

# COVER SHEET

C	S	2	0	0	5	1	1	8	1	6
---	---	---	---	---	---	---	---	---	---	---

S.E.C. Registration Number

[illegible][illegible][illegible][illegible]

(Company's Full Name)

1	1	F		L	I	B	E	R	T	Y		C	E	N	T	E	R,		1	0	4		H	V		D	E	L	A
---	---	---	--	---	---	---	---	---	---	---	--	---	---	---	---	---	----	--	---	---	---	--	---	---	--	---	---	---	---

C	O	S	T	A,		S	A	L	C	E	D	O		V	I	L	L	A	G	E,		M	A	K	A	T	I		
---	---	---	---	----	--	---	---	---	---	---	---	---	--	---	---	---	---	---	---	----	--	---	---	---	---	---	---	--	--

[illegible][illegible]

(Business Address: No. Street City / Town / Province)

**Roan Buenaventura-Torregoza**  
Compliance Officer  
Contact Person/s

(632) 4789659/5333915/5333917	
Company	Telephone

Number

<b>1</b>	<b>2</b>
----------	----------

3	1
---	---

Month                  Day  
Calendar Year

SEC Form 17-A  
December 31, 2022

FORM TYPE

0	7
---	---

2	5
---	---

Month                  Day  
Annual Meeting

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

\_\_\_\_\_

Amended Articles Number/Section

43	
----	--

Total No. of Stockholders

40

Domestic

3

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

---

LCU

LCU

[illegible]

Document I.D.

---

Cashier

STAMPS



Lae Duyogan &lt;8990holdings02@gmail.com&gt;

---

**Your BIR AFS eSubmission uploads were received**

1 message

---

**eafs@bir.gov.ph** <eafs@bir.gov.ph>  
To: 8990HOLDINGS02@gmail.com  
Cc: 8990HOLDINGS02@gmail.com

Mon, Apr 24, 2023 at 10:47 AM

Hi 8990 HOLDINGS, INC,

**Valid files**

- EAFS239508223RPTTY122022.pdf
- EAFS239508223ITRTY122022.pdf
- EAFS239508223AFSTY122022.pdf
- EAFS239508223OTHTY122022.pdf

**Invalid file**

- <None>

Transaction Code: **AFS-0-8CAHH6HA0431SVYT1MRVX4XNT0NVQ4WV3Y**  
Submission Date/Time: **Apr 24, 2023 10:47 AM**  
Company TIN: **239-508-223**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

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

This is a system-generated e-mail. Please do not reply.

=====  
DISCLAIMER  
=====

This email and its attachments may be confidential and are intended solely for the use of the individual or entity to whom it is addressed.

If you are not the intended recipient of this email and its attachments, you must take no action based upon them, nor must you disseminate, distribute or copy this e-mail. Please contact the sender immediately if you believe you have received this email in error.

E-mail transmission cannot be guaranteed to be secure or error-free. The recipient should check this email and any attachments for the presence of viruses. The Bureau of Internal Revenue does not accept liability for any errors or omissions in the contents of this message which arise as a result of e-mail transmission.

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **8990 Holdings, Inc.** is responsible for the preparation and fair presentation of financial statements, including the schedules attached therein, as of and 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.

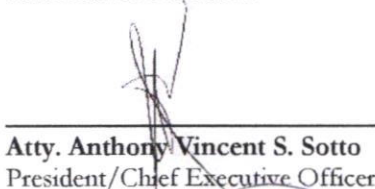
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

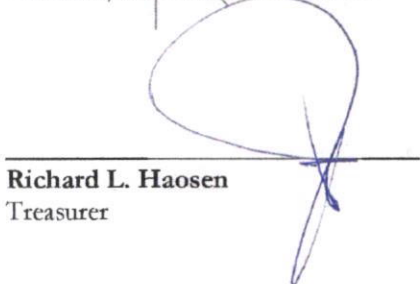
**RAMON F. GARCIA AND CO., CPAs** the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.



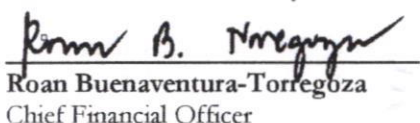
**Mariano D. Martinez Jr.**  
Chairman of the Board



**Atty. Anthony Vincent S. Sotto**  
President/Chief Executive Officer



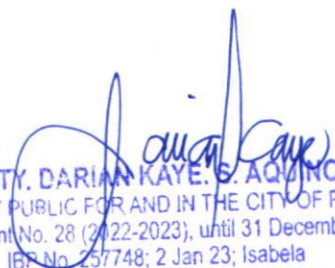
**Richard L. Haosen**  
Treasurer



**Roan Buenaventura-Torregoza**  
Chief Financial Officer

Subscribed and Sworn to before me this  
APR 20 2023 at PASIG City, affiant  
exhibiting to me his/her ID No. \_\_\_\_\_

Doc No. 408  
Page No. 83  
Book No. 8  
Series of 2023

  
**ATTY. DARIAN KAYE S. AQUINO**  
NOTARY PUBLIC FOR AND IN THE CITY OF PASIG  
Appointment No. 28 (2022-2023), until 31 December 2023  
IBF No. 257748; 2 Jan 23; Isabela  
PTR No. 0112684; 4 Jan 23; Pasig City  
MCLE Compliance No. VII-0016232, 14 April 2025  
Roll No. 72050

Signed this day of: April 19, 2023

**HOUSING THE FILIPINO PEOPLE**

## **SUPPLEMENTAL STATEMENT OF INDEPENDENT AUDITORS**

The Shareholders and Board of Directors  
**8990 HOLDINGS, INC.**  
11<sup>TH</sup> Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

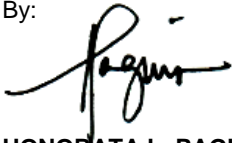
We have examined the financial statements of **8990 HOLDINGS, INC.** ("the Parent Company") for the year ended December 31, 2022, on which we have rendered the attached report dated April 19, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Parent Company has a total number of one hundred sixty-one (161) shareholders owning one hundred (100) or more shares each.

Very truly yours,

**RAMON F. GARCIA & COMPANY, CPAs**

By:



**HONORATA L. PAGUIO**

Partner

CPA Certificate No. 0078850

PTR No. 9573080, January 6, 2023, Makati City

TIN 105-540-683

BOA/PRC Accreditation No.0207 (April 9, 2023 to October 5, 2025)

Partner's BIR Accreditation No. 08-001759-003-2020 (March 13, 2023 to March 12, 2026)

Partner's SEC Accreditation No. 78850-SEC -Category A, Valid for audit of 2021 to 2025 financial statements

Firm's BIR Accreditation No. 08-001759-001-2020 (March 13, 2023 to March 12, 2026)

Firm's SEC Accreditation No. 0207- SEC Group A, Valid for audit of 2021 to 2025 financial statements)

April 19, 2023  
Makati City

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

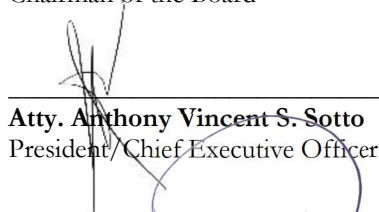
The Management of **8990 Holdings, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax, withholding tax returns, documentary stamp tax returns, and any other tax returns.

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

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) the Company has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

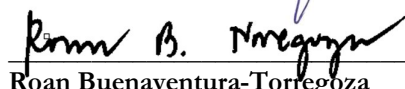


**Mariano D. Martinez Jr.**  
Chairman of the Board



**Atty. Anthony Vincent S. Sotto**  
President/Chief Executive Officer

**Richard L. Haosen**  
Treasurer



**Roan Buenaventura-Torregoza**  
Chief Financial Officer

**HOUSING THE FILIPINO PEOPLE**

## INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURNS

The Shareholders and Board of Directors  
**8990 HOLDINGS, INC.**  
11<sup>TH</sup> Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

Gentlemen:

In connection with our examination of the financial statements of **8990 HOLDINGS, INC.** as of December 31, 2022, we wish to state that no partners of our Firm are related by consanguinity or affinity to any of the principal officers, members of the Board of Directors or principal shareholders of the Parent Company.

Very truly yours,

**RAMON F. GARCIA & COMPANY, CPAs**

By:



**HONORATA L. PAGUIO**

Partner

CPA Certificate No. 0078850

PTR No. 9573080, January 6, 2023, Makati City

TIN 105-540-683

BOA/PRC Accreditation No.0207 (April 9, 2023 to October 5, 2025)

Partner's BIR Accreditation No. 08-001759-003-2020 (March 13, 2023 to March 12, 2026)

Partner's SEC Accreditation No. 78850-SEC -Category A, Valid for audit of 2021 to 2025 financial statements

Firm's BIR Accreditation No. 08-001759-001-2020 (March 13, 2023 to March 12, 2026)

Firm's SEC Accreditation No. 0207- SEC Group A, Valid for audit of 2021 to 2025 financial statements)

April 19, 2023  
Makati City

## INDEPENDENT AUDITORS' REPORT

The Shareholders and Board of Directors  
**8990 HOLDINGS, INC.**  
11<sup>TH</sup> Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

### Report on the Audit of the Parent Company Financial Statements

#### *Opinion*

We have audited the financial statements of **8990 HOLDINGS, INC.** ("the Parent Company"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Parent 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 in Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

#### *Auditors' Responsibilities for the Audit of Financial Statements*

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

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 risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent 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 Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditors' report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on Other Legal and Regulatory Requirements**

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

#### **RAMON F. GARCIA & COMPANY, CPAs**

By:



**HONORATA L. PAGUIO**

Partner

CPA Certificate No. 0078850

PTR No. 9573080, January 6, 2023, Makati City

TIN 105-540-683

BOA/PRC Accreditation No.0207 (April 9, 2023 to October 5, 2025)

Partner's BIR Accreditation No. 08-001759-003-2020 (March 13, 2023 to March 12, 2026)

Partner's SEC Accreditation No. 78850-SEC -Category A, Valid for audit of 2021 to 2025 financial statements

Firm's BIR Accreditation No. 08-001759-001-2020 (March 13, 2023 to March 12, 2026)

Firm's SEC Accreditation No. 0207- SEC Group A, Valid for audit of 2021 to 2025 financial statements)

