity in net income of associate/joint venture | - |
| Unrealized foreign exchange gain - net (except those attributable to cash) | - |
| Unrealized actuarial gain | - |
| Fair value adjustment (M2M gains) | - |
| Accumulated fair value adjustment of Investment Property resulting to gain (after tax) | - |
| Adjustment due to deviation from PFRS/GAAP-gain | - |
| Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS | - |
| Add: Non-actual losses | |
| Depreciation on revaluation increment (after tax) | - |
| Adjustment due to deviation from PFRS/GAAP - loss | - |
| Loss on fair value adjustment of investment property (after tax) | - |
| Net profit actually earned/realized during the year | - |
| Subtotal | 8,691,540 |
| | 144,034,991 |
| Add: Release of retained earnings appropriation | - |
| Less: Dividend declarations during the year | - |
| Retained earnings appropriation | - |
| Retained earnings available for dividend distribution | 144,034,991 |

*The retained earnings will be subject to a cycle of capital structure review wherein management will determine the amount of dividends to be declared after taking into consideration the need to appropriate for future capital expenditure and expansion plan which is subject to the Board of Directors' approval.*