SECURITIES AND EXCHANGE COMMISSION

SEC Headquarters, 7907 Makati Avenue, Salcedo Village, Barangay Bel-Air, Makati City, 1209, Metro Manila Philippines
Tel: (632) 818-0921 Fax: (632) 818-5293 Email: mis@sec.gov.ph

The following document has been received:

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Company Information

SEC Registration No.: 0000108544
Company Name: SUNSTAR PUBLISHING INC.
Industry Classification: D22210
Company Type: Stock Corporation

Document Information

Document ID: OST10512202381140000
Document Type: Financial Statement
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Period Covered: December 31, 2022
Submission Type: Annual
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Acceptance of this document is subject to review of forms and contents

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C E O 1 0 8 5 4 4

Company Name

S U N S T A R   P U B L I S H I N G ,   I N C .

Principal Office (No./Street/Barangay/City/Town/Province)

P .   D E L   R O S A R I O   C O R N E R   D O N
P E D R O   C U I   S T R E E T ,   C E B U   C I T Y

Form Type	Department requiring the report	Secondary License Type, If Applicable
A F S	S E C	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
tmas@sunstarph.com	09173202820	09173202820

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
24	March/2nd Monday	December/31

CONTACT PERSON INFORMATION

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

Name of the Contact Person	Email Address	Telephone Number/s	Mobile Number
Therese Marie Mesina	[redacted]	[redacted]	[redacted]

Contact Person's Address

[redacted]

Note: 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 the information and complete contact details of the new contact person designated.

Securities and Exchange Commission
PHILIPPINES

SUNSTAR PUBLISHING, INC.
Company Name

CERTIFICATION

I hereby certify that all the components checked are attached hereto:

STA. ANA RIVERA & CO.
By: [redacted]

ELTON G. MONTECILLO
Partner

STOCK CORPORATION

- [x] 1. Statement of Management's Responsibility over the Financial Statements (Chairman, CEO, Treasurer)
- [x] 2. Auditors' Report or Treasurer's certification, as applicable
  BOA registration number of the external auditor
- [x] 3. Separate Statements of Financial Position
- [x] 4. Separate Statements of Comprehensive Income
- [x] 5. Separate Statements of Changes in Equity
- [x] 6. Separate Statements of Cash Flows
- [x] 7. Notes to Separate Financial Statements
- [x] 8. SEC supplemental schedule
- [x] 9. Supplemental written statement of external auditor on the number of stockholders

X NOT COMPLIED: ______________________
SEC Personnel

Auditor's report is required if the Paid-up Capital Stock of the company is P50,000.00 or more. If less than P50,000.00 only a Treasurer's Certification is required.

This statement is not required if the Company was not in operation during the two comparative years.

This statement is not required if the only change in equity is the net income/loss for the period.

SUNSTAR PUBLISHING, INC.
P. Del Rosario corner Don Pedro Cui Streets, Cebu City

SEPARATE FINANCIAL STATEMENTS

AND

AUDITORS' REPORT

As at and for the Years Ended

December 31, 2022 and 2021

SRC **Sta. Ana Rivera & Co.**
Certified Public Accountants

SunStar
CEBU

Sun.Star Bldg., P. del Rosario St.
Cebu City, 6000 Philippines
www.sunstar.com.ph
Tel. no. 254 6100

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SUNSTAR PUBLISHING 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 or error.

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

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

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

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

[redacted]

VINCENT L. GARCIA
President

[redacted]

[redacted]

JOSEPH DAVIDSON C. GAISANO JR.
Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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Signed this __ day of ___, 2023

SRC Sta. Ana Rivera & Co.
Certified Public Accountants

SEC Accreditation No. 0144-SEC up to 2026 Audit Period (Group B)
BOA/PRC Cert. of Reg. No. 0144 until September 12, 2025
NEA Accreditation No. 2022-10-00092 until January 14, 2026
BSP Accreditation No. 0144-BSP (up to 2024 Audit Period)
TIN 001-075-090-000

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
SUNSTAR PUBLISHING, INC.
P. Del Rosario corner Don Pedro Cui Streets,
Cebu City

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of **SUNSTAR PUBLISHING, INC.** ("the Company"), which comprise the separate statements of financial position as at December 31, 2022 and 2021 and the separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as 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 (PFRSs).

Basis for Opinion

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

Emphasis of a Matter

As fully discussed in Notes 2.14 and Note 9, the Company adopted the revaluation model in valuing its lands in 2022.

Suite 215, LDM Building, Legaspi Street, corner M.J. Cuenco Avenue, Cebu City P.O. Box 708
Telefax numbers: (032) 253-4658, 412-1713, 412-1843
E-Mail: audit@staanarivera.com

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

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

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to 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 Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

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

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

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

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

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

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

Report on the Supplementary Information Required under Revenue Regulations 02-2014 and 34-2020

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information required under Revenue Regulations 02-2014 and 34-2020 in Note 25 to the separate financial statements are presented for purposes of filing with the Bureau of Internal Revenue, and are not a required part of the basic separate financial statements. Such information is the responsibility of the management of **SUNSTAR PUBLISHING, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic separate financial statements taken as a whole.

STA. ANA RIVERA & CO.
SEC Accreditation No. [redacted]SEC up to 2026 Audit Period (Group B)
BOA/PRC Cert. of Reg. No[redacted] until September 12, 2025
NEA Accreditation No. [redacted]ntil January 14, 2026
BSP Accreditation No.[redacted]-BSP (up to 2024 Audit Period)
TIN [redacted]

By: [redacted]

ELTON G. MONTECILLO
Partner
CPA Reg. No [redacted]
TIN [redacted]
PTR No [redacted] January 12, 2023, Cebu City
BSP/Accreditation No.[redacted]601-BSP (up to 2024 Audit Period)
BIR Accreditation No. [redacted]until June 5, 2023

Cebu City, Philippines
April 14, 2023

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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SUNSTAR PUBLISHING, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(In Philippine Pesos)

	Note	2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	4	**4,783,748**	6,753,467
Receivables - net	5	**55,981,140**	49,296,066
Inventories	6	**1,437,521**	2,271,272
Other current asset	7	**83,073**	834,650
Current tax asset	22	**2,093,537**	2,197,917
Due from related parties	13	**1,051,792**	701,789
Total Current Assets		**65,430,811**	62,055,161
Noncurrent Assets			
Investments in subsidiaries - net	8	**22,782,012**	22,782,012
Land measured at revaluation model	9	**59,318,025**	-
Property and equipment measured at cost model - net	9	**28,340,166**	41,995,964
Deferred tax assets	22	**25,641,316**	29,630,977
Other assets	10	**47,127**	106,470
Total Noncurrent Assets		**136,128,646**	94,515,423
		201,559,457	156,570,584
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	11	**53,627,863**	62,360,910
Current portion of long-term loan	12	**2,434,419**	5,937,769
Total Current Liabilities		**56,062,282**	68,298,679
Noncurrent Liabilities			
Advances from stockholders	13	**30,500,000**	30,500,000
Loans payable	12	**-**	2,112,685
Accrued retirement liability	14	**19,315,542**	19,284,322
Deferred tax liability	9	**13,490,429**	-
Total Noncurrent Liabilities		**63,305,971**	51,897,007
Total Liabilities		**119,368,253**	120,195,686
Net Equity			
Share capital - *P100 par value*	15	**50,000,000**	50,000,000
Revaluation surplus - net	9	**40,277,756**	-
Deficit	15	**(8,086,552)**	(13,625,102)
Net Equity		**82,191,204**	36,374,898
		201,559,457	156,570,584

(See accompanying notes to the financial statements)

LARGE TAXPAYERS DIVISION-CEBU
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Exhibit B

SUNSTAR PUBLISHING, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(In Philippine Pesos)

	Note	2022	2021
Revenues			
Advertising	16	**49,720,585**	39,179,483
Circulation	16	**49,885,999**	46,349,545
Other revenues	16	**3,354,542**	1,847,247
		102,961,126	87,376,275
Direct Cost			
Cost of printed goods	17	**27,326,465**	27,266,205
Editorial expenses	18	**21,134,301**	25,675,678
Total		**48,460,766**	52,941,883
Gross Profit		**54,500,360**	34,434,392
Operating Expenses	20	**44,317,679**	39,757,986
Income (Loss) from Operations		**10,182,681**	(5,323,594)
Other Income (Expense)	19	**(43,916)**	3,280,065
Income (Loss) Before Income Tax		**10,138,765**	(2,043,529)
Income Tax Expense	22	**4,600,215**	5,146,115
Net Income (Loss) for the Year		**5,538,550**	(7,189,644)
Other Comprehensive Income			
Items that may not be reclassified to profit or loss in subsequent years:			
Appraisal increment on land	9	**53,703,675**	-
Income tax effect	9	**13,425,919**	-
		40,277,756	-
Total Comprehensive Income (Loss)		**45,816,306**	(7,189,644)
Income (Loss) Per Share	2.28	**11.08**	(14.38)

(See accompanying notes to the financial statements)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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SUNSTAR PUBLISHING, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(In Philippine Pesos)

		Authorized Capital		Subscribed and Paid		Revaluation		
	Note	No. of Shares	Amount	No. of Shares	Amount	Surplus	Deficit	Total
Balance, December 31, 2020	*15*	500,000	50,000,000	500,000	50,000,000	-	(6,435,458)	43,564,542
Net loss for the year		-	-	-	-	-	(7,189,644)	(7,189,644)
Balance, December 31, 2021	*15*	500,000	50,000,000	500,000	50,000,000	-	(13,625,102)	36,374,898
Appraisal increment, net		-	-	-	-	40,277,756	-	40,277,756
Net income for the year		-	-	-	-	-	5,538,550	5,538,550
Balance, December 31, 2022	*15*	**500,000**	**50,000,000**	**500,000**	**50,000,000**	**40,277,756**	**(8,086,552)**	**82,191,204**

(See accompanying notes to the financial statements)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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Exhibit D