April 19, 2023  
Makati City

**8990 HOLDINGS, INC.**  
**STATEMENTS OF FINANCIAL POSITION OF THE PARENT COMPANY**  
**AS OF DECEMBER 31, 2022 AND 2021**  
*(Amounts in Philippine Peso)*

	<u>Notes</u>	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>			
<b>CURRENT ASSETS</b>			
Cash on hand and in banks	7	19,147,709	40,557,428
Receivables	8	4,138,047	41,069,141
Loans receivables	9, 22	1,121,770,274	1,695,744,093
Due from related parties	22	354,839,923	1,102,160,712
Prepaid income tax		30,246,045	24,982,870
Other current assets - net	13	<u>20,159,979</u>	<u>19,449,789</u>
Total Current Assets		<u>1,550,301,977</u>	<u>2,923,964,033</u>
<b>NON-CURRENT ASSETS</b>			
Investments in subsidiaries	10	44,077,107,964	43,988,832,460
Investments in associates	11	221,164,876	93,214,510
Right-of-use asset, net	15	1,917,827	3,129,087
Loans receivables	9, 22	184,106,257	568,942,314
Property and equipment - net	12	7,401	15,001
Other non-current assets	13	<u>393,891</u>	<u>393,891</u>
Total Non-current Assets		<u>44,484,698,216</u>	<u>44,654,527,263</u>
<b>TOTAL ASSETS</b>		<u><b>46,035,000,193</b></u>	<u><b>47,578,491,296</b></u>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	14	80,297,322	147,867,229
Bonds payable	17		375,019,694
Notes payable	16	-	500,000,000
Lease Liability	15	1,269,873	1,123,875
Due to related parties	22	<u>4,291,235,562</u>	<u>1,175,932,157</u>
Total Current Liabilities		<u>4,372,802,757</u>	<u>2,199,942,955</u>
<b>NON-CURRENT LIABILITIES</b>			
Bonds payable	17	-	217,612,305
Lease Liability	15	803,260	2,073,133
Pension liability	18	429,702	359,321
Deferred tax liabilities, net	20	<u>20,183,793</u>	<u>3,213,797</u>
Total Non-current Liabilities		<u>21,416,755</u>	<u>223,258,556</u>
Total Liabilities		<u><b>4,394,219,512</b></u>	<u><b>2,423,201,511</b></u>

**EQUITY**

Capital stock	19	<b>5,554,990,720</b>	5,604,990,720
Additional paid-in capital	19	<b>32,037,009,351</b>	36,987,009,351
Treasury shares, at cost	19	<b>(1,806,540,154)</b>	(1,806,540,154)
Revaluation reserve	18	<b>(50,209)</b>	(46,757)
Retained earnings	19	<u><b>5,855,370,973</b></u>	<u>4,369,876,625</u>
Total Equity		<u><b>41,640,780,681</b></u>	<u>45,155,289,785</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>46,035,000,193</b></u>	<u>47,578,491,296</u>

*See Notes to Financial Statements.*

**8990 HOLDINGS, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME OF THE PARENT COMPANY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020**  
*(Amounts in Philippine Peso)*

	<u>Notes</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>				
Dividend income	10, 22	1,953,077,419	2,545,481,070	1,056,738,261
Share in net income of associate	11	67,950,366	13,214,510	-
Interest income	7, 9	87,860,381	279,948,574	487,356,021
Reversal of allowance	8, 13	-	1,937,581	-
Other income		-	21,500	601
		<u>2,108,888,166</u>	<u>2,840,603,235</u>	<u>1,544,094,883</u>
Total Revenues				
<b>EXPENSES</b>				
Professional fees		25,685,745	6,982,058	8,910,977
Subscription, dues and fees		3,729,430	2,471,371	5,803,575
Taxes and licenses	26	2,123,126	4,993,296	5,796,562
Impairment loss	8, 13	29,801	-	4,068,046
Loss on Early Redemption - Bonds	17	6,592,275	-	-
Salaries and wages	18, 22	3,112,438	3,146,089	2,335,573
Representation		700,818	1,980,749	1,442,269
Rent	15	156,000	884,819	1,364,153
Communication, light and water		253,001	281,582	345,259
Depreciation and amortization	12, 15	1,250,780	512,902	22,901
Miscellaneous	23	19,857,553	18,560,867	7,395,912
		<u>(63,490,967)</u>	<u>(39,813,733)</u>	<u>(37,485,227)</u>
Total Expenses				
<b>OPERATING INCOME</b>		<b>2,045,397,199</b>	<b>2,800,789,502</b>	<b>1,506,609,656</b>
<b>FINANCE COSTS</b>	15, 16, 17	<b>(37,685,410)</b>	<b>(81,235,098)</b>	<b>(485,218,676)</b>
<b>INCOME BEFORE TAX</b>		<b>2,007,711,789</b>	<b>2,719,554,404</b>	<b>1,021,390,980</b>
<b>TAX EXPENSE</b>	20	<b>(17,402,441)</b>	<b>(3,601,623)</b>	<b>(1,249,480)</b>
<b>NET INCOME</b>		<b>1,990,309,348</b>	<b>2,715,952,781</b>	<b>1,020,141,500</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Gain (loss) on remeasurement of defined benefit post-employment obligation	18	(4,603)	290,202	(183,657)
Tax benefit (expense)	20	1,151	(90,178)	55,097
		<u>(3,452)</u>	<u>200,024</u>	<u>(128,560)</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,990,305,896</b>	<b>2,716,152,805</b>	<b>1,020,012,940</b>

*See Notes to Financial Statements.*

**8990 HOLDINGS, INC.**  
**STATEMENTS OF CHANGES IN EQUITY OF THE PARENT COMPANY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020**  
*(Amounts in Philippine Peso)*

	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares	Revaluation Reserve (Note 18)	Retained Earnings	Total Equity
Balance at January 1, 2022		5,604,990,720	36,987,009,351	(1,806,540,154)	(46,757)	4,369,876,625	45,155,289,785
Redemption of preferred shares	19	(50,000,000)	(4,950,000,000)				(5,000,000,000)
Cash dividends	19	-	-	-	-	(504,815,000)	(504,815,000)
Comprehensive income for the year							
Net income		-	-	-	-	1,990,309,348	1,990,309,348
Other comprehensive income		-	-	-	(3,452)	-	(3,452)
Balance at December 31, 2022		<u>5,554,990,720</u>	<u>32,037,009,351</u>	<u>(1,806,540,154)</u>	<u>(50,209)</u>	<u>5,855,370,973</u>	<u>41,640,780,681</u>
Balance at January 1, 2021		5,567,990,720	33,383,901,887	(1,806,540,154)	(246,781)	3,262,336,988	40,407,442,660
Proceeds from issuance of preferred shares	19	37,000,000	3,603,107,464				3,640,107,464
Cash dividends	19	-	-	-	-	(1,608,413,144)	(1,608,413,144)
Comprehensive income for the year							
Net income		-	-	-	-	2,715,952,781	2,715,952,781
Other comprehensive income		-	-	-	200,024	-	200,024
Balance at December 31, 2021		<u>5,604,990,720</u>	<u>36,987,009,351</u>	<u>(1,806,540,154)</u>	<u>(46,757)</u>	<u>4,369,876,625</u>	<u>45,155,289,785</u>
Balance at January 1, 2020		5,567,990,720	33,383,901,887	(1,266,523,478)	(118,221)	2,543,510,461	40,228,761,369
Acquisition of treasury shares during the year	19	-	-	(540,016,676)	-	-	(540,016,676)
Cash dividends	19	-	-	-	-	(301,314,973)	(301,314,973)
Comprehensive income for the year							
Net income		-	-	-	-	1,020,141,500	1,020,141,500
Other comprehensive income		-	-	-	(128,560)	-	(128,560)
Balance at December 31, 2020		<u>5,567,990,720</u>	<u>33,383,901,887</u>	<u>(1,806,540,154)</u>	<u>(246,781)</u>	<u>3,262,336,988</u>	<u>40,407,442,660</u>

*See Notes to Financial Statements.*

**8990 HOLDINGS, INC.**  
**STATEMENTS OF CASH FLOWS OF THE PARENT COMPANY**  
**FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 and 2020**  
*(Amounts in Philippine Peso)*

	Notes	2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before tax		2,007,711,789	2,719,554,404	1,021,390,980
Adjustments for:				
Dividend income	10, 22	(1,953,077,419)	(2,545,481,070)	(1,056,738,261)
Equity in net earnings of associate	11	(67,950,366)	(13,214,510)	-
Interest expense	15, 16, 17	37,016,711	80,161,208	464,276,980
Interest income	7, 9	(87,860,381)	(279,948,574)	(487,356,021)
Pension cost	18	65,778	103,265	64,344
Impairments loss (reversal of expected credit losses)	8, 13	29,801	(1,937,581)	4,068,046
Loss on early redemption of bonds	17	6,592,275		
Amortization of bond issue costs	17, 24	658,476	1,156,954	20,930,304
Depreciation and amortization	12, 15	1,250,780	512,902	22,901
Operating loss before working capital changes		(55,562,556)	(39,093,002)	(33,340,727)
(Increase) Decrease in receivables		1,023,674,508	(8,958,738)	7,242,391,925
Increase in other current assets		(710,190)	(1,520,039)	(4,626,430)
Increase in other non-current assets		(31,920)	(393,891)	(115,071)
Increase (Decrease) in trade and other payables		(67,569,907)	96,776,487	(100,006,394)
Cash provided by (used in) operations		899,799,935	46,810,817	7,104,293,710
Interest paid		(36,859,947)	(68,147,156)	(444,246,743)
Interest received	7	22,538	61,733	35,855
Income taxes paid		(5,690,070)	(1,839,302)	-
Final taxes paid		(4,398)	(12,347)	(7,170)
Net Cash Generated from (Used in) Operating Activities		857,268,058	(23,126,255)	6,660,075,652
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Dividends received	10, 22	1,953,077,419	2,545,481,070	1,056,738,261
Collections from (advances granted to) related parties	22	(432,021,780)	(1,102,160,712)	160,368,009
Interest received from loans to a third party	9	59,874,503	59,000,495	54,703,416
Subscription to shares of stock of a subsidiary	10	(88,275,504)	-	-
Subscription to shares of stock of an associate	11	(60,000,000)	(80,000,000)	-
Net Cash Provided by Investing Activities		1,432,654,638	1,422,320,853	1,271,809,686
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceed from notes	16	-	-	1,300,000,000
Payment of notes	16	(500,000,000)	(800,000,000)	-
Acquisitions of treasury shares	19	-	-	(540,016,676)
Payment of bonds	24	(599,882,750)	-	(8,405,590,000)
Proceeds from issuance (redemption) of preferred shares	19	(5,000,000,000)	3,640,107,464	-
Payments of dividends	19	(504,815,000)	(1,608,413,144)	(301,314,973)
Advances obtained from related parties	22, 24	5,338,714,977	-	23,216,435
Repayment of advances obtained from related parties	22, 24	(1,044,069,003)	(2,596,103,115)	(3,791,273)
Repayment of Lease Liability	15	(1,280,639)	(520,585)	-
Net Cash Used in Financing Activities		(2,311,332,415)	(1,364,929,380)	(7,927,496,487)
<b>NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS</b>				
		(21,409,719)	34,265,218	4,388,851
<b>CASH ON HAND AND IN BANKS AT BEGINNING OF YEAR</b>				
		40,557,428	6,292,210	1,903,359
<b>CASH ON HAND AND IN BANKS AT END OF YEAR</b>				
	7	19,147,709	40,557,428	6,292,210

*See Notes to Financial Statements.*

**8990 HOLDINGS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
**(with comparative figures for the year ended December 31, 2020)**  
***(Amounts in Philippine Peso)***

**1. CORPORATE INFORMATION**

***1.1 Incorporation and Operations***

8990 Holdings, Inc. (the Company or the Parent Company) was incorporated in the Philippines, registered with the Securities and Exchange Commission (SEC) on July 8, 2005 and was listed in the Philippine Stock Exchange (PSE) on October 20, 2010.

The Company is a holding company. It is presently engaged in various activities related to personal and real property of every kind and description, including business activities of an investment holding company, without engaging in dealership in securities, in brokerage business, or in the business of an investment property.

As of December 31, 2022 and 2021, the Company has investments in the following wholly-owned subsidiaries (see Note 10):

- a) 8990 Housing Development Corporation (8990 HDC)
- b) Fog Horn, Inc. (FHI)
- c) 8990 Luzon Housing Development Corporation (8990 LHDC)
- d) 8990 Davao Housing Development Corporation (8990 DHDC)
- e) 8990 Leisure and Resorts Corporation (8990 LRC)
- f) 8990 Mindanao Housing Development Corporation (8990 MHDC)

The above subsidiaries are all incorporated and operating in the Philippines, and except for 8990 LRC and FHI, are all engaged in real estate development. 8990 LRC is engaged in hotel and resorts business while FHI is engaged in both real estate development and hotels and resorts.

The Company has recently acquired a subsidiary with 68% of ownership of Piccadilly Premier Land Inc. The Company was incorporated and operating in the Philippines. The Company is also engaged in real estate development.

The Company has 20% of shares of Scheirman Construction Consolidated Incorporated (SCCI) making it as associate of the said company.

The above associate was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 16, 2016. The Associate is primarily engaged in general building construction as contractor and builder of residential homes, commercial and industrial buildings, barracks, piers and other edifications needed and necessary in the ordinary course of business.

The registered office address of the Company, which is also its principal place of business, is at 11<sup>th</sup> Floor Liberty Center, 104 H.V. Dela Costa, Salcedo Village, Makati City.

## ***1.2 Approval of Financial Statements***

The financial statements of the Company as of and for the year ended December 31, 2022 (including the comparative financial statements as of and for the year ended December 31, 2021 and 2020) were authorized for issue by the Company's Board of Directors (BOD) on April 19, 2023.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance***

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs), which includes all applicable PFRSs, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Philippine Financial and Sustainability Reporting Standards Council or FSRSC (formerly Financial Reporting Standards Council or FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

#### ***(b) Basis of Measurement***

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis except for:

- i. financial instruments measured at amortized cost;
- ii. financial instruments which are valued at fairvalue;
- iii. inventories at lower of cost and net realizable value (NRV);
- iv. defined benefit asset or obligation recognized as the net total of the fair value of plan assets less the present value of the defined benefit obligation; and
- v. provisions measured at its best estimate of the expenditure required to settle the present obligation, with discounting if the effect of time value of money is material.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

(c) *Presentation of Financial Statements*

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

In accordance with PAS 1 (effective 2013), the Company is required to present a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed. The Company has no retrospective adjustments during the year, thus, no third Statement of Financial Position was presented.

(d) *Functional and Presentation Currency*

Functional and presentation currency:

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

Transactions and balances:

The accounting records of the Company are maintained in Philippine peso. Foreign currency transactions during the year are translated into functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

(e) *Current vs. non-current classification*

The Corporation presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Net deferred tax assets and liabilities are classified as noncurrent asset and liability, respectively.

## ***2.2 Adoption of New and Amended PFRS***

### **Standards issued and effective for the current year**

The accounting policies adopted are consistent with those of the previous financial year except for the changes in accounting policies as explained below. The Company has adopted the following new standard, amendments to standard and interpretation starting January 1, 2022 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these new and amended standards and interpretation did not have any significant impact on the Company's financial statements:

- Amendments to PFRS 16, COVID-19-related Rent Concessions beyond June 30, 2021

On May 28, 2020, the Board issued COVID-19-Related Rent Concessions - Amendment to PFRS 16, Leases. The amendments provide relief to lessees from applying PFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

The amendment was intended to apply until June 30, 2021, but as the impact of the COVID-19 pandemic is continuing, on March 31, 2021, the Board extended the period of the application of the practical expedient to June 30, 2022.

The amendment applies to annual reporting periods beginning on or after April 1, 2021. The amendment did not have any impact on the financial statements of the Company, as the Company has not received COVID-19-related rent concessions.

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Leases*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The Company has not identified contingent assets; hence these amendments have no material impact in the Company’s financial statements.

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments have no significant impact in the Parent Company’s financial statements.

- 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 Company analyzed all contracts existing at January 1, 2022 and determined that none of them would be identified as onerous applying the provisions of the current standards.

- *Annual Improvements to PFRSs 2018-2020 Cycle*
  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- 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.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

These amendments have no material impact in the Parent Company's financial statements.

### **Standards issued but not yet effective**

The Company will adopt the following new pronouncements when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new pronouncements to have a significant impact on the financial statements.

*Effective beginning on or after January 1, 2023*

- 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 Company is still evaluating the impact of these new amendments.

- 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 Company is still evaluating the impact of these new amendments.

- 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. The amendments are not expected to have a material impact on the Company.

*Effective beginning on or after January 1, 2024*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

The amendments will have no significant impact on the Company's financial statements.

*Effective beginning on or after January 1, 2025*

- PFRS 17, *Insurance Contracts*

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

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

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Company since it has no activities that are predominantly connected with insurance or issue insurance contracts.

#### 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, *Business Combinations*. 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 postponed the original effective date of January 1, 2016 of the said amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Company is currently assessing the impact of the above amendments and to be adopted when effective and applicable.

### ***2.3 Separate Financial Statements and Investments in Subsidiaries***

These financial statements are prepared as the Company's separate financial statements prepared in accordance with PAS 27, Separate Financial Statements. The Company also prepares and issues consolidated financial statements for the same period in accordance with PFRS.

Subsidiaries are entities over which the Company 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 Company controls an investee if and only if the Company has:

- i. Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ii. Exposure, or rights, to variable returns from its involvement with the investee; and
- iii. The ability to use its power over the investee to affect its returns.

When the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- i. The contractual arrangement with the other vote holders of the investee;
- ii. Rights arising from other contractual arrangements; and
- iii. The Parent Company's voting rights and potential voting rights.

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

The Company's investments in subsidiaries are accounted for in these separate financial statements at cost, less any impairment (see Notes 2.6 and 2.16).

### ***2.4 Financial Assets***

Financial assets are recognized when the Company becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, Financial Instruments: Presentation. All other non-derivative financial instruments are treated as debt instruments. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the financial assets, except for investments classified at FVTPL, if any. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

(a) *Classification, Measurement and Reclassification of Financial Assets*

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. All of the Company's financial assets are currently classified as financial assets at amortized cost.

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are SPPI on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for expected credit loss (ECL).

The Company's financial assets at amortized cost include those presented in the statement of financial position as Cash on Hand and in Banks, Receivables (with respect to interest receivables), Loans Receivables, Due from Related Parties and Other Current Assets (with respect to lease deposits) in the statement of financial position. Cash include cash on hand and demand deposits which are subject to insignificant risk of changes in value. These financial assets are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, if any, which are classified as non-current assets.

Interest income on financial assets at amortized cost is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, the calculation of interest income reverts to gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis even if the credit risk of the asset subsequently improves. The interest earned is recognized in the statement of comprehensive income under the Revenue section.

Dividend income is recognized when the Company's right to receive dividends is established, it is probable that economic benefits associated with the dividends will flow to the Company, and the amount of dividend can be measured reliably.

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

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses and recognizes an allowance for ECL on its financial assets measured at amortized cost. The measurement of the ECL involves consideration of broader range of information including past events (e.g., historical credit loss experience) and current conditions, adjusted for forward-looking factors specific to the counterparty or debtor and the economic environment that affect the collectability of the future cash flows of the financial assets. Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The amount of allowance for ECL is updated at the end of each reporting period to reflect the changes in credit risk of the financial asset since initial recognition. In assessing the credit quality of a financial asset, the Company assesses whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In determining whether the financial asset is in default, which is aligned with the definition of credit-impaired, the Company considers both quantitative and qualitative criteria.

The Company's credit exposures are concentrated on loans receivables, including those from related parties. For these financial assets, the ECLs are recognized in two stages. If the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within the next 12-months (12-month ECL). When there has been a significant increase in credit risk on a financial asset since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (lifetime ECL). For deposits in banks, the Company applies the low credit risk simplification and measures the ECL on the financial assets based on a 12-month basis unless there has been a significant increase in credit risk since origination, in that case, the loss allowance will be based on the lifetime ECL.