SUNSTAR PUBLISHING, INC.
SEPARATE STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Pesos)

	Note	2022	2021
Cash Flows from Operating Activities			
Income (loss) before income tax		**10,138,765**	(2,043,529)
Noncash adjustments to reconcile income before income tax to net cash flows:			
Depreciation	9	**5,605,392**	6,106,349
Amortization	10	**10,180**	355,907
Retirement expense	14	**1,726,054**	-
Retirement paid	14	**(1,694,834)**	(2,334,833)
Interest expense	12, 19	**311,734**	674,531
Interest income	19	**(9,777)**	(25,505)
Operating income before working capital changes		**16,087,514**	2,732,920
(Increase) Decrease in:			
Receivables	5	**(6,685,074)**	(7,722,355)
Inventories	6	**833,751**	429,920
Other current asset	7	**751,577**	(54,203)
Increase (Decrease) in:			
Accounts payable and accrued expenses	11	**(8,733,046)**	8,033,127
Cash used in operations		**2,254,722**	3,419,409
Income taxes paid	22	**(441,665)**	(307,545)
Net cash from operating activities		**1,813,057**	3,111,864
Cash Flows from Investing Activities			
Additional investment in subsidiaries	8	**-**	(2,620,965)
Acquisition of property and equipment	9	**(1,042,089)**	(200,198)
Proceeds from sale of equipment	9	**3,478,145**	-
Acquisition of software	10	**(45,171)**	-
Receipt of refundable deposit		**76,304**	-
Receipt of investment in PLDT		**18,030**	-
Interest received	19	**9,777**	25,505
Advances extended to affiliates	13	**(350,003)**	(690,349)
Net cash from (used in) investing activities		**2,144,993**	(3,486,007)
Cash Flows from Financing Activities			
Loans payment	12	**(5,616,035)**	(4,727,817)
Additional advances from stockholders	13	**-**	2,620,965
Interest paid	12, 19	**(311,734)**	(674,531)
Net cash used in financing activities		**(5,927,769)**	(2,781,383)
Net Decrease in Cash and Cash Equivalents		**(1,969,719)**	(3,155,526)
Cash and Cash Equivalents Balance, January 1		**6,753,467**	9,908,993
Cash and Cash Equivalents Balance, December 31	4	**4,783,748**	6,753,467

(See accompanying notes to the financial statements)

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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1. Corporate Information

Sunstar Publishing, Inc. (the Company) was incorporated and domiciled in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) as a stock corporation on November 25, 1982. Its primary purpose is to engage in the printing and publishing of a newspaper or newspapers and in the industrial printing, at such places or places as the corporation may deem advisable, and, the purchasing, owning and controlling of such rights, franchises, and property as may be considered useful and convenient in the business of industrial printing and publication of newspapers and other related publication.

The registered office of the Company is located at P. del Rosario corner Don Pedro Cui Street, Cebu City.

The Company holds equity interests as follows:

	Percentage of Ownership
Sunstar Management, Inc.	100%
Sunstar Printers, Inc.	100%
Sunstar Cagayan de Oro, Inc.	100%
Sunstar Manila Marketing, Inc.	90%
Sunstar Bacolod Publishing, Inc.	70%
Sunstar Baguio, Inc.	60%
Sunstar Pampanga, Inc.	55%
Sunstar Davao Publishing, Inc.	40%

Sunstar Management, Inc.

Sunstar Management, Inc. is a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, was organized with the SEC per Registration No. C1997013650 on November 13, 1997. The Company is primarily engaged in the business of acting as manager or managing agent of persons, firms, associations, corporations, partnerships, and other entities; to provide management, investment and technical advice for commercial, industrial, manufacturing and other kinds of enterprises; including such business and undertakings for printing and publishing of newspapers, magazines, and other publications and related printing activities thereon, such as marketing of ads, circulation, trading and retailing of paper supplies, materials and equipment for printing: to undertake, carry on, assist or participate in the promotion, organization management, liquidations or reorganization of corporations, partnerships, and other entities; to invest in, hold, own, purchase, acquire, lease, construct, operate, improve, develop, manage, grant, sell, exchange or otherwise dispose of real and personal properties of every kind and description, including shares of stocks, bonds, and other securities or evidence of indebtedness of any other corporations, association, form or entity, where necessary or appropriate, and to possess and exercise in respect thereof all rights, power and privileges of ownership.

Sunstar Printers, Inc.

Sunstar Printers, Inc. is a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, was incorporated on November 17, 1997 per SEC Registration No. C199701364. Its primary purpose is to carry on business as printers, properties and publishers of newspaper, journals, magazines, books and other literary works and undertaking, and in this connection to carry on a general printing press business, accepts jobs for printing and other jobs for printing and other jobs of the same nature, as well as photographers, photographic printer, stereotypes, electrolytes, lithographers, machinist, silk screeners, or any business or manufacture related to or incident to said purpose.

Sunstar Cagayan de Oro, Inc.

The Sunstar Cagayan de Oro, Inc. was incorporated in the Philippines in November 14, 2008 under SEC Registration No. CS200831608 and was registered with the Bureau of Internal Reveneu (BIR) in February 21, 2010. Its primary purpose is to carry on a business as publishers of newspapers, journals, magazines, books and other literary works and undertakings. It has consistently served the needs of the community through outstanding journalism and its publication through the Sunstar Daily, a newspaper written in English which is published seven days a week; Super Balita which is written in Visayan dialect which is published from Mondays to Saturdays.

Sunstar Manila Marketing, Inc.

Sunstar Manila Marketing, Inc. was incorporated in the Philippines and was registered with the SEC on April 22, 2002. Its primary purpose is to engage in the business of selling, distributing and marketing of goods, commodities and wares as may be permitted by law and in behalf of producers, printers and publishers of publication, such newspapers, periodicals or magazines, to handle the marketing and sale of its advertising pages and to make and carry out such contracts or undertakings as may be necessary and conducive to the accomplishment of such purpose.

Sunstar Bacolod Publishing, Inc.

Sunstar Bacolod Publishing, Inc. was originally incorporated and registered with the SEC on July 31, 2008. The principal activity is to carry on a business as proprietors and publishers of newspapers, journals, magazines, books and other literary works and undertakings.

Sunstar Baguio, Inc.

Sunstar Baguio, Inc. is an entity which was organized and duly registered with the SEC on September 14, 2000 under SEC Registration No. CS200830888. The primary purpose is to carry on a business as proprietors and publishers of newspapers, journals, magazines, books and other literary works and undertakings including printing of similar information materials, posters, brochures, flyers and others.

Sunstar Pampanga, Inc.

Sunstar Pampanga Publishing, Inc. was registered with the SEC on July 5, 2000. Its primary purpose is to engage in publishing and printing.

Sunstar Davao Publishing, Inc.

Sunstar Davao Publishing, Inc. was registered with the Philippine Securities and Exchange Commission (SEC) with Registration No. DS01463 issued on September 16, 1988. It is primarily engaged in the newspaper publishing, and publishes Sunstar Davao, Super Balita. While the Company owns only 40% equity interest in Sunstar Davao, Publishing, Inc., it excercises management control over the latter. The investment is classified as a subsidiary.

The separate financial statements of the Company were authorized for issue by the Board of Directors on April 14, 2023.

2. Summary of Significant Accounting Policies

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

2.1 Basis of Preparation of Separate Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards

The separate financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB). The separate financial statements have been prepared in accordance with the full PFRS since it breaches the threshhold amount as prescribed by the standard upon consolidation.

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

b. Presentation of Separate financial statements

The separate financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income. The separate financial statements present comparative information in respect of the previous period.

a. Foreign Currency Translation

Functional and Presentation Currency

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

2.2 *Changes in Accounting Policies and Disclosures*

The accounting policies adopted are consistent with those of the previous financial years, except that the Company has adopted the following new and amended PFRS, PAS and annual improvements effective as of January 1, 2022.

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments updated PFRS 3 to refer to the 2018 Conceptual Framework; added a requirement that, for transactions and other events within the scope of PAS 37 or Philippine Interpretation IFRIC 21, Levies, an entity applies PAS 37 or Philippine Interpretation IFRIC 21 instead of the 2018 Conceptual Framework to identify the liabilities it has assumed in a business combination; and added an explicit statement that an entity does not recognize contingent assets acquired in a business combination.

  The amendments do not have a significant impact on the Company's financial position and performance.

- Amendments to PAS 16, *Property, Plant and Equipment* (Proceeds before Intended Use)

  The amendments prohibit an entity from deducting the cost of an item of property, plant and equipment the proceeds from selling items produced before the asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the cost of producing those items which are identified and measured in accordance with PAS 2, *Inventories.*

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

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

  The amendments do not have a significant impact on the Company's financial position and performance.

- Amendments to 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 do not have a significant impact on the Company's financial position and performance.

Annual Improvements to PFRS 2018-2021 Cycle

- Amendments to PFRS 9, Financial Instruments, *Fees in the '10 per cent' 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 amendments do not have a significant impact to the Company's financial position and performance.

<u>Amended Standard not Applicable to the Company</u>

The following standards are effective as of January 1, 2022 but are not relevant to the Company:

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*
- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter*

a. *Effective Subsequent to 2022 but not Adopted Early*

A number of new standards, amendments and improvements to standards and interpretations are effective for annual periods beginning after January 1, 2022, and have not been applied in preparing these financial statements. Unless otherwise stated, none of these is expected to have a significant effect on the financial statements of the Company. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early and the extent of the impact is not yet determinable.

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current

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

  a. What is meant by a right to defer settlement
  b. That a right to defer must exist at the end of the reporting period
  c. That classification is unaffected by the likelihood that an entity will exercise its deferral right
  d. 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 initially effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the IASB tentatively decided to defer the effective date to no earlier than January 1, 2024.

  The amendments are not expected to have a significant impact on the Company's financial position and performance.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023

  The amendments are not expected to have a significant impact on the Company's financial position and performance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

  The amendments are not expected to have a significant impact on the Company's financial position and performance.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed.