ECL measurement is a function of the following elements:

- *Probability of default* – it is an estimate of likelihood of a counterparty defaulting of its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.
- *Loss given default* – it is an estimate of loss related to the amount that may not be recovered after the default occurs. It is based on the difference between the contractual cash flows due in accordance with the terms of the instrument and all the cash flows that the Company expects to receive discounted at an approximation of the original effective interest rate. The expected cash flows, considers recoveries from any credit enhancements that are integral to the financial instrument.
- *Exposure at default* – it represents the gross carrying amount of the financial assets in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(c) *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers or retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

When the Company derecognizes a financial asset through renegotiation or modification of the contractual payment terms of the loans due to significant credit distress of the borrower, the Company assesses whether or not the new terms are substantially different to the original terms of the instrument. If the terms are substantially different, the Company derecognizes the financial asset and recognizes a new asset at fair value, and recalculates a new effective interest rate for the asset. Differences in the carrying amount between the old financial asset derecognized and the fair value of the new financial asset are recognized as gain or loss in profit or loss upon derecognition. If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss.

## **2.5 Property and Equipment**

Property and equipment are carried at cost, less accumulated depreciation and amortization, and any impairment loss. The initial cost of an asset consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against operations in the year in which the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization is removed from the accounts, and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Furniture, fixtures and office equipment	3-5 years
Transportation equipment	5 years

Leasehold improvements are amortized over the estimated useful life of the improvements of 5 years or the lease term, 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 (see Note 2.16).

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

Fully depreciated or amortized assets are retained in the accounts until these are no longer in use and no further charge for depreciation and amortization is made in respect of these assets.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in profit or loss in the year the asset is derecognized.

## ***2.6 Investment in Subsidiaries***

A subsidiary is an entity which the Company has control. An investor, regardless of the nature of its involvement with an entity (the investee), shall determine whether it is a parent by assessing whether it controls the investee. An investor controls the investee when it is exposed, or has rights, to variable returns from its involvement with investee and has the ability to affect those returns through its power over the investee. Thus, an investor controls an investee if, and only if, the investor has all the following:

- Power over the investee
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect the amount of the investor's returns

Investments in subsidiaries are accounted for and presented at cost less any impairment in value. Under the cost method, the Company recognizes dividend income from the investment only to the extent that the Company receives distributions, or right to receive the dividend has been established, from accumulated profits of the subsidiary arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction from the cost of investment.

The carrying amount of investments in subsidiaries is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. The indicators of impairment include: (a) dividends declared by the subsidiary exceeds its total comprehensive income, (b) market value of the shares of stock of the subsidiary exceeds the carrying amount of the investment, and (c) the carrying amount of the investment exceeds the Company's share in the net assets of the investee company. If any such indication exists and where the carrying amount exceed the estimated recoverable amounts, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount is the greater 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 pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An investment in a subsidiary is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets (calculated as the difference between the net disposal proceeds and the net carrying amount of the investment) is included in the statement of comprehensive income in the year the investment is derecognized.

## ***2.7 Investment in Associate***

An associate is an entity over which the Company has significant influence but not control and which is neither a subsidiary nor a joint venture.

Investment in an associate is accounted for by the equity method of accounting. Under this method, the investment is initially recognized at cost and adjusted thereafter by post-acquisition changes in the Company's share in the net assets of the associate and any impairment losses. The Company's share of its associate's post-acquisition profits or losses is recognized in profit or loss. Share in post-acquisition change in the associate's net assets not recognized in profit or loss is directly recognized in the Company's equity. Dividends received from the associates are deducted from the carrying amount of the investment.

The Company discontinues applying the equity method when their investments in associates are reduced to zero. Accordingly, additional losses are not recognized unless the Company has guaranteed certain obligations to the associate. When the associate subsequently reports net income, the Company will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting date of the associate and the Company are identical and the associates' accounting policies conform to those used by the Company for like transactions and events in similar circumstances.

## ***2.8 Prepayments and Other Assets***

Prepaid expenses are paid in advance and recorded as asset before these are utilized. These are initially recorded as assets and measured at the amount of cash paid. These are apportioned over the period covered by the payment and charged to the appropriate accounts in the statements of comprehensive income when incurred. Prepayments that are expected to be realized within 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as non-current assets.

Other 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 Company 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 non-current assets.

## ***2.9 Financial Liabilities***

Financial liabilities, which include trade and other payables (except tax-related liabilities), bonds payable and due to related parties are recognized when the Company becomes a party to the contractual terms of the instrument. These are recognized initially at their fair values and subsequently measured at amortized cost using effective interest method for maturities beyond one year, less settlement payments. All interest-related charges incurred on a financial liability are recognized as an expense in profit or loss as part of Finance Costs in the statement of comprehensive income, except for those capitalized borrowing costs (see Note 2.18).

Bonds payable are raised for support of long-term funding of operations of the Company and its subsidiaries.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

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 non-current liabilities.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of the new liability, and the difference in the respective carrying amounts is recognized as gain or loss in profit or loss.

## ***2.10 Offsetting Financial Instruments***

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

## ***2.11 Determination and Measurement of Fair Value***

The Company measures financial instruments at fair value at each reporting date. 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 the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market 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 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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by 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 date.

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

## ***2.12 Provisions and Contingencies***

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

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

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying benefits is remote.

Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

### ***2.13 Revenue and Expense Recognition***

The Company's revenues arise mainly from the dividends from subsidiaries, equity in net earnings of associate and interest income from loans receivables and cash in bank (see Notes 2.4, 2.6 and 2.7).

Revenue is recognized in a manner that depicts the pattern of goods and services to customers at an amount to which the Company expects to be entitled in exchange for those goods and services. The focus of revenue recognition is on the transfer of control of goods or services, which could be at a point in time or over time, following this five-step process:

- (1) identify the contract with a customer;
- (2) identify the performance obligations (distinct goods or services promised) in the contract;
- (3) determine the transaction price (including fixed amounts or variable amounts, or both; financing components; non-cash consideration; consideration payable to customer, if any);
- (4) allocate the transaction price to the performance obligations; and,
- (5) recognize revenue when (or as) performance obligations are satisfied (at a point in time or over time).

The Company determines whether a contract with customer exists by evaluating the presence of all these five gating criteria, as follows:

- (i) the parties to the contract have approved the contract and committed to perform their respective obligations;
- (ii) each party's rights in relation to the goods or services to be transferred or performed can be identified;
- (iii) the payment terms can be identified;
- (iv) the contract has commercial substance (i.e., the Company expects the risk, timing or amount of the Company's future cash flows to change as a result of the contract); and,
- (v) collection of the consideration in exchange of the goods and services is probable (i.e, more likely than not to occur).

A contract, for purposes of revenue recognition, does not exist if each party has a unilateral enforceable right to terminate a wholly unperformed contract without compensating the other party.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

- (i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;
- (ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
- (iii) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis. Currently, the Company does not have any qualifying asset that would require capitalization of borrowing costs.

#### ***2.14 Leases- Company as Lessee***

The Company assesses at contract inception whether a contract is, or contains, a lease. Under PFRS 16, a lease exists where the contract grants the right to control the use of an identified asset for a period of time in exchange for consideration. Control over the use of an identified asset for a period of time is conveyed when, the customer has both of the following throughout the period of use:

- i. The right to obtain substantially all of the economic benefits from use of the identified asset; and
- ii. The right to direct the use of the identified asset.

In identifying the leases, lease and some non-lease components shall be accounted separately under applicable standards.

### Company as a lessee

The Company recognizes a right-of-use assets and a lease liability at the lease commencement date. The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site in which it is located, less any lease incentives received.

The right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use assets reflect that the Company will exercise a purchase option. In that case, the right-of-use assets will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liabilities.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liabilities are remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use assets or is recorded in profit or loss if the carrying amount of the right-of-use assets has been reduced to zero.

In 2020, the Company did not recognize lease liability and right-of-use assets since its existing leases pertaining to its office are short-term leases and accordingly, will not be accounted under PFRS 16. The rental payments are recognized as expense in the statement of comprehensive income based on actual rent paid or payable during the year.

In 2022 and 2021, the management of the Company has assessed and recognized corresponding right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments with corresponding depreciation of right-of-use assets and interest on lease liabilities in the statement of comprehensive income considering that the lease contract is more than a year.

### ***2.15 Foreign Currency Transactions and Translation***

The accounting records of the Company are maintained in Philippine peso. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

### ***2.16 Impairment of Non-financial Assets***

The Company's investments in subsidiaries, property and equipment, and other non-financial assets are subject to impairment testing. Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

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

Impairment loss is recognized in profit or loss for the amount by which the assets or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use.

In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the assets or cash generating unit's recoverable amount exceeds its carrying amount.

## **2.17 Employee Benefits**

The Company provides post-employment benefits to employees through a defined benefit plan, defined benefit contribution plans, and other employee benefits which are recognized as follows:

### *(a) Post-employment Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's post-employment defined benefit pension plans covers all regular full-time employees. The pension plans are tax-qualified, noncontributory and administered by trustees.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rate of zero coupon government bonds, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. The interest rates are based from the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL). BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in profit or loss in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance Costs in the statement of comprehensive income. Past service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

### *(b) Post-employment Defined Contribution Plans*

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity (e.g. Social Security System). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) *Short-term Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables in the statement of financial position.

(d) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Trade and Other Payables in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

**2.18 *Borrowing costs***

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

**2.19 *Income Taxes***

Tax expense recognized in profit or loss comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

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

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

## ***2.20 Related Party Relationships and Transactions***

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

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

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

Based on the requirement of SEC Memorandum Circular 2019-10, Rules of Material Related Transaction for Publicly- Listed Companies, transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with related parties are considered material.

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

## **2.21 Equity**

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

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

Revaluation reserves pertain to remeasurement of defined benefit obligation which pertain to accumulated actuarial gains or losses on remeasurements of pension plan.

Retained earnings represent all current and prior period results of operations as reported in the statement of comprehensive income, reduced by the amounts of dividends declared.

## **2.22 Earnings Per Share (EPS)**

Basic and diluted EPS is computed by dividing net profit of the Company by the weighted average number of common shares issued and outstanding during the reporting period, adjusted for any subsequent stock dividends declared. Diluted EPS amounts are calculated by dividing the net profit attributable to the Company (after deducting interest on the convertible preferred shares, if any) by the weighted average number of common shares outstanding during the reporting period plus the weighted average number of common shares that be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

## **2.23 Value – Added Tax (VAT)**

Revenues, expenses, and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case 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 VAT recoverable from, or payable to, the taxation authority is included as part of "Other assets" in the statement of financial position.

## **2.24 Events after the End of the Reporting Period**

Events after the end of the reporting period are those events, favorable or unfavorable that occur between the end of reporting period and the date when the financial statements are for issue.

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

### 3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

#### ***3.1 Critical Management Judgments in Applying Accounting Policies***

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

##### *(a) Determination of Control*

The Company determines control when it is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. The Company controls an entity if and only if the Company has all of the following:

- i. Power over the entity;
- ii. Exposure, or rights, to variable returns from its involvement with the entity; and,
- iii. The ability to use its power over the entity to affect the amount of the Parent Company's returns.

The Company regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Company determined that it exercises control on all of its subsidiaries as it has all the elements of control listed above.

##### *(b) Business Model Assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

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

When measuring allowance for ECL for financial assets at amortized cost, management applies judgment in defining the criteria in assessing whether a financial asset has experienced significant increase in credit risk since initial recognition, which involve an assessment of the counterparties' default occurring over the life of the financial asset subjected to ECL assessment. This assessment takes into consideration both the quantitative and qualitative information about the credit quality of specific counterparty, which may be affected by forward-looking factors and economic environment. This information is incorporated by the Company in its ECL assessment which may result in different measurements of ECL as those information changes.

The information on the Company's ECL measurement and the credit quality of its financial assets measured at amortized cost are presented in more detail in Note 4.1.

(d) *Determination of Lease Term of Contracts with Renewal and Termination Option*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For lease of office premises, the factors that are normally the most relevant are (a) if there are significant penalties should the Company pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant remaining value, the Company is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Company did not include the renewal period as part of the lease term for leases of land because the terms are renewable upon the mutual agreement of the parties.

The lease term is reassessed if an option is actually exercised or the Company becomes obliged to exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company

(e) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant contingencies is presented in Note 21.

### **3.2 Key Sources of Estimation Uncertainty**

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

#### *(a) Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Together with the judgment applied by management in assessing whether a financial asset has experienced significant increase in credit risk since initial recognition, management makes an estimation of the contractual cash flows due from counterparty and those that the Company would expect to receive, taking into account any cash flows from the realization of any credit enhancements or other recovery strategies that the Company may execute depending on the possible arrangement with counterparties. Depending on the contractual terms of the financial assets and the expected timing of the recoveries, the determination of ECL calculates the time value of money that may require the use of a discounting factor.

The information on the Company's ECL measurement and the credit quality of its financial assets measured at amortized cost are presented in more detail in Note 4.1.

Allowance for impairment for receivables amounted to P283,820 and P1,512,419 in 2022 and 2021, respectively. The recovery of expected credit losses in 2022 and 2021 amounted to P1,228,599 and P1,937,581. The carrying amounts of receivables amounted to P4,138,047 and P 41,069,141 as of December 31, 2022 and 2021 (see Note 8).

#### *(b) Impairment of Non-Financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.16). Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

In 2022, management has assessed that there were indications of impairment on its non-financial assets as of the end of each reporting period. Accordingly, the Company recognized impairment losses on its non-financial assets. Allowance for impairment losses on other assets amounted to P4,143,917 and P2,885,517 as of December 31, 2022 and 2021, respectively. The impairment losses in 2022 and 2021 amounted to P1,258,400 and nil in 2022 and 2021, respectively. The carrying amount of other assets amounted to P20,553,870 and P19,843,680 as of December 31, 2022 and 2021, respectively. (see Note 13).

The carrying values of the investments in subsidiaries, investment in associates and property and equipment, other non-financial assets and right of use of assets are disclosed in Notes 10, 11, 12, 13 and 15, respectively.

(c) *Recognition of Deferred Tax Assets*

The Company reviews its deferred taxes at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. As at December 31, 2022 and 2021, management is of the opinion that the Company will not be able to fully utilize its deferred tax assets as it does not expect significant future taxable income to which the deferred tax assets can be applied. Accordingly, the Company did not recognize deferred tax assets except on the remeasurement loss on retirement obligation in both periods presented, (see Notes 18 and 20).

The carrying value of net deferred tax assets as at December 31, 2022 and 2021 amounted to P 107,426 and P 89,830 (see Note 20)

(d) *Retirement and other benefits*

The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 18 and include among others, discount rate, expected return on plan assets and rate of compensation increase. In accordance with PFRS, actual results that differ from the Company's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The estimated retirement benefit obligation as at December 31, 2022 and 2021 amounted to P 429,702 and P 359,321, respectively (Note 18).

#### **4 RISK MANAGEMENT OBJECTIVE AND POLICIES**

The Company's principal financial instruments comprise of cash on hand and in banks, loans receivables, interest receivables (presented as part of Receivables), due to/from related parties, lease deposits (presented as Non-current), trade and other payables, due to related parties and bonds payable.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk. The BOD reviews and approves policies for managing each of these risks.

##### ***4.1 Credit Risk***

Credit risk refers to the potential loss arising from any failure by counterparties to fulfill their obligations, as and when the obligations fall due. The Company manages credit risk by assessing the creditworthiness of its counterparties. The Company continuously monitors the receivable balances with the result that an allowance is made for doubtful accounts.

(a) *Maximum Exposures to Credit Risk*

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position summarized as follows:

	Notes	2022	2021
Cash in banks	7	<b>P 19,147,709</b>	P 40,557,428
Receivables	8	<b>4,138,047</b>	41,069,141
Loans receivables	9	<b>1,305,876,531</b>	2,264,686,407
Due from related parties	22	<b>354,839,923</b>	1,102,160,712
*Lease deposits	13	<b>393,891</b>	393,891
		<b>P 1,684,396,101</b>	<b>P 3,448,867,579</b>

\*Deposits is presented under other non-current assets in the statements of financial position.

(b) *Credit Risk Management and Assessment*

(i) *Cash in banks*

As part of Company's policy, bank deposits are only maintained with reputable financial institutions with low credit risk based on externally available risk ratings or from the Company's internal credit grading that takes into consideration its banking relationship and activities with its depository banks. In addition, cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P0.5 million for every depositor per banking institution.

(ii) *Loans and interest receivables*

Loans and interest receivables arising from cash advances extended by the Company to its subsidiaries are maturing within one to seven years.

Credit risk of loans receivables is managed primarily through continuing credit review analyses, which consider the age of accounts, historical collection and loss experience with a particular counterparty, and their liquidity condition.

For interest-bearing loans, the Company considers the loan in default and credit-impaired when contractual payment of interest are 90 days past due.

In the case of non-interest bearing loans to subsidiaries, the Company manages credit risk between entities within the 8990 Group consistent with how it monitors the liquidity of these entities which are managed together to ensure that their operating requirements, including maturing obligations to third parties are settled in a timely manner. Aligned with this policy, the Company may grant additional advances to its subsidiaries or extend the credit term as necessary. This policy provides the 8990 Group more leverage and strategic approach in managing cash.

As the principal amount of the Company's loans are maturing beyond one year with no historical default observed in the past years, the Company also assesses credit exposures of its loans and receivables by identifying other qualitative factors and circumstances, including adverse economic factors and entity-specific economic and operational challenges that may indicate that the counterparties may unlikely settle their obligations to the Company. This assessment may also consider the sufficiency of the counterparties' liquid assets in order to repay, including other expected manner of recovery.

(iii) *Due from related parties*

ECL for receivables from related parties are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. The Company does not consider any significant risks from the receivables provided to related parties since the Company's credit risks for liquid funds are considered negligible. Moreover, these related parties are operating subsidiaries that continuously generate positive results and cash flows. Hence, recognition of impairment loss is remote.

(iv) *Lease deposits*

Lease deposits pertains to the deposits from rental and electrical facilities. The Company considers its credit risk for lease and other deposits to be negligible considering its continuing business relationships with the counterparties and the absence of any historical experience indicating that the counterparties will unlikely settle their obligations as the deposits are refunded by the Company.

(c) *Credit Quality and Expected Credit Loss*

The Company's basis in grading its financial assets follows:

- High grade – Entities that are highly liquid, sustain operating trends, unlikely to be affected by external factors and have competent management that uses current business models.
- Standard grade – Entities that meet performance expectation, unlikely to be affected by external factors and have competent management that uses current business models.
- Substandard grade – Entities with marginal liquidity and have a declining trend in operations or an imbalanced position in the balance sheet, though not to the point that repayment is jeopardized.

The following tables show the credit quality per class of financial assets as at December 31:

	Neither past due nor impaired		Past due but not impaired		Impaired		Total	
	High grade		Standard grade					
<b>2022</b>								
Cash in banks	P	19,137,709	P	-	P	-	P	19,137,709
Receivables		-		4,138,047		-	283,820	4,421,867
Loans receivables		1,048,220,274		257,656,257		-	-	1,305,876,531
Due from related Parties		354,839,923		-		-	-	354,839,923
*Lease deposits		-		393,891		-	-	393,891
	<b>P</b>	<b>1,422,197,906</b>	<b>P</b>	<b>262,188,195</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>283,820</b>
							<b>P</b>	<b>1,684,669,921</b>
<b>2021</b>								
Cash in banks	P	40,547,428	P	-	P	-	P	40,547,428
Receivables		-		41,069,141		-	1,512,419	42,581,560
Loans receivables		1,695,744,093		568,942,314		-	-	2,264,686,407
Due from related Parties		1,102,160,712		-		-	-	1,102,160,712
*Lease deposits		-		393,891		-	-	393,891
	<b>P</b>	<b>2,838,452,233</b>	<b>P</b>	<b>610,405,346</b>	<b>P</b>	<b>-</b>	<b>P</b>	<b>1,512,419</b>
							<b>P</b>	<b>3,450,369,998</b>

\*Deposits is presented under other non-current assets in the statement of financial position amounted to P 393,891 for 2022 and 2021.