Management is still assessing the impact of the amendment on its financial position and performance.

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an *Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

  The amendments are not expected to have a significant impact on the Company's financial position and performance.

New Standard Effective Subsequent to 2022 but not Applicable to the Company

The following new standard is effective subsequent to 2022 but does not apply to the Company:

- PFRS 17, *Insurance Contracts*

2.3 Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

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

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

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

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

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

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

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

2.4 Cash and Cash Equivalents

Cash includes cash on hand and in banks and is stated at its face value. *Cash equivalents* are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of acquisition and are subject to an insignificant risk of change in value. Cash is unrestricted from being exchanged or used to settle a liability for at least twelve (12) months after the end of the reporting period.

2.5 Financial Assets and Financial Liabilities

Trade receivables and debt instruments issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) is measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at transaction price.

a. Classification and Recognition

On initial recognition, a financial asset is classified as measured at: amortized cost, fair value through other comprehensive income (FVOCI) or FVPL.

The classification depends on the entity'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 OCI. 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 FVOCI.

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

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.

b. Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

For debt instruments, subsequentmeasurement depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Debt Instruments: Amortized Cost

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. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Debt Instruments: FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Debt Instruments: FVPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

Equity Instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognized in other gains (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.6 Financial Liabilities

Financial liabilities are either classified as financial liabilities through profit or loss or other financial liabilities.

The Company's financial liabilities are categorized under other financial liabilities.

Other financial liabilities include accounts payable and accrued expenses (excluding government and other statutory liabilities), interest bearing loans and deposits from tenants.

Financial liabilities are recognized when the Company becomes a party to the contractual agreements of the instrument. All interest related charges are recognized as an expense in the statement of comprehensive income under the caption Financing Costs, except those directly attributable to the acquisition, construction or production of a qualifying asset which are capitalized as part of the cost of that asset.

Financial liabilities are recognized initially at fair value, less directly attributable transaction costs.

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

Interest-bearing loans and borrowings are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss except for those which are capitalized as part of the cost of a qualifying asset, on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. The Company has interest-bearing loans and borrowings as of December 31, 2022 and 2021.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as noncurrent liabilities.

2.7 Derecognition of Financial Assets and Liabilities

a. Financial Assets

A financial asset is derecognized when (a) the rights to receive cash flows from the asset have expired, (b) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement, or (c) the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

b. Financial Liabilities

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

2.8 Impairment of Financial Assets

The Company recognizes loss allowances for ECLs on: (a) financial assets measured at amortized cost; (b) debt instruments measured at FVOCI; and (c) contract assets.

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition

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

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held); or
- the financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

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

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognized in OCI.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired Financial Assets

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI 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 borrower or issuer;
- a breach of contract such as default of being more than 90 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganization; or
- the disappearance of an active market for a security beacuse of financial difficulties.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written 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.

2.9 Offsetting Financial Instruments

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

2.10 Reclassification of Financial Instruments

A financial asset is reclassified out of the FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

A financial asset that is reclassified out of the FVPL category is reclassified at its fair value on the date of reclassification. Any gain or loss already recognized in the statement of comprehensive income is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

The Company did not reclassify its financial instruments in 2022 and 2021.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. A complete physical count is conducted at the end of the fiscal year. Damaged and obsolete items are not included in the determination of year-end inventory.

2.12 Other Assets

Other current assets pertain to other resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Company beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as noncurrent assets.

2.13 *Investments in Subsidiaries*

Consolidated Financial Statements

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has: (a) power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee); (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including: (a) the contractual arrangement with the other vote holders of the investee; (b) rights arising from other contractual arrangements; and (c) the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Separate Financial Statements

Investments in subsidiaries are stated in the separate financial statements at cost, less impairment loss. Impairment loss is provided when there is objective evidence that the investments will not be recovered. The impairment loss is measured at the difference between the carrying amount and the recoverable amount of the investment. Such amount of impairment is recognized in the statement of comprehensive income.

2.14 *Property and Equipment*

Property and equipment, except for land, are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value. Land is stated at cost less any impairment in value until 2021. In 2022, management decided to adopt the revaluation model for all its lands. As such, land is stated at revalued amount starting 2022.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Land held for use in the production or supply of goods or services, or for administrative purposes, is stated in the statement of financial position at revalued amount, being the fair value at the date of revaluation, less subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such land is recognized in other comprehensive income, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land is recognized in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Land is not depreciated. Depreciation on other property and equipment commences once the assets are available for use and is computed using the straight-line method over the following estimated useful lives of the depreciable assets as follows:

Buildings and improvements	20 years
Machinery and equipment	5 to 20 years
Office and communication equipment	5 years

Leasehold improvements are amortized over the term of the lease or the estimated useful lives of the improvements, a period of two (2) years, whichever is shorter.

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.

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

Fully depreciated and amortized property and equipment are retained in the accounts until they are no longer in use and no further depreciation and amortization are charged against current operations

2.15 Impairment of Nonfinancial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its nonfinancial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Impairment loss on investments in subsidiaries amounted to P4,901,078 as of December 31, 2022 and 2021 (Note 8).

2.16 Equity

The Company has issued par value capital stock that is classified as equity. Incremental costs directly attributable to the issue of new capital stock are shown in equity as a deduction, net of tax, from the proceeds.

When the Company issues its par value shares, the proceeds shall be credited to the "Capital stock" account in the Company's statement of financial position to the extent of the par value, with any excess being reflected as "Additional paid-in-capital" account in the Company's statement of financial position.

Where such shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the equity holders of the Company.

Deficit include all current and prior period results as disclosed in profit or loss in the statement of comprehensive income, reduced by the amount of dividend declared. The appropriated portion represents the amount which is not available for distribution.

Other comprehensive income comprises items of income and expense, including reclassification adjustments that are not recognized in profit or loss as required by other PFRS.

2.17 Revenue and Expense Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a good or service to a customer. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or agent. The Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

(i) *Revenue from sale of goods* is recognized at a point in time in which the goods are delivered and have been accepted by the customers at their premises.

For contracts that permit the customer to return an item, revenue is recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the amount of revenue recognized is adjusted for expected returns, which are estimates based on historical data. In these circumstances, a refund liability and a right to recover returned goods are recognized.

(ii) *Revenue from advertising services* is recognized in the accounting period in which the services are rendered. For fixed priced contracts, revenues are recognized based on the actual service provided to the end of the reporting period as a proportion to total services to be provided because the customer receives and uses the benefits simultaneously. This is done by allocating the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.

(iii) *Dividend income* is recognized when the Company's right to receive the payment is established

(iv) *Interest income* is recognized as the interest accrues taking into account the effective yield on the asset

(v) *Other income* is recognized when earned

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As such, the Company does not adjust any of the transaction prices for the time value of money.

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are recognized in the statement of comprehensive income in the period these are incurred.

2.18 Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Borrowing costs incurred after the assets are substantially ready for their intended use are expensed immediately.

2.19 Leases

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Variable lease payments which are based on future sales or consumption are recognized as rent expense in the period incurred.

2.20 Employee Benefits

a. Defined Benefit Plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

b. Termination Benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

c. Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

2.21 Taxes

a. Current

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

b. Deferred

Deferred tax assets and liabilities are provided, using the balance sheet liability method, on all temporary differences at the end of reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. In respect of taxable temporary differences associated with investment in a subsidiary, deferred income tax liability is not recognized where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income.

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

c. Value Added Tax

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

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses" accounts in the statement of financial position.

2.22 Related Party Transactions

A party is related to the Company if it has direct or indirect control or is controlled by an entity whether parent or subsidiary, if it has interest in the Company that gives its significant influence over the Company and if it is a member of the key management personnel of the Company.

PAS 24 provides additional guidance and clarity in the scope of the standard, the definitions and disclosures for related parties. It also requires disclosure of the compensation of key management personnel by benefit type.

2.23 Intangible Assets

a. Intangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

b. Impairment of intangible assets excluding goodwill

Intangible assets with definite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The Company's intangible assets includes computer software (Note 10).

2.24 Provisions

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

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

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

The Company has no provisions requiring disclosure as of December 31, 2022 and 2021.

2.25 Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow or resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

The Company has no contingencies requiring disclosure as of December 31, 2022 and 2021.

2.26 Events After End of Reporting Period

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

There are no events after end of reporting period involving the Company which require disclosure as of December 31, 2022 and 2021.

2.27 Accounting Policies, Changes in Accounting Estimates and Errors

PAS 8 removes the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. It defines material omission or misstatements, and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

2.28 Earnings (Loss) Per Common Share

Earnings (Loss) per common share is determined by dividing net income (loss) for the year by the weighted average number of common shares issued and outstanding during the year.

	2022	2021
Net income (loss)	**5,538,550**	(7,189,644)
Divided by the weighted average number of outstanding common shares	**500,000**	500,000
Earnings (Loss) per share	**11.08**	(14.38)

3. Significant Accounting Judgment and Estimates

The Company's separate financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the separate financial statements and related notes. Estimates 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.

3.1 Judgments

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

(a) Determination of the Company's Functional Currency

The Company, based on the relevant economic substance of the underlying circumstances, has determined its functional currency to be the Philippine peso. It is the currency that mainly influences the Company's revenues, costs and expenses.

(b) Classification of Time Deposits

The Company classifies time deposits depending on its intention in holding such financial assets. If the Company intends to hold such financial assets to earn interest income until maturity, it classifies such financial assets as other financial assets at amortized cost in 2022 and 2021. However, should the Company's intention to hold such financial assets for operational purposes and the time deposits have maturities of less than 90 days, it classifies such financial assets as cash equivalents.

Cash equivalents amounted to nil and P52,546 as of December 31, 2022 and 2021, respectively (Note 4).

(c) De-facto Control

De-facto control exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders give the entity the practical ability unilaterally to direct the relevant activities of the Company.

The Company holds 40% of voting rights in Sunstar Davao Publishing, Inc., with the remaining 60% of voting rights being held by numerous unrelated individual shareholders.