Based on the quality of the Company's financial assets as at December 31, 2022 and 2021, which are neither past due nor impaired nor have experienced significant increase in credit risk since initial recognition, and the estimates of cash flows expected to be recovered from counterparties when these financial assets default, management has assessed that ECL as of December 31, 2022 and 2021 is insignificant.

## 4.2 Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to manage its liquidity profile to be able to finance its working capital requirements. It may obtain cash advances from a related party to cover its financing requirements when such strategy will provide cost-efficient use of 8990 Group's resources.

The tables below and in the succeeding page show the maturity profile of the Company's financial instruments based on the contractual undiscounted cash flows.

		Within three months	Later than three months but not later than one year	Later than one year	Total
<b>2022</b>					
<b>Financial Liabilities</b>					
Trade and other payables*	P	78,589,402	P -	P -	P 78,589,402
Due to related parties		4,291,235,562	-	-	4,291,235,562
Lease liabilities		302,420	967,453	803,260	2,073,133
	<b>P</b>	<b>4,370,127,384</b>	<b>P 967,453</b>	<b>P 803,260</b>	<b>P 4,371,898,097</b>
<b>2021</b>					
<b>Financial Liabilities</b>					
Trade and other payables*	P	77,652,902	P -	P -	P 77,652,902
Due to related parties		1,175,932,157	-	-	1,175,932,157
Lease liabilities		267,174	856,701	2,073,133	3,197,008
Notes payable		-	500,000,000	-	500,000,000
Bonds payable		-	375,019,694	217,612,305	592,631,999
	<b>P</b>	<b>1,253,852,233</b>	<b>P 875,876,395</b>	<b>P 219,685,438</b>	<b>P 2,349,414,066</b>

\*Excludes withholding taxes and other government payables aggregating to P1,707,920 and P70,214,327 as of December 31, 2022 and 2021, respectively.

## 4.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which may affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market exposures within acceptable parameters while optimizing the return.

As of December 31, 2022 and 2021, the Company has no financial instruments that are exposed to significant interest rate risk. The Company's cash in banks, loans receivables, and bonds payable are subject to fixed interest rates.

The Company's United States (US) dollar-denominated financial instrument pertains only to cash in banks, translated into Philippine peso at the closing rates, amounting to P0.2 million as of December 31, 2022 and 2021. The exchange rates used are P56.12: US \$1 and P50.99: US \$1 as of December 31, 2022 and 2021, respectively.

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the Company's exposure to foreign exchange risk is not material.

## 5 CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### *5.1 Carrying Amounts and Fair Values of Financial Assets and Financial Liabilities*

For the Company's financial assets and financial liabilities as of December 31, 2022 and 2021, management determined that the carrying amounts of these financial instruments are equal to or approximate their fair values, except for bonds payable. A comparison between the carrying amounts and fair values of these financial instruments is presented in Note 6.

See Notes 2.4 and 2.9 for a description of the accounting policies for each category of financial instrument. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 4.

### *5.2 Offsetting of Financial Assets and Financial Liabilities*

The following financial liabilities with net amounts presented in the statements of financial position are subject to offsetting, enforceable master netting arrangements and similar agreements:

	<u>Gross amounts recognized in the statement of financial position</u>	<u>Related amounts not set-off in the statement of financial position</u>	<u>Net amount</u>
<b>December 31, 2022</b>			
Bonds payable	<u>P -</u>	<u>P -</u>	<u>P -</u>
<b>December 31, 2021</b>			
Bonds payable	<u>P 592,631,999</u>	<u>P (40,547,428)</u>	<u>P 552,084,571</u>

For financial liabilities (i.e., interest-bearing loans and borrowings and their corresponding deposits) subject to enforceable master netting agreements or similar arrangements, each agreement between the Company and counterparties allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

## 6 FAIR VALUE MEASUREMENT AND DISCLOSURES

### *6.1 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 under current market conditions (i.e., an exit price) 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 the most advantageous market must be accessible by the Company.

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

## **6.2 Fair Value Hierarchy**

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

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

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

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

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

### 6.3 Fair Value Comparison and Hierarchy of Financial Instruments

The following table summarizes the carrying amounts and fair values of the Company's financial assets and financial liability that are carried at amortized cost but the fair value of which are disclosed by level of the fair value hierarchy as of December 31, 2022 and 2021:

		Fair Value				
	Carrying Amount	Level 1	Level 2	Level 3	Total	
<b>2022</b>						
<b>Financial Assets</b>						
Cash in banks	P 19,147,709	P 19,147,709	P -	P -	<b>P 19,147,709</b>	
Receivables	4,138,047	-	-	4,138,047	<b>4,138,047</b>	
Loans receivables	1,305,876,531	-	-	1,305,876,531	<b>1,305,876,531</b>	
Due from related parties	354,839,923	-	-	354,839,923	<b>354,839,923</b>	
Lease deposits	393,891	-	-	393,891	<b>393,891</b>	
	<b>P 1,684,396,101</b>	<b>P 19,147,709</b>	<b>P -</b>	<b>P 1,665,248,392</b>	<b>P 1,684,396,101</b>	
<b>Financial Liabilities</b>						
Trade and other payables*	P 78,589,402	P -	P -	P 78,589,402	<b>P 78,589,402</b>	
Due to related parties	4,291,235,562	-	-	4,291,235,562	<b>4,291,235,562</b>	
Lease liabilities	2,073,133	-	-	2,073,133	<b>2,073,133</b>	
	<b>P 4,371,898,097</b>	<b>P -</b>	<b>P -</b>	<b>P 4,371,898,097</b>	<b>P 4,371,898,097</b>	
	Carrying Amount	Level 1	Level 2	Level 3	Total	
<b>2021</b>						
<b>Financial Assets</b>						
Cash in banks	P 40,557,428	P 40,557,428	P -	P -	<b>P 40,557,428</b>	
Receivables	41,069,141	-	-	41,069,141	<b>41,069,141</b>	
Loans receivables	2,264,686,407	-	-	2,264,686,407	<b>2,264,686,407</b>	
Due from related parties	1,102,160,712	-	-	1,102,160,712	<b>1,102,160,712</b>	
Lease deposits	393,891	-	-	393,891	<b>393,891</b>	
	<b>P 3,448,867,579</b>	<b>P 40,557,428</b>	<b>P -</b>	<b>P 3,408,310,151</b>	<b>P 3,448,867,579</b>	
<b>Financial Liabilities</b>						
Trade and other payables*	P 77,652,902	P -	P -	P 77,652,902	<b>P 77,652,902</b>	
Due to related parties	1,175,932,157	-	-	1,175,932,157	<b>1,175,932,157</b>	
Lease liabilities	3,197,008	-	-	3,197,008	<b>3,197,008</b>	
Notes Payable	500,000,000	-	-	500,000,000	<b>500,000,000</b>	
Bonds Payable	592,631,999	628,317,103	-	-	<b>628,317,103</b>	
	<b>P 2,349,414,066</b>	<b>P 628,317,103</b>	<b>P -</b>	<b>P 1,756,782,067</b>	<b>P 2,385,099,170</b>	

\*Excludes withholding taxes and other government payables aggregating to P1,707,920 and P70,214,327 as of December 31, 2022 and 2021, respectively.

There were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements in 2022 and 2021.

The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Cash on Hand and in Banks, and Trade and Other Payables*

The carrying amounts of these financial instruments approximate their fair values as these have short-term maturity.

(b) *Loans Receivables, Interest Receivables and Lease Deposits*

The estimated fair value of loans receivables, interest receivables and lease deposits represent the discounted amount of estimated future cash flows expected to be received from the instruments. Expected cash flows are discounted at current market rates to determine fair value.

(c) *Bonds Payable*

The fair value of the Company's corporate bonds categorized within Level 1 is determined based on the closing prices quoted in an active bond exchange (i.e., Bloomberg Valuation).

(d) *Due from Related Parties, and Due to Related Parties*

The carrying amounts of due from/to related parties, which are to be received or paid on demand, approximate the fair values.

## 7 CASH ON HAND AND IN BANKS

The breakdown of this account as of December 31 is as follows:

	<u>2022</u>	<u>2021</u>
Cash in banks	<b>P 19,137,709</b>	P 40,547,428
Cash on hand	<b>10,000</b>	10,000
Total	<b><u>P 19,147,709</u></b>	<b><u>P 40,557,428</u></b>

Cash in banks generally earn interest at rates based on prevailing bank deposit annual rates ranging from 0.13% to 0.25% in 2022 and 2021. Interest is presented as part of Interest Income in the statements of comprehensive income which amounts to P 22,538 and 61,733 in 2022 and 2021 respectively.

There is no cash restriction on the Company's cash in banks as of December 31, 2022 and 2021.

## 8 RECEIVABLES

The breakdown of this account as of December 31 is as follows:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Interest receivables	9	<b>P 3,638,047</b>	P 4,512,055
Receivables from employees		<b>500,000</b>	777,678
Other receivables		<b>283,820</b>	37,291,827
		<b><u>4,421,867</u></b>	<u>42,581,560</u>
Allowance for impairment		<b><u>(283,820)</u></b>	<u>(1,512,419)</u>
Total		<b><u>P 4,138,047</u></b>	<b><u>P 41,069,141</u></b>

Interest receivables pertain to the uncollected interest pertaining to loans extended to third-party as further discussed in Note 9.

Receivables from employees refers to employee's salary advances which will be settled thru salary deductions. These loans are non-interest bearing and have no terms.

Other receivables pertain to the advances to the third party which will be settled thru cash. These advances are non-interest bearing and have no terms.

Movement of allowance for impairment is as follows:

	<u>2022</u>	<u>2021</u>
Beginning of year	<b>P 1,512,419</b>	P 3,450,000
Recovery for the year	<b>(1,228,599)</b>	(1,937,581)
Ending balance	<b><u>P 283,820</u></b>	<b><u>P 1,512,419</u></b>

Based on assessment made, the Company recognized a reversal of allowance for ECL amounting to P 1,228,599 and P 1,937,581 in 2022 and 2021, respectively.

## 9 LOANS RECEIVABLES, Net

Loans receivables are composed of the following:

	<u>Note</u>	<u>2022</u>	<u>2021</u>
Loans to subsidiaries:	9.1, 22		
Principal		<b>P 943,726,834</b>	P 1,926,862,003
Unamortized discount		<b>(34,803,743)</b>	(59,129,036)
		<b><u>908,923,091</u></b>	<u>1,867,732,967</u>
Syndicated loan	9.2	<b><u>396,953,440</u></b>	<u>396,953,440</u>
Total		<b><u>P 1,305,876,531</u></b>	<b><u>P 2,264,686,407</u></b>

The amounts are presented in the statements of financial position as follows.

	<u>2022</u>	<u>2021</u>
Current	<b>P 1,121,770,274</b>	P 1,695,744,093
Non-current	<b><u>184,106,257</u></b>	<u>568,942,314</u>
Total	<b><u>P 1,305,876,531</u></b>	<b><u>P 2,264,686,407</u></b>

All of the Company's loans receivables have been reviewed for indications of impairment. Based on the management's assessment there were no impaired loans receivables as of December 31, 2022 and 2021 (see Note 4.1).

### 9.1 Loans to Subsidiaries

On September 1, 2015, the Company extended cash loans totaling P9.0 billion to its subsidiaries in varying terms of five, seven and 10 years as follows:

<u>Subsidiaries</u>	<u>Original Maturity Date</u>	<u>Amount</u>	<u>Outstanding Amount</u>
8990 HDC			
Tranche 1	10/16/2020	<b>P</b> 6,714,748,082	<b>P</b> -
Tranche 2	7/16/2022	375,500,000	
Tranche 3	7/16/2025	218,910,000	218,910,000
8990 LHDC*	10/16/2020	697,784,788	322,027,924
8990 DHDC	10/16/2020	305,459,915	-
FHI*	10/16/2020	687,597,215	402,788,910
		<u><b>P 9,000,000,000</b></u>	<u><b>P 943,726,834</b></u>
Total			

The principal sum originally bears interest rates ranging from 12.42% to 13.73% per annum from September 1, 2015 to October 16, 2015. The principal amounts are payable at the maturity of the loans.

On October 17, 2015, the loan agreements were amended resulting in the loan becoming noninterest-bearing starting on that date. Accordingly, the said receivables were recognized at their present value using a discount rate of 6.21%, with the resulting discount amounting to P2,461.0 million representing the difference between the present value and face value recognized as an additional investment in the Company's subsidiaries (see Note 10).

\*During 2021, loans extended to 8990 LHDC and FHI were extended until December 31, 2022. Subsequently in 2022, loans of 8990 LHDC and FHI were further extended until December 31, 2023.

Interest related to the accretion of discount from these loans receivables to subsidiaries amounted to P24.3 million and P216.4 million in 2022 and 2021, respectively, and is presented as part of Interest Income in the statements of comprehensive income.

### 9.2 Syndicated Loan

On December 29, 2017, a loan facility agreement between Dearborn Resources and Holdings, Inc. (Dearborn) and certain lenders was executed to provide a loan facility in the aggregate principal amount of P1.4 billion for the purpose of partially financing Dearborn's acquisition of certain contracts to sell of entities under the 8990 Group. Under the loan facility agreement, the Company committed to lend Dearborn the principal amount of up to but not in excess of P300.0 million which bears 16% interest per annum, payable monthly. On November 13, 2019, the Company agreed to extend the loan facility with Dearborn up to P665.0 million with no changes in the interest rate per annum. As of December 31, 2019, the Company further extended by P 82,947,517 resulting to receivables of P 396,953,400 as of December 31, 2022, 2021 and 2020.

The loan granted under the facility agreement is unsecured and has a term of five years counting from the date of initial drawdown. However, the principal amount of the loan and any related accrued interest will be due and demandable in the event of default.

In 2022, Dearborn Resources and Holdings, Inc. and 8990 Holdings, Inc. entered into a loan extension agreement, extending the maturity date to December 27, 2023, with a loan amount of 396,953,440.

Dearborn has not defaulted on the interest payment since the loan was extended. Further, a financing plan with their bank, has been established to assure full payment within 2023.

Interest earned from this loan receivable amounted to P63.5 million, P63.5 and P63.6 million in 2022, 2021, and 2020, respectively, and are presented as part of Interest income in the statements of comprehensive income. Interest receivable from this loan is P3.6 million, P4.5 million and P8.9 million as of December 31, 2022, 2021 and 2020 and is presented as part of the Receivables account in the 2022 and 2021 statement of financial position.

## 10 INVESTMENTS IN SUBSIDIARIES

The carrying amounts of the Company's investments in subsidiaries as of December 31, 2022 and 2021 are shown below.

Subsidiaries	% ownership	2022	2021
8990 HDC	100%	<b>P 37,124,230,313</b>	P 37,124,230,313
FHI	100%	<b>5,065,823,989</b>	5,065,823,989
8990 LHDC	100%	<b>1,440,237,647</b>	1,440,237,647
8990 DHDC	100%	<b>317,246,364</b>	317,246,364
8990 LRC	100%	<b>39,227,936</b>	39,227,936
8990 MHDC	100%	<b>2,066,211</b>	2,066,211
Piccadilly	68%	<b>88,275,504</b>	-
Total		<b><u>P 44,077,107,964</u></b>	<b><u>P 43,988,832,460</u></b>

All of the above subsidiaries are incorporated in the Philippines.

On June 9, 2022, the Company entered into an Investment Agreement with Piccadilly Premier Land, Inc, RDAK Land, Inc ("RDAK"), Acrissor Development Corporation ("Acrissor"), and certain individuals for its acquisition of 994,160 common shares, representing an aggregate of 68% of the issued and outstanding capital stock of Piccadilly, for an aggregate consideration of P88,275,504 for its purpose to own, use, improve, develop, subdivide, sell, exchange, lease and hold for investment or otherwise, real estate of all kinds, including buildings, houses, apartments and other structures.

The total carrying amount of the investments in subsidiaries which are wholly-owned includes P2,461.0 million discount on loans extended to certain subsidiaries (see Note 9).

There were no disposed investments made in 2022 and 2021.

In 2022 and 2021, the Company received cash dividends from HDC:

<u>Subsidiaries</u>	<u>No. of Share</u>	<u>Amount</u>
<b><u>2022</u></b>		
8990 HDC	15,000,000,000	<b><u>P 1,953,077,419</u></b>
		<b><u>P 1,953,077,419</u></b>
<b><u>2021</u></b>		
8990 HDC	15,000,000,000	<u>P 2,545,481,070</u>
		<u>P 2,545,481,070</u>
<b><u>2020</u></b>		
8990 HDC	15,000,000,000	<u>P 1,056,738,261</u>
		<u>P 1,056,738,261</u>

## 11 INVESTMENTS IN ASSOCIATE

On March 15, 2021, 8990 Holdings Inc and Scheirman Construction Consolidated Incorporated (SCCI) entered into a Subscription agreement wherein the Company agreed to subscribed an aggregate of Forty-five thousand (45,000) common shares to be issued out of the unissued portion of the existing authorized capital stock and the increase authorized capital stock of SCCI at the aggregate issue price of Eighty Million Pesos (P80,000,000.00) or approximately One Thousand Seven Hundred Seventy-seven and 78/100 Pesos (P1,777.78) per shares. The Subscribed Shares constitutes 20% of the resulting total outstanding capital stock of SCCI.

On July 8, 2022, the company entered into a new Subscription Agreement with SCCI purchasing 60,000 common shares equivalent to Sixty Million Pesos (P60,000,000.00).

The total subscribed shares after the additional investment constitutes 20% of the resulting total outstanding capital stock of the SCCI after their increase in capital stock.

Investment in Associate from these subscriptions amounted to P140 million and P80 million for 2022 and 2021, respectively. And share in SCCI net income amounted to 67,950,366 and 13,214,510 for 2022 and 2021, respectively.

Movement of Investment in associate and share in net income are as follows:

	Investment in associate		Share in net income of associate	
	2022	2021	2022	2021
Beginning of year	<b>P 80,000,000</b>	P 80,000,000	<b>P 13,214,510</b>	-
Addition	<b>60,000,000</b>	-	<b>67,950,366</b>	P 13,214,510
Ending Balance	<b>P 140,000,000</b>	P 80,000,000	<b>P 81,164,876</b>	P 13,214,510

The following summarizes the financial information of the associate:

	2022	2021
Total assets	<b>P 4,842,053,653</b>	P 2,585,587,060
Total liabilities	<b>3,838,423,634</b>	2,214,967,743
Revenue	<b>4,209,376,388</b>	1,592,360,038
Profit for the year	<b>339,751,828</b>	83,460,064
Other comprehensive income	-	-

## 12 PROPERTY AND EQUIPMENT, Net

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2022 and 2021 are as follows:

	Leasehold Improvements	Furniture, Fixtures and Office Equipment	Transportation Equipment	Low Value Asset	Total
<b>December 31, 2022</b>					
Cost	P 1,380,881	P 1,482,692	P 1,083,050	P 31,920	<b>P 3,978,543</b>
Accumulated depreciation	(1,380,881)	(1,475,291)	(1,083,050)	(31,920)	<b>(3,971,142)</b>
Net carrying amount	<b>P -</b>	<b>P 7,401</b>	<b>P -</b>	<b>P -</b>	<b>P 7,401</b>
<b>December 31, 2021</b>					
Cost	P 1,380,881	P 1,482,692	P 1,083,050	P -	P 3,946,623
Accumulated depreciation	(1,380,881)	(1,467,691)	(1,083,050)	-	(3,931,622)
Net carrying amount	<b>P -</b>	<b>P 15,001</b>	<b>P -</b>	<b>P -</b>	<b>P 15,001</b>

The reconciliation of the carrying amounts of property and equipment at the beginning and end of 2022 and 2021 is shown below.