The Group has determined that the Company has the practical ability unilaterally to direct the relevant activities of Sunstar Davao Publishing, Inc., and has consolidated the entity as a subsidiary with a 60% noncontrolling interest.

(d) Distinction Between Investment Properties and Owner-managed Properties

The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-managed properties generate cash flows that are attributable not only to the property but also to other assets used in the business.

Some properties are for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If portion can be sold separately (or leased out separately under finance lease), the Company accounts for such portion separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making its judgment.

(e) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and disclosure of contingencies are discussed in Notes 2.24 and 2.25.

3.2 Estimates

The estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances of the Company's separate financial statements. Actual results could differ from those estimates. The relevant estimates performed by management on its December 31, 2022 and 2021 separate financial statements are as follows:

(a) Impairment of Financial Assets

The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows, including collectability, collateral values and other credit enhancements, when determining impairment losses. Increases or decreases to the allowance balance are recorded as part of operating expenses in the statements of comprehensive income.

Under PFRS 9, additional judgments are also made in assessing a significant increase in credit risk in the case of financial assets measured using the general approach. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Company's impairment calculations are outputs of statistical models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

The estimates used in arriving at the expected credit loss is detailed in Note 24.

(b) Net Realizable Value of Inventories

Inventories are carried at net realizable value whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records. Inventory items identified to be obsolete and unusable are written off and charged as expense in the year such losses are identified.

No allowance for inventory obsolescence has been recognized in 2022 and 2021. Inventories carried at cost, amounted to P1,437,521 and P2,271,272 as of December 31, 2022 and 2021, respectively (Note 6).

(c) Useful Life of Company Property and Equipment

The Company estimates the useful lives of Company property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of Company property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of Company property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of Company property and equipment would increase recorded expenses and decrease noncurrent assets.

Property and equipment net of accumulated depreciation and amortization amounted to P87,658,191 and P41,995,964 as of December 31, 2022 and 2021, respectively (Note 9).

(d) Realizable Amount of Deferred Tax Assets

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

Deferred tax assets amounted to P25,641,316 and P29,630,977 as of December 31, 2022 and 2021, respectively (Note 22).

(e) Impairment of Nonfinancial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Company's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.16. Though management believes that the assumptions used in the estimation of fair values reflected in the separate financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment loss on investments in subsidiaries amounted to P4,901,078 as of December 31, 2022 and 2021 (Note 8). No additional impairment loss has been recognized for 2022 and 2021.

(f) Retirement Benefits

The determination of the Company's obligation and cost for pension benefits is dependent on the selection by management of certain assumptions used in calculating such amounts. Those assumptions are described in Note 14 to the financial statement and include, among others, discount rates, expected returns on plan assets and rates of compensation increase. In accordance with PAS 19, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that its assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Company's pension and other pension obligations.

Accrued retirement obligation amounted to P19,315,542 and P19,284,322 as of December 31, 2022 and 2021 (Note 14).

(g) Revenue Recognition

The revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of the revenues and receivables.

(h) Fair Value of Land

The fair value of the Company's land are determined from market-based evidence by appraisal that was undertaken by an independent firm of appraisers in calculating such amounts. While management believes that the assumptions and market-based evidences used are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the valuation of the Company's plant, property and equipment. However, management believes that the carrying amounts of plant, property and equipment as of December 31, 2022 do not differ materially from that which would be determined using appraised value and fair value at reporting date. The Company's property, plant and equipment were last appraised as of December 31, 2022 (Note 9).

(i) Fair Values of Financial Assets and Liabilities

PFRS requires that certain financial assets and liabilities (including derivative instruments) be carried at fair value, which requires the use of accounting estimates. These estimates are detailed in Note 23.

(j) Legal Contingencies

The Company is currently involved in various legal proceedings. The Company's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

No provision for contingencies was recognized in 2022 and 2021.

4. Cash and Cash Equivalents

This accounts consists of:

	2022	2021
Cash on hand and in banks	**4,783,748**	6,700,921
Cash equivalents	**-**	52,546
	4,783,748	6,753,467

Cash accounts with banks generally earn interest at rates based on daily bank deposit rates. Cash equivalents are placements that have an average maturity of 90 days and earn interest ranging from 1.5% to 2% in 2022 and 2021.

Interest earned on bank deposits amounting to P9,777 and P25,505 in 2022 and 2021, respectively, are recognized in the statement of comprehensive income (Note 19).

5. Receivables

This account consists of:

	2022	2021
Advertising	**70,146,908**	61,478,451
Circulation	**25,690,498**	24,173,373
Advances to employees	**2,065,718**	1,741,226
Dvidend receivable	**-**	3,825,000
	97,903,124	91,218,050
Allowance for doubtful accounts	**(41,921,984)**	(41,921,984)
	55,981,140	49,296,066

Advertising pertains to receivables from newspaper advertisement and other commercial publication.

Circulation relates to collectibles from subscriptions of newspaper and other magazines.

Advances to employees are either subject to liquidation or deducted from their salary every payday.

In 2022, the Company received an information from one of tis subsidiaries, Sunstar Printers, Ic. that due to financial distress, it can no longer pay its dividends payable due to the Company. Consequently, the Company wrote off its receivables in 2022 amounting to P2,541,250.

The average credit period on sales of goods and services is 60 days. No interest is charged on past due receivables.

No collateral and other credit enhancements are required from the Company's debtors. No receivables that would otherwise be past due have been renegotiated.

Information on the aging analysis and the allowance for doubtful accounts is disclosed in Note 24.

6. Inventories

This account consists of:

	Note	2022	2021
Newsprint	*17*	**1,190,270**	2,035,018
Supplies		**247,251**	236,254
		1,437,521	2,271,272

These are carried at cost. Management believes that no write-downs and losses need to be recognized in its inventories. Net realizable value of these inventories approximates its cost as these are usually used within a period of one (1) year.

The cost of newsprint charged to cost and the cost of supplies charged to expenses are as follows:

	Note	2022	2021
Newsprint	*17*	**15,487,297**	13,799,818
Supplies			
Editorial	*18*	**117,522**	56,896
Operating	*20*	**528,221**	455,220
		16,133,040	14,311,934

There are no liens on the inventories of the Company as of December 31, 2022 and 2021.

7. Other Current Asset

This account pertains to the prepaid insurance of the Company amounting to P83,073 and P834,650 as of December 31, 2022 and 2021, respectively.

8. Investments in Subsidiaries

This account represents investment in the common stock of the following companies:

Sunstar Management, Inc.	100%
Sunstar Printers, Inc.	100%
Sunstar Cagayan de Oro, Inc.	100%
Sunstar Manila Marketing, Inc.	90%
Sunstar Bacolod Publishing, Inc.	70%
Sunstar Baguio, Inc.	60%
Sunstar Pampanga, Inc.	55%
Sunstar Davao Publishing, Inc.	40%

The carrying value of these investments follows:

	2022			2021		
	Cost	Allowance for impairment	Carrying Value	Cost	Allowance for impairment	Carrying Value
Sunstar Management, Inc.	**2,499,500**	**2,499,500**	**-**	2,499,500	2,499,500	-
Sunstar Printers, Inc.	**5,000,000**	**-**	**5,000,000**	5,000,000	-	5,000,000
Sunstar Cagayan de Oro, Inc.	**3,500,000**	**2,401,578**	**1,098,422**	3,500,000	2,401,578	1,098,422
Sunstar Baguio, Inc.	**4,939,800**	**-**	**4,939,800**	4,939,800	-	4,939,800
Sunstar Manila Marketing, Inc.	**5,000,000**	**-**	**5,000,000**	5,000,000	-	5,000,000
Sunstar Bacolod Publishing, Inc.	**4,375,000**	**-**	**4,375,000**	4,375,000	-	4,375,000
Sunstar Pampanga, Inc.	**2,088,790**	**-**	**2,088,790**	2,088,790	-	2,088,790
Sunstar Davao Publishing, Inc.	**280,000**	**-**	**280,000**	280,000	-	280,000
	27,683,090	**4,901,078**	**22,782,012**	27,683,090	4,901,078	22,782,012

The movement of these investments and their corresponding allowance for impairment are as follows:

	2022	2021
Investment in subsidiaries, cost		
Beginning balance	**27,683,090**	27,683,090
Additional investment		-
Ending balance	**27,683,090**	27,683,090
Allowance for impairment		
Beginning balance	**4,901,078**	4,901,078
Additional allowance	**-**	-
Ending balance	**4,901,078**	4,901,078
Net	**22,782,012**	22,782,012

The details on the subsidiary's financial position and performance are not presented since the separate financial statements of the Company's subsidiaries are not available as of audit date.

9. Property and Equipment

This account consists of:

	Land at Cost	Land at Revalued	Buildings and Improvements	Machinery and Equipment	Leasehold Improvements	Office and Communication Equipment	**Total**
Cost							
December 31, 2020	5,614,350	-	73,903,900	84,249,600	1,718,858	42,029,552	207,516,260
Additions	-	-	-	-	-	200,198	200,198
December 31, 2021	5,614,350	-	73,903,900	84,249,600	1,718,858	42,229,750	207,716,458
Revaluation	(5,614,350)	59,318,025	-	-	-	-	53,703,675
Additions	-	-	707,498	90,981	-	243,610	1,042,089
Disposal	-	-	-		-	(3,956,447)	(3,956,447)
December 31, 2022	**-**	**59,318,025**	**74,611,398**	**84,340,581**	**1,718,858**	**38,516,913**	**258,505,775**
Accumulated depreciation							
December 31, 2020	-	-	54,430,243	71,805,214	1,426,274	31,952,414	159,614,145
Provision	-	-	812,123	3,968,236	69,176	1,256,814	6,106,349
December 31, 2021	-	-	55,242,366	75,773,450	1,495,450	33,209,228	165,720,494
Provision	-	-	1,193,618	3,298,837	67,149	1,045,788	5,605,392
Disposal	-	-	-	-	-	(478,302)	(478,302)
December 31, 2022	**-**	**-**	**56,435,984**	**79,072,287**	**1,562,599**	**33,776,714**	**170,847,584**
Net Book Value							
December 31, 2021	5,614,350	-	18,661,534	8,476,150	223,408	9,020,522	41,995,964
December 31, 2022	**-**	**59,318,025**	**18,175,414**	**5,268,294**	**156,259**	**4,740,199**	**87,658,191**

Additions during the year were valued at acquisition and other direct costs and do not include capitalized other expenditures. Except for land (Note 12), these properties are not encumbered and no impairment losses were recognized during the year as shown in the reconciliation.

Depreciation is distributed as follows:

	Note	**2022**	2021
Cost of printed goods	*17*	**3,285,742**	3,285,742
Editorial expenses	*18*	**996,428**	1,588,257
Operating expenses	*20*	**1,323,222**	1,232,350
		5,605,392	6,106,349

Carrying amounts of the property and equipment approximates it fair value.

The Company's land with a carrying value of P59,318,025 and P5,614,350 as of December 31, 2022 and 2021, respectively, is being used as collateral for this loan (Note 12).

a. Appraisal on Land

In 2022, the Company's lands were appraised by an independent SEC accredited real estate appraiser, to have a sound value of P59,318,025 resulting to additional revaluation increment of P53,703,675.

The valuation technique used by the appraiser in determining the fair value of these lands fall under Level 2 (Note 2.3).

b. Revaluation Increment

The movement of this account is shown below:

	2022
Beginning	-
Appraisal increment	**53,703,675**
Less: Deferred tax liability	**13,425,919**
Ending	**40,277,756**

In compliance with PAS 16, Property and Equipment and PAS 12, Income Taxes, the Company recognized deferred tax liability on its appraisal increment.

The rate of deferred tax liability is at 25% since these lands are considered ordinary assets, hence, whatever gains derived from their sale is subject to the normal income tax rate of 25%.

10. Other Assets

This account consists of:

	2022	2021
Software - net	**35,077**	86
Investment in PLDT	**12,050**	30,080
Recoverable deposits	**-**	76,304
	47,127	106,470

Deferred charges pertain to deposits for the future magazine issuance.

Software is being amortized over a period of 3 years and is accounted as follows:

Cost	
December 31, 2020	13,489,532
Additions	-
December 31, 2021	13,489,532
Additions	45,171
December 31, 2022	**13,534,703**
Accumulated Amortization	
December 31, 2020	13,133,539
Provisions	355,907
December 31, 2021	13,489,446
Provisions	10,180
December 31, 2022	**13,499,626**
Net Book Value	
December 31, 2021	86
December 31, 2022	**35,077**

Amortization of software charged to operations amounted to P10,180 and P355,907 in 2022 and 2021, respectively (Note 20).

Recoverable deposits represent refundable deposits on lease agreements (Note 21).

Investment in PLDT is carried at cost.

11. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Accounts payable	**50,530,644**	58,232,343
Payable to government regulatory agencies	**998,037**	863,408
Accrued expenses	**2,099,182**	3,265,159
	53,627,863	62,360,910

Accounts payable includes short-term obligations to Sunstar Printers, Inc., a subsidiary, for the subcontracted printing services done by its subsidiary (Note 13).

Accounts payable – other suppliers are short-term obligations to trade suppliers and creditors of the Company. Average term of accounts payable is 60 days and no interest is charged on payables due beyond 60 days.

Payable to government regulatory agencies pertain to remittances to SSS, PHIC and HMDF due in the following year.

Accrued expenses pertain to expenses that the Company has not paid at the end of the year.

Other payables are for nontrade obligations of the Company which includes dealers' bond payable, payable to contributors and notarial fees payable.

The fair values of accounts payable and accrued expenses have not been disclosed as, due to their short duration, management considers the carrying amounts recognized in the statements of financial position to be a reasonable approximation of their fair values.

12. Loans Payable

In 2020, the Company obtained loans from a bank with interest rates based on the prevailing market rate. The outstanding balances of these loans amounted to P2,434,419 and P8,050,454 as of December 31, 2022 and 2021 respectively. The Company's land with a carrying value of P59,318,025 and P5,614,350 as of December 31, 2022 and 2021, respectively, is being used as collateral for this loan (Note 9).

The breakdown of the loans as to current and non current are as follows:

	2022	2021
Current	**2,434,419**	5,937,769
Noncurrent	**-**	2,112,685
	2,434,419	8,050,454

The Company has complied with all the covenants and warranties of the loans reported above.

Total interest expense recognized from the loans amounted to P311,734 and P674,531 in 2022 and 2021, respectively (Note 19).

13. Related Party Disclosures

The Company's related parties include:

1. Subsidiaries and affiliates
2. Stockholders
3. Key management personnel

The outstanding balances of these accounts are as follows:

2022	**Net Amount of Transaction**	**Outstanding Balances**	**Terms and Condition**
Due from subsidiaries	**300,003**	**8,262,647**	**Payable/collectible in cashInterest fee,**
Due from affiliates	**50,000**	**178,741**	**noncollateralized, unguaranteed and**
Advances from stockholders	**-**	**30,500,000**	**no definite payment scheme**

2021	Net Amount of Transaction	Outstanding Balances	Terms and Condition
Due from subsidiaries	(832,457)	5,341,679	Payable/collectible in cashInterest fee,
Due from affiliates	(1,000,000)	128,741	noncollateralized, unguaranteed and
Advances from stockholders	-	30,500,000	no definite payment scheme

a. *Due from Subsidiaries and Affiliated Companies*

Subsidiaries are companies which the Company excersises control while affiliates are those with similar major stockholders as the Company but are not its subsidiary or associate.

In the normal course of business, the Company transacts with its subsidiaries and affiliated companies. The balances of such advances are as follows:

	2022	2021
Subsidiaries	**5,641,682**	5,341,679
Affiliates	**178,741**	128,741
Total	**5,820,423**	5,470,420
Less: Allowance for doubtful accounts	**(4,768,631)**	(4,768,631)
	1,051,792	701,789

The movement of the the allowance for doubtful accounts are as follows:

	2022	2021
Beginning balance	**4,768,631**	4,768,631
Accounts written off	**-**	-
Provision	**-**	-
Ending balance	**4,768,631**	4,768,631

b. *Printing Contract*

The Company entered into an open-dated printing contract with Sunstar Printers, Inc., a wholly owned subsidiary. Sunstar Printers Inc., shall provide printing services for the Company. The terms of the contract payment is 30 days. Total printing fee and payable by the Company on this contract as of December 31, 2022 and 2021 are as follows:

	Note	2022	2021
Contract printing	17	**6,030,102**	7,499,634
Printing payable	11	**45,874,550**	40,128,745

c. *Advances from Stockholders*

The Company obtains advances from stockholders to cover fund requirements. These advances are interest-free, not collateralized, unguaranteed , payable in cash and have no definite repayment scheme. These advances are broken down as follows:

	2022	2021
Beginning balance	**30,500,000**	30,500,000
Additional advances	-	-
Payments	-	-
Ending balance	**30,500,000**	30,500,000

d. *Dividend Income*

The Company received dividends from its subsidiaries amounting to nil and P3,825,000 in 2022 and 2021, respectively. This is presented as part of Other Income (Note 19).

e. *Executive Compensation*

The aggregate compensation and benefits paid to the directors, the chief executive officer and other key advisors and officers amounted as follows:

	2022	2021
Compensation and benefits	**2,967,900**	2,895,450
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	2,967,900	2,895,450

The aggregate compensation and benefits paid to the managerial staff in 2022 and 2021 amounted as follows:

	2022	2021
Short-term benefits	**2,658,870**	2,955,750
Post-employment benefits	-	-
Other long-term benefits	-	-
Share-based payments	-	-
	2,658,870	2,955,750

14. Retirement Benefits

The Company does not have its own funded, retirement plan registered with the Bureau of Internal Revenue (BIR). It has, however, recognized liability for the current service cost and past service liability which is computed using the projected credit method in compliance with PAS 19, "Employee Benefits". The latest actuarial report conducted was in 2005.

The Company adopted a non-contributory retirement plan for all its regular employees upon reaching the retirable age of sixty (60) years. The plan provides a compulsory retirement benefit equivalent to twenty two and half (22.5) days at current rate for every year of service. Those employees, who have not yet reached the retirable age can also avail of this benefit, provided they have rendered at least thirty (30) years of continuous service.

Under R. A. No. 7641, the Company is required to provide minimum retirement benefits to qualified employees.

The Company has not fully adopted the provisions and revisions of PAS 19R, Employee Benefits.

There are no benefit expense recognized in 2022 and 2021 since the Company believes that its current accrued retirement liability is already sufficient to cover future retirement.

The movement of the accrued retirement liability as of December 31, 2022 and 2021 is as follows:

	2022	2021
Beginning balance	**19,284,322**	21,619,155
Current service cost	**1,726,054**	-
Retirement paid	**(1,694,834)**	(2,334,833)
Ending balance	**19,315,542**	19,284,322

15. Capital Disclosures

c. Share Capital

	Shares		Amount	
	2022	2021	**2022**	2021
Authorized				
Common - P100 par value per share	**500,000**	500,000	**50,000,000**	50,000,000
Common Stock				
Balance at beginning	**500,000**	500,000	**50,000,000**	50,000,000
Issued during the year	-	-	-	-
Total issued and outstanding	**500,000**	500,000	**50,000,000**	50,000,000

The Company has 24 stockholders, 14 of whom own 100 shares or more. Its shares are not traded in any stock exchange or over the counter market.

d. *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 continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services consummately with the level of risk.

The Company sets the amount of capital in proportion to risk. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Company monitors its capital on the basis of the adjusted net debt-to-equity ratio. This ratio is calculated as adjusted net debt/capital. Adjusted net debt is calculated as total debt (as shown in the statement of financial position) less cash and cash equivalents. Capital comprises all components of equity (i.e., share capital, and deficit) other than amounts recognized in equity relating to cash flow hedges, and including some forms of subordinated debt.

The Company's strategy has not changed in 2022 and 2021. The adjusted net debt-to-equity ratios at December 31, 2022 and 2021 are as follows:

	2022	2021
Total debt	**119,303,743**	120,195,686
Less: Cash and cash equivalents	**4,783,748**	6,753,467
Adjusted net debt	**114,519,995**	113,442,219
Divided: Total equity	**82,370,245**	36,374,898
Adjusted net debt-to-equity ratio	**1.39**	3.12

The Company is not subject to any externally-imposed capital requirements.

Deficit

The Company's retained earnings as at December 31, 2022 and 2021 is broken down as follows:

	2022	2021
Beginning	**(13,625,102)**	(6,435,458)
Net income loss for the year	**5,538,550**	(7,189,644)
	(8,086,552)	(13,625,102)

16. Revenues

This account consists of:

	2022	2021
Gross advertising revenue	**52,049,495**	40,256,074
Discounts	**(2,328,910)**	(1,076,591)
Net advertising revenue	**49,720,585**	39,179,483
Gross circulation revenue	**61,256,428**	58,190,057
Discounts	**(1,430,925)**	(4,049,055)
Returns	**(5,207,425)**	(293,958)
Rebates and allowances	**(4,732,079)**	(7,497,499)
Net circulation revenue	**49,885,999**	46,349,545
	99,606,584	85,529,028

Advertising revenue is recognized over time while circulation revenue is recognized at a point in time.

Contracts to sell goods and services are short-term and revenue is recognized upon delivery and acceptance of the customer.

Policies on revenue recognition are disclosed in Note 2.17.

Contract balance (Note 5)

Trade receivables	2022	2021
Advertising	**70,146,908**	61,478,451
Circulation	**25,690,498**	24,173,373
	95,837,406	85,651,824

There are no contract assets and liabilities as of December 31, 2022 and 2021.

No information is provided about remaining performance obligations at December 31, 2022 and 2021 that have an original expected duration of one year or less, as allowed by PFRS 15.

Other revenues includes fees, other charges and miscellaneous sales.

Securities and Exchange Commission PHILIPPINES

17. Cost of Printed Goods

This account consists of:

	Note	2022	2021
Raw materials inventory – January 1	6	**2,035,018**	2,447,572
Net Purchases		**14,642,549**	13,387,264
Total Raw Materials Available for Use		**16,677,567**	15,834,836
Raw materials inventory – December 31	6	**1,190,270**	2,035,018
Raw Materials Used		**15,487,297**	13,799,818
Overhead			
Contract printing	13	**6,030,102**	7,499,634
Depreciation and amortization	9	**3,285,742**	3,285,742
Input closed to expense		**2,523,324**	2,681,011
Total		**11,839,168**	13,466,387
Total Cost of Printed Goods		**27,326,465**	27,266,205

18. Editorial Expenses

This account consists of:

	Note	2022	2021
Compensation and other benefits		**9,684,222**	12,443,002
Monthly dues		**3,433,137**	3,419,756
Contribution articles		**3,059,003**	4,666,065
Utilities		**1,693,280**	1,552,930
Depreciation	9	**996,428**	1,588,257
Software maintenace		**920,613**	874,569
Professional fees		**232,522**	461,093
Transportation expenses		**467,559**	403,997
Supplies	6	**117,522**	56,896
Other expenses		**530,015**	209,113
		21,134,301	25,675,678

Compensation and other benefits consist of:

	2022	2021
Salaries and wages	**8,841,565**	11,551,492
SSS, PHIC, HDMF Contributions	**842,657**	891,510
	9,684,222	12,443,002

Utilities consist of:

	2022	2021
Light and water	**1,280,789**	989,064
Postage, telephone and telegraph	**412,491**	563,866
	1,693,280	1,552,930

Transportation expenses consist of:

	2022	2021
Transportation and travel	**315,772**	173,706
Fuel and oil	**151,367**	230,161
Freight, trucking and handling	**420**	130
	467,559	403,997

Other expenses consist of:

	2022	2021
Repairs and maintenance	**175,416**	58,616
Coverage expense	**33,128**	9,040
Training and seminar	**27,606**	-
Christmas/anniversary expenses	**10,952**	4,799
Representation and entertainment	**5,403**	920
Meeting and conferences	**-**	230
Other expenses	**277,510**	135,508
	530,015	209,113

19. Other Income (Expense)

This account consists of:

	Note	2022	2021
Unrealized forex gain		**258,041**	104,091
Interest income	*4*	**9,777**	25,505
Dividend income	*13*	**-**	3,825,000
Interest expense	*12*	**(311,734)**	(674,531)
		(43,916)	3,280,065

Dividend income pertains to dividends receivable by the Company from its subsidiaries (Note 13).

20. Operating Expenses

This account consists of:

	Note	2022	2021
Compensation and other benefits		**16,936,423**	14,808,421
Professional fees		**5,616,554**	9,089,429
Commission expense		**3,077,769**	1,492,454
Dividends receivable written off		**2,541,250**	-
Utilities		**2,345,150**	2,582,567
Transportation expenses		**2,166,870**	2,137,982
Provision for retirement benefits	*14*	**1,726,054**	-
Janitorial services		**1,668,033**	1,928,628
Depreciation and amortization	*9, 10*	**1,333,402**	1,588,257
Taxes and licenses	*25*	**1,230,274**	1,550,464
Advertising and promotion expenses		**767,987**	5,000
Rent expense	*21*	**707,516**	949,924
Security and messengerial services		**702,677**	1,363,303
Supplies	*6*	**528,221**	455,220
Christmas/anniversary expenses		**455,923**	307,892
Other expenses		**2,513,576**	1,498,445
		44,317,679	39,757,986

Compensation and other benefits consist of:

	2022	2021
Salaries and wages	**15,815,503**	13,770,602
SSS, PHIC, HDMF contributions	**1,120,920**	1,037,819
	16,936,423	14,808,421

Transportation expenses consist of:

	2022	2021
Fuel and oil	**1,391,941**	1,701,978
Transportation and travel	**553,186**	432,116
Freight, trucking and handling	**221,743**	3,888
	2,166,870	2,137,982

Depreciation and amortization consist of:

	Note	2022	2021
Depreciation	*9*	**1,323,222**	1,232,350
Amortization	*10*	**10,180**	355,907
		1,333,402	1,588,257

Utilities consist of:

	2022	2021
Communication expense	**1,280,789**	989,063
Light and water	**1,064,361**	1,593,504
	2,345,150	2,582,567

Other expenses consist of:

	2022	2021
Repairs and maintenance	**705,735**	394,682
Monthly dues	**368,969**	331,806
Insurance	**287,328**	328,349
Awards and incentives	**138,202**	192,371
Computer and accessories	**302,011**	178,763
Representation	**368,969**	61,610
Training and seminar	**11,275**	5,614
Others	**331,087**	5,250
	2,513,576	1,498,445

21. Lease

The Company entered into lease contracts with various companies for the right to lease the lessors' properties. The terms of the lease contracts provide for monthly rental payments with annual escalation for a period ranging from three (3) to five (5) years. The lease is renewable at the option of the lessor. The terms of the lease also provides that the lessee company pay security deposit amounting to P76,304, recoverable at the end of the term. This is classified in the separate statements of financial position under "Recoverable Deposits" (Note 10).

The total of the future minimum lease payments under non-cancellable operating leases as of December 31, 2022 and 2021 for each of the following periods are accounted for as follows:

	2022	2021
a.) not later than one year	**216,140**	216,140
b.) later than one year and not later than five years	**432,280**	1,526,755
c.) later than five years and not later than ten years	**-**	-
	648,420	1,742,895

Under PFRS 16

Amounts recognized in statements of comprehensive income

Rent expense relating to short term leases and leases of low value assets amounted to P707,516 and P949,924 in 2022 and 2021, respectively.

There are no right-of-use assets or lease liabilities arising from the short-term leases and leases of low valued assets recognized.

Total cash outflow for leases in 2022 and 2021 amounted to P707,516 and P949,924, respectively.

22. Income Taxes

The computation of Normal Income Tax (NIT) and MCIT for 2022 and 2021 of the Company is shown below:

NIT

	2022	2021
Net Income (loss) before tax	**10,138,765**	(2,043,529)
Add Unrealized forex gain – 2022	**(258,041)**	-
Interest arbitrage	**2,444**	6,376
Retirement expense	**1,726,054**	-
Dividends receivable written off	**2,541,250**	-
Less: Interest income subjected to final tax	**(9,777)**	(25,505)
Retirement paid	**(1,694,834)**	(2,334,833)
Dividend income	**-**	(3,825,000)
Unrealized forex gain – 2021	**104,091**	(104,091)
Unrealized forex loss – 2020		(112,563)
Net operating loss carry over	**(12,549,952)**	-
Taxable Income	**-**	(8,439,145)
Income Tax Benefit @ 25% thereon	**-**	(2,109,786)

MCIT

	2022	2021
Net Sales	**102,961,126**	87,376,275
Less: Direct Cost	**48,460,766**	52,941,883
Gross Profit	**54,500,360**	34,434,392
Other income	**104,091**	
Total	**54,604,451**	34,434,392
MCIT due at 1% thereon	**546,045**	344,344
Less: Quarterly income tax paid	**-**	-
Creditable withholding tax beginning	**2,197,917**	2,234,716
Creditable withholding tax	**441,665**	307,545
Net Creditable withholding tax	**(2,093,537)**	(2,197,917)

The reconciliation between the provision for income tax computed at the statutory income tax rate and the provision for income as shown in the statement of comprehensive income for the year ended December 31, 2022 and 2021 follows:

	2022	2021
Income tax computed at the statutory income tax rate	**546,045**	344,344
Tax effect of:		
NOLCO applied	**3,137,488**	-
Retirement expense	**(431,514)**	-
Retirement benefits paid	**423,709**	583,708
MCIT expired	**1,379,999**	1,468,874
MCIT recognized	**(546,045)**	(344,344)
Effect due to change in tax rate	**-**	5,195,573
NOLCO recognized	**-**	(2,109,786)
Unrealized forex loss	**26,023**	7,746
Current	**546,045**	344,344
Deferred	**3,989,660**	4,801,771
	4,535,705	5,146,115

Deferred tax asset arise from the following:

	2022	2021
Net operating loss carry over	**6,647,449**	9,784,938
MCIT	**1,267,059**	2,101,013
Allowance for doubtful accounts-accounts receivable	**10,480,496**	10,480,496
Allowance for doubtful accounts-advances to affiliates	**1,192,157**	1,192,157
Accrued retirement liability	**4,828,885**	4,821,080
Impairment loss on investment in subsidiary	**1,225,270**	1,225,270
Unrealized forex loss	**-**	26,023
	25,641,316	29,630,977

Deferred tax liabilities arise from the following:

	2022	2021
Revaluation surplus	**13,425,919**	-
Unrealized forex gain	**64,510**	-
	13,490,429	-

The movement of the deferred tax assets are as follows:

Deferred Tax Assets	NOLCO	MCIT	Allowance for Doubtful Accounts receivable	Allowance for Doubtful Accounts-Advances to affiliates	Accrued Retirement Obligation	Impairment loss on Investment in Subsidiary	Unrealized forex loss	Total
December 31, 2020	9,210,182	3,351,100	12,576,595	1,430,589	6,485,746	1,470,324	33,769	34,558,305
Provisions	2,109,786	344,344	-	-	-	-	26,023	2,480,153
Effect in change in tax rate	(1,535,030)	(125,557)	(2,096,099)	(238,432)	(1,080,958)	(245,054)	-	(5,321,130)
Expired		(1,468,874)	-	-	-	-	-	(1,468,874)
Applied	-	-	-	-	(583,708)	-	(33,769)	(617,477)
December 31, 2021	9,784,938	2,101,013	10,480,496	1,192,157	4,821,080	1,225,270	26,023	29,630,977
Provisions	-	546,045	-	-	431,514	-	-	977,559
Expired	-	(1,379,999)	-	-	-	-	-	(1,379,999)
Applied	(3,137,489)	-	-	-	(423,709)	-	-	(3,561,198)
December 31, 2022	**6,647,449**	**1,267,059**	**10,480,496**	**1,192,157**	**4,828,885**	**1,225,270**	**26,023**	**25,667,339**

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law

The President signed the CREATE Bill into law on March 25, 2021. The following are the law's significant provisions:

- Adoption of graduated Regular Corporate Income Tax (RCIT) rate effective July 1, 2020 based on total assets of domestic corporations. For those domestic corporations with total assets (excluding land where the company is located) of P100 million and below and taxable income of P5 million and below, the income tax rate is 20%. For other domestic corporations, the income tax rate is 25%.
- Adoption of 25% RCIT for resident foreign corporations effective July 1, 2020.
- Adoption of 25% tax rate for nonresident foreign corporations effective July 1, 2020.
- Reduction of Minimum Corporate Income Tax (MCIT) from 2% to 1% for a period of three years (effective July 1, 2020 to June 30, 2023).
- Existing enterprises under income tax holiday (ITH) shall be allowed to continue availing the ITH until the remaining period ends. Existing enterprises enjoying the 5% tax based on gross income shall be allowed to continue to enjoy the 5% tax for a period of 10 years. After the expiration of the transitory period, they have the option to avail of tax incentives under CREATE.

23. Financial Instruments

Fair Value of Financial Instruments

The following table sets forth the carrying values and estimated fair values of the Company's financial assets and liabilities recognized as of December 31, 2022 and 2021. There are no material unrecognized financial assets and liabilities as of December 31, 2022 and 2021.

	Carrying Value		Fair Value	
	2022	2021	**2022**	2021
Financial Assets at Amortized Cost				
Cash and cash equivalents*	**4,783,748**	6,753,467	**4,783,748**	6,753,467
Receivables - net	**55,981,140**	49,296,066	**55,981,140**	49,296,066
Due from affiliates - net	**1,051,792**	701,789	**1,051,792**	701,789
Recoverable deposits	-	76,304	-	76,304
Financial Assets at fair value through OCI				
Investment in PLDT	**12,050**	30,080	**12,050**	30,080
Total Financial Assets	**61,828,730**	56,857,706	**61,828,730**	56,857,706
Other Financial Liabilities				
Accounts payable and accrued expenses*	**52,629,826**	61,497,502	**52,629,826**	61,497,502
Loans payable	**2,434,419**	8,050,454	**2,434,419**	8,050,454
Advances from stockholders	**30,500,000**	30,500,000	**30,500,000**	30,500,000
Total Financial Liabilities	**85,564,245**	100,047,956	**85,564,245**	100,047,956

**net of payable to government regulatory agency*

Fair value is defined as the amount at which the financial instrument could be sold in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced liquidation or sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily available from an exchange, dealer, broker, pricing services or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. For a financial instrument with an active market, the quoted market price is used as its fair value. On the other hand, if transactions are no longer regularly occurring even if prices might be available and the only observed transactions are forced transactions or distressed sales, then the market is considered inactive. For a financial instrument with no active market, its fair value is determined using a valuation technique (e.g. discounted cash flow approach) that incorporates all factors that market participants would consider in setting a price.

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

Cash and cash equivalents

The carrying amount approximates the fair value primarily due to the relatively short-term maturity of these financial instruments.

Receivables/Accounts Payable and Accrued Expenses

Receivables are reported at their net realizable values, at total amounts less allowances for impairment losses. Current liabilities are stated at amounts reasonably expected to be paid within the next twelve months or within the Company's operating cycle. A net realizable value approximates its fair value.

Rental Deposits

Rental deposits are accounted based on the actual amount paid which approximates its fair value.

Loans Payable

Loans payable are short term and measured at amortized cost which approximates its fair value.

<u>Cash Flow Information</u>

Non-cash investing and financing activities

The Company has no acquisition of PPE through finance lease and conversion of debt to equity in 2022 and 2021.

Reconciliation of cash and non-cash financial liabilities arising from financing activities

The table below sets out an analysis of cash and non-cash movements of financial liabilities arising from financing activities:

	Advances from Stockholders	Long-term loans
December 31, 2020	30,500,000	12,778,271
Cash flows	-	(4,727,817)
December 31, 2021	30,500,000	8,050,454
Cash flows	-	(5,616,035)
December 31, 2022	**30,500,000**	**2,434,419**

24. Financial Risk Management Objectives and Policies

The Company has exposure to the following risks from its use of financial instruments:

1. Credit risk
2. Market risk
3. Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The main purpose of the Company's dealings in financial instruments is to fund its operational and capital expenditures. The Board of Directors (BOD) has overall responsibility for the establishment and oversight of the Company's risk management framework. The BOD has delegated to the senior management the responsibility for developing and monitoring the Company's policies, which address risk management areas.

Management is responsible for monitoring compliance with the Company's risk management policies and procedures and for reviewing the adequacy of these policies in relation to the risks faced by the Company.

a. Credit Risk

Credit risk represents the loss the Company would incur if the counterparty failed to perform under its contractual obligations. The Company's exposure to credit risk on its receivables relates primarily to the inability of the customers and debtors to pay and fully settle the unpaid balance of billings, other charges, and advances owed to the Company. The Company has established controls and procedures in its credit policy to determine and to monitor the credit worthiness of its customers based on relevant factors. The Company's exposure to credit risk on its other receivables is managed through close account monitoring and setting limits.

The Company neither has any significant exposure to any individual customer or counterparty nor does it have any other concentration of credit risk arising from counterparties in similar business activities, or economic parties but most of its credit risk is concentrated in the Philippines.

With respect to credit risk arising from financial assets, the Company's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments. The maximum exposure to credit risk at the end of reporting period is as follows:

	Note	**2022**	2021
Cash in banks	*4*	**4,050,990**	6,646,467
Receivables, gross	*5*	**97,903,124**	91,218,050
Due from affiliates	*13*	**5,820,423**	5,470,420
Recoverable deposits	*10*	**-**	76,304
Investment in PLDT	*10*	**12,050**	30,080
		107,786,587	103,441,321

Impairment Assessment

Receivables and other debt instruments are subject to the expected credit loss model of impairment:

Receivables and advances

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of loans over a period of 3 years before December 31, 2022 and 2021 and the corresponding historical credit-losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

Below is the aging schedule of receivables and the corresponding loss allowance as of December 31, 2022 and 2021:

		Past Due				
2022	**Current**	**1 to 30 days**	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Total**
Accounts receivable	**15,887,541**	**4,985,127**	**5,236,641**	**4,021,575**	**67,772,240**	**97,903,124**
Due from related parties	**5,820,423**	**-**	**-**	**-**	**-**	**5,820,423**

		Past Due				
2021	Current	1 to 30 days	31 to 60 days	61 to 90 days	Over 90 days	Total
Accounts receivable	11,530,815	5,532,373	4,728,526	3,825,868	65,600,468	91,218,050
Due from related parties	5,470,420	-	-	-	-	5,470,420

The reconciliation of allowance for impairment losses of receivable is as follows:

	2022	2021
Beginning balance	**41,921,984**	41,921,984
Accounts written off	**-**	-
Provision	**-**	-
Ending balance	**41,921,984**	41,921,984

The allowance for doubtful accounts on receivables as of December 31, 2022 and 2021 relates to trade receivables from customers which have been long outstanding and specifically identified to be impaired.

The Company did not provide additional allowance for bad debts in 2022 and 2021 as management believes that the current level of provision is sufficient to cover possible losses from delinquency.

The reconciliation of the allowance for doubtful accounts – due from related parties is discussed in Note 13.

The Board approves the provisioning for doubtful accounts and write-off of receivables, which covers accounts considered no longer collectible.

Other Debt Investments

The following table presents an analysis of the credit quality of debt investments at amortized cost. It indicates whether the debt investments were subject to a 12-month ECL or lifetime ECL-allowance, and in the latter case, whether they are credit-impaired.

2022	**Credit Rating**	**12-month ECL**	**Lifetime ECL – not credit impaired**	**Lifetime ECL – credit impaired**	**Total**	**Loss Allo-wance**	**Net Carrying Amount**
Financial Assets							
Cash in banks	**Performing**	**4,050,990**	**-**	**-**	**4,050,990**	**-**	**4,050,990**
Investment in PLDT	**Performing**	**12,050**	**-**	**-**	**12,050**	**-**	**12,050**
		4,063,040	**-**	**-**	**4,063,040**	**-**	**4,063,040**

2021	Credit Rating	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total	Loss Allo-wance	Net Carrying Amount
Financial Assets							
Cash in banks	Performing	6,646,467	-	-	6,646,467	-	6,646,467
Rental deposits	Performing	76,304	-	-	76,304	-	76,304
Investment in PLDT	Performing	30,080	-	-	30,080	-	30,080
		6,752,851	-	-	6,752,851	-	6,752,851

The following are the assumptions used in the credit rating system of the Company:

Performing financial assets are those with counterparties that have a low risk of default and a strong capacity to meet contractual cash flows.

Underperforming financial assets are those counterparties with significant increase in credit risk, which is presumed if interest/principal repayments are more than 30 days past due.

Non-performing financial assets are those that are more than 90 days past due or there is evidence indicating the asset is credit-impaired.

The credit rating system takes into account ratings from independent ratings agencies. In the absence of such, other publicly available financial information are used.

While cash and cash equivalents and short-term investments are subject to the impairment requirements of PFRS 9, the identified impairment loss was immaterial as there have been no history of defaults among the Company's depositary banks.

There is no expected credit loss on rental deposits as management believes that these are fully collectible upon the termination of the lease.

b. Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility by availing of credit facilities from various sources. The Company maximizes the net cash inflows from operations to finance its working capital requirements. The Company seeks to manage its liquid funds through cash planning. It regularly evaluates its projected and actual cash flows and continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities.

The Company's financial liabilities as of December 31, 2022 and 2021 have contractual maturities which are presented below:

			Current		Non-current
2022	**Total Carrying Value**	**On Demand**	**Within 6 Months**	**6 to 12 Months**	**1 to 5 Years**
Accounts payable and accrued expenses*	**52,629,826**	**52,629,826**	**-**	**-**	**-**
Loans payable	**2,434,419**	**-**	**2,434,419**	**-**	**-**
Advances from stockholders	**30,500,000**	**30,500,000**	**-**	**-**	**-**
	85,564,245	**83,129,826**	**2,434,419**	**-**	**-**

			Current		Non-current
2021	Total Carrying Value	On Demand	Within 6 Months	6 to 12 Months	1 to 5 Years
Accounts payable and accrued expenses*	61,497,502	61,497,502	-	-	-
Loans payable	8,050,454	-	2,968,885	2,968,884	2,112,685
Advances from stockholders	30,500,000	30,500,000	-	-	-
	100,047,956	91,997,502	2,968,885	2,968,884	2,112,685

**net of payable to government regulatory agencies*

The following table details the Company's expected maturity for its financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

			Current		Non-current
2022	**Total Carrying Value**	**On Demand**	**Within 6 Months**	**6 to 12 Months**	**1 to 5 Years**
Cash	**4,783,748**	**4,783,748**	**-**	**-**	**-**
Receivables - net	**55,981,140**	**40,093,599**	**15,887,541**	**-**	**-**
Due from affiliates - net	**1,051,792**	**-**	**1,051,792**	**-**	**-**
Recoverable deposits	**-**	**-**	**-**	**-**	**-**
Investment in PLDT	**12,050**	**-**	**-**	**-**	**12,050**
	61,828,730	**44,877,347**	**16,939,333**	**-**	**12,050**

			Current		Non-current
2021	Total Carrying Value	On Demand	Within 6 Months	6 to 12 Months	1 to 5 Years
Cash	6,753,467	6,700,921	52,546	-	-
Receivables - net	49,296,066	37,765,251	11,530,815	-	-
Due from affiliates - net	701,789	-	701,789	-	-
Recoverable deposits	76,304	-	-	-	76,304
Investment in PLDT	30,080	-	-	-	30,080
	56,857,706	44,466,172	12,285,150	-	106,384

c. *Market Risk*

Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in interest rates, foreign currency exchange rates, commodity prices, equity prices and other market changes.

The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk. The Company is subject to various market risks, including risks from changes in interest rates and foreign currency exchange rates.

Interest Rate Risk Sensitivity Analysis

The Company's exposure to interest rate risk arises from the following interest-bearing financial instruments:

	2022	2021
Cash in banks,	4,050,990	6,593,921
Cash equivalents	-	52,546
	4,050,990	6,646,467
Loans payable	2,434,419	8,050,454

The changes in interest rates used in the analysis of cash in bank and cash equivalents have been determined based on the average volatility in interest rates in the previous 12 months. The changes in interest rates used in the analysis of time deposits are based on the volatility of the Bangko Sentral ng Pilipinas (BSP)'s compilation of domestic rates on short-term investment in the past twelve months.

The Company's exposure to interest bearing loans is minimal since the loans of the Company at December 31, 2022 and 2021 bears interest based on the prevailing market rate and the Company do not believe the the change will be material enough to affect the interest payments.

25. Supplementary Information Required Under Revenue Regulation Nos. 02-2014 and 15-2010 of the BIR

In addition to the disclosures mandated under PFRS, companies are required by the BIR to provide in the notes to separate financial statements certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRS. The following are the supplementary tax information required for the taxable years ended December 31, 2022 and 2021.

i. Based on RR 15-2010

In compliance with the requirement set forth by RR 15 – 2010 hereunder are the information on taxes and licenses paid or accrued during the taxable years 2022 and 2021.

a. Value Added Tax

Output Taxes

The total amount of sales with the corresponding output taxes in 2022 and 2021 are as follows:

	Amount	
2022	**Revenues**	**Output Tax**
Vatable sales	**45,016,129**	**5,401,936**
Sales to government	**3,352,745**	**402,329**
Exempt sales	**221,570**	**-**
Zero rated sales	**48,991,342**	**-**
	97,581,786	**5,804,265**

2021	Amount Revenues	Output Tax
Vatable sales	33,729,993	4,407,479
Sales to government	4,066,215	487,946
Zero rated sales	382,234	-
Exempt sales	51,872,506	-
	90,050,948	4,895,425

Input Tax

The reconciliation of input tax as of 2022 and 2021 is shown below:

	2022	2021
Beginning Balance	**-**	-
Add:Current year's domestic purchases/payments for:	**-**	-
i. Goods for resale/manufacture or further processing	**-**	-
ii. Goods other than resale or manufacture	**1,902,574**	1,377,758
iii. Capital goods subject to amortization	**-**	-
iv. Capital goods not subject to amortization	**-**	-
v. Services lodged under cost of goods sold	**3,057,057**	2,706,074
vi. Services lodged under other accounts		-
Payments made	**3,367,958**	3,000,828
Less:Input closed to expense	**(2,523,324)**	(2,549,236)
Claimed against output tax	**(5,804,265)**	(4,535,425)
	-	-

b. Withholding Taxes

The following shows the total remittance of withholding taxes:

	2022	2021
a) Tax on compensation and benefits	**635,501**	789,239
b) Creditable withholding taxes	**1,478,620**	1,899,363
c) Final withholding tax	**-**	-
	2,114,121	2,688,602

c. Taxes and Licenses

The schedule of the taxes and licenses as of December 31, 2022 and 2021 is shown as follows:

	2022	2021
Business permit	**681,469**	659,010
Real property tax	**478,982**	478,982
Registration fee	**1,000**	1,000
Documentary stamps tax	**-**	300,770
Others	**68,823**	110,702
	1,230,274	1,550,464

d. Tax Assessments and Cases

The Company is not involved in any preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR. It has not been assessed any deficiency taxes.

ii. Based on RR 34-2020

The Company is not covered by BIR requirements and procedures for related party transactions as the Company is not a large taxpayer, not BOI or PEZA-registered, and has not reported net operating loss for the current and the past two (2) years.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS DIVISION-CEBU
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DPQA SEC

SRC **Sta. Ana Rivera & Co.**
Certified Public Accountants

SEC Accreditation No[redacted]SEC up to 2026 Audit Period (Group B)
BOA/PRC Cert. of Reg. No.[redacted]ntil September 12, 2025
NEA Accreditation No.[redacted]ntil January 14, 2026
BSP Accreditation No.[redacted]BSP (up to 2024 Audit Period)
TIN [redacted]

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

The Stockholders and Board of Directors
SUNSTAR PUBLISHING, INC.
P. Del Rosario corner Don Pedro Cui Streets,
Cebu City

We have audited the separate financial statements of **SUNSTAR PUBLISHING, INC.** as at and for the years ended December 31, 2022 and 2021, on which we have rendered our report dated April 14, 2023.

In compliance with SRC Rule 68, we are stating that the said Company has a total number of 24 stockholders, 14 of whom own 100 or more shares.

STA. ANA RIVERA & CO.
SEC Accreditation No[redacted]-SEC up to 2026 Audit Period (Group B)
BOA/PRC Cert. of Reg. No[redacted]until September 12, 2025
NEA Accreditation No. [redacted]ntil January 14, 2026
BSP Accreditation No. [redacted]SP (up to 2024 Audit Period)
TIN [redacted]

By:

[redacted]

ELTON G. MONTECILLO
Partner
CPA [redacted]
TIN 2[redacted]
PTR No. 4[redacted]January 12, 2023, Cebu City
BSP Accreditation N[redacted]24 Audit Period)
BIR Accreditation N[redacted]ntil June 5, 2023

ARGE TAXPAYERS DIVISION-CEBU
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Cebu City, Philippines
April 14, 2023

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