	Furniture, Fixtures and Office Equipment	Low Value Asset	Total
Balance at January 1, 2022, net of accumulated depreciation	P 15,001	P -	P 15,001
Additions	-	31,920	31,920
Depreciation charges for the year	(7,600)	(31,920)	(39,520)
Balance at December 31, 2022, net of accumulated depreciation	<b>P 7,401</b>	<b>P -</b>	<b>P 7,401</b>

	Furniture, Fixtures and Office Equipment	Low Value Asset	Total
Balance at January 1, 2021, net of accumulated depreciation	P 23,212	P -	P 23,212
Depreciation charges for the year	(8,211)	-	(8,211)
Balance at December 31, 2021, net of accumulated depreciation	<b>P 15,001</b>	<b>P -</b>	<b>P 15,001</b>

As of December 31, 2022 and 2021, the total cost of the fully amortized property and equipment, which are still being used by the Company, amounts to P2.4 million in both years. There are no assets pledged as security for the Company's liabilities as of December 31, 2022 and 2021.

No impairment loss was recognized in the current and prior year since the recoverable amount of fixed assets is higher than its carrying value.

### 13 OTHER ASSETS, Net

Details of this account are presented below.

	Note	2022	2021
Current:			
Input value-added tax (VAT)		P 13,347,144	P 10,595,821
Waterlines		7,621,790	7,621,790
Receivable from regulatory agencies		2,076,561	2,076,561
Others		1,258,401	2,041,134
Subtotal		24,303,896	22,335,306
Allowance for impairment		(4,143,917)	(2,885,517)
Total Current		20,159,979	19,449,789
Non- current:			
Lease deposits	15	393,891	393,891
Total		P 20,553,870	P 19,843,680

Movement of allowance for impairment is as follows:

	2022	2021
Beginning of year	P 2,885,517	P 2,885,517
Write off		
Provision for the year	1,258,400	-
Ending balance	P 4,143,917	P 2,885,517

Additional impairment is recognized for 2022 and 2021 amounted to P1,258,400 and nil, respectively.

On December 29, 2016, the Company entered into a deed of assignment with 8990 HDC, 8990 MHDC, 8990 DHDC and FHI involving the sale of the said subsidiaries' waterlines to the Company.

Others refer to advances to suppliers and prepayments.

## 14 TRADE AND OTHER PAYABLES

This account consists of:

	Note	2022	2021
Dividends payable	19.4	<b>P 50,875,000</b>	P 50,875,000
Interest payable	16, 17	-	11,930,237
Trade payables		<b>10,150,911</b>	8,106,057
Accrued expenses		<b>1,608,133</b>	1,950,000
Withholding taxes		<b>1,707,840</b>	70,209,947
Other payables		<b>15,955,438</b>	4,795,988
Total		<b>P 80,297,322</b>	P 147,867,229

Dividends payable refers to unpaid dividends relating to Preferred shares- Series B as disclosed in Note 19.4.

Interest payable refers to the unpaid interest relating to its notes and bonds as further discussed in Note 16 and 17.

Other payables consist of various supplier of goods and services other than the Company's suppliers.

## 15 LEASES

### 15.1 Right-of-Use asset

The carrying amounts of the Company's right-of-use assets as of December 31, 2022 and 2021, and the movements during the years are shown below:

	2022	2021
<b>Cost</b>		
Beginning balance	<b>P 3,633,778</b>	P -
New lease contract	-	3,633,778
Lease modifications	-	-
Ending balance	<b>3,633,778</b>	3,633,778
<b>Amortization</b>		
Beginning balance	(504,691)	-
Current provision	(1,211,260)	(504,691)
Ending balance	(1,715,951)	(504,691)
<b>Carrying Values</b>	<b>P 1,917,827</b>	P 3,129,087

The Company has leased for office and parking spaces on which the branch offices and extension offices are situated. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublet the asset to another party, the right-of-use asset can only be used by the Company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Both leases contain an option to extend the lease for a further

term subject to mutual agreement. For the lease over the office premise, the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

Amortization charged to operations amounted to P 1,211,260 and P 504,691 for 2022 and 2021, respectively.

Based on the impairment review of the assets, the Company believes that there is no impairment loss that occurred on its right-of-use asset for 2022 and 2021.

The table below describes the nature of the Company's leasing activities by type of right-of-use asset recognized on balance sheet:

Right-of-use asset	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with extension options	No. of leases with options to purchase	No. of leases with variable payments linked to an index	No. of leases with termination options
Office premise	1	2-3 years	3.5 years	1	-	-	1
Parking space	2	2-3 years	3.5 years	1	-	-	1

## 15.2 Lease Liabilities

	2022	2021
Beginning balance	<b>P 3,197,008</b>	P -
Addition	-	3,633,778
Accretion of interest	156,764	83,815
Payments	<b>(1,280,639)</b>	(520,585)
<b>Ending balance</b>	<b>P 2,073,133</b>	P 3,197,008

Lease liabilities are presented in the statements of financial position as follows:

Particulars	2022	2021
Current	<b>P 1,269,873</b>	P 1,123,875
Non-current	803,260	2,073,133
<b>Total</b>	<b>P 2,073,133</b>	P 3,197,008

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at December 31, 2022 are as follows:

	Within 1 year	1-2 years	Total
<b>At December 31, 2022</b>			
Lease payments	1,357,478	818,902	2,176,380
Finance charges	(87,605)	(15,642)	(103,247)
<b>Net present values</b>	<b>1,269,873</b>	<b>803,260</b>	<b>2,073,133</b>

**Lease payments not recognized as a liability**

The Company has elected not to recognize a lease liability for short term leases (leases with an expected term of 12 months or less). Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of the lease liability in 2022 and not recognize as ROUA/lease liabilities in 2021:

Particulars	2022	2021
Short-term leases	<u>P 156,000</u>	<u>P 884,819</u>

**16 NOTES PAYABLE**

On October 8, 2020, a master note certificate is issued by 8990 Holdings with a principal amount of P 1,300,000,000 dated October 14, 2020. The Note was issued at 100% issue price and will be due on October 14, 2022 (two years from the issue date) with 4.0500% interest rate per annum. In 2021, the Company partially paid the liability amounting to P 800,000,000. During the year, the Company settled a total of 500,000,000.

The balance of the notes payable as of 2022 and 2021 amounts to nil and P 500,000,000, respectively.

Finance cost in 2022 and 2021 amounted to P 15.2 million and P 41.9 million, respectively. Such amount is included under the total finance cost in the statements of comprehensive income.

Accrued interest on the notes amounted to nil and P5 million as of December 31, 2022 and 2021 is presented as Interest payable under the Trade and Other Payables account in the statements of financial position (see Note 14)

**17 BONDS PAYABLE**

The breakdown of this account follows:

	2022	2021
Current	<u>P -</u>	<u>P 375,019,694</u>
Non-current	<u>-</u>	<u>217,612,305</u>
Total	<u>P -</u>	<u>P 592,631,999</u>

The amount of bonds payable presented above is net of the unamortized discount amounting to P1.78 million in 2021. On July 16, 2015, the Company offered and issued to public an unsecured fixed-rate peso bonds with an aggregate principal amount of P5.0 billion with an oversubscription option up to P4.0 billion.

The offer comprises the following series:

Bond Series	Option Date	Principal Amount
<b>Series A</b> - 6.2080% per annum, five-year and three months, due on October 16, 2020		P 8,405,590,000
<b>Series B</b> - 6.1310% per annum, seven-year fixed rate bonds, due on July 16, 2022 unless otherwise earlier redeemed by the Company	The third month after the fifth anniversary of issue date and the sixth anniversary of the issue date	375,500,000
<b>Series C</b> - 6.8666% per annum, ten-year, due on July 16, 2025 unless otherwise earlier redeemed by the Company	The seventh anniversary of issue date and each anniversary of the issue date thereafter	218,910,000
		P 9,000,000,000

Total transaction costs capitalized upon issuance of the bonds amounted to P122.3 million.

Interests on the bonds are payable quarterly in arrears starting on October 16, 2015 for the first interest payment date and on January 16, April 16, July 16, and October 16 of each year for each subsequent interest payment date.

The bonds shall be repaid at par, plus any outstanding interest on the relevant maturity date of each series, unless the Company exercises its early redemption option for Series B or C Bonds on the early redemption option dates.

During the year, the Company settled its outstanding obligation maturing July 16, 2022 (Series B) and July 16, 2025 (Series C). Early redemption was made for Series C Bonds due on 2025 with an early redemption price of 102.5% of the principal amount. The carrying amount of bond is P 217.8 million (net of unamortized bond issue cost of P 1.1 million), accordingly, loss on early retirement of bonds was also recognized, amounting to P6.6 million.

The fair value of the bonds amounts to nil and P628.3 million as of December 31, 2022 and 2021, respectively. Their carrying value as at December 31, 2022 and 2021 amounts to nil and P592.6 million, respectively, net of unamortized bond issue costs amounting to nil and P1.78 million as of the dates, respectively. Amortization of bond issue costs amounted to P0.66 million and P1.2 million in 2022 and 2021, respectively, and are included as part of Finance Costs in the statements of comprehensive income.

Total finance costs incurred on these bonds, inclusive of the amortization of the debt issue costs, amounted to P22.3 million and P39.2 million in 2022 and 2021, respectively, and is presented as Finance cost in the statements of comprehensive income. Accrued interest on the bonds amounting to nil and P6.9 million as at December 31, 2022 and 2021 is presented as Interest payable under the Trade and Other Payables account in the statements of financial position (see Note 14).

The Company and its subsidiaries are required under the terms of the bonds to observe certain covenants, including, among others, maintenance of financial ratios, incurrence or guarantee of additional debt, encumbrance for borrowed money and other covenants. These were complied with by the Company in 2022 and 2021.

## 18 PENSION LIABILITY

The Company has an unfunded, non-contributory defined benefits pension plan covering its permanent employees. Retirement benefits cost and obligations are determined in accordance with an actuarial study made for the plan.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employees' retirement benefits under any collective bargaining agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The amount of pension liability recognized under "retirement payable" in the statements of financial position is determined as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Benefit obligation	<b>P 429,702</b>	P 359,321	P 546,258
Plan assets	<u>-</u>	<u>-</u>	<u>-</u>
Liability to be recognized in the statement of financial position	<b><u>P 429,702</u></b>	<b><u>P 359,321</u></b>	<b><u>P 546,258</u></b>

The amount recognized under "salaries, wages and employee benefits" in the profit or loss is as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current service cost	<b>P 47,524</b>	P 81,742	P 45,434
Interest cost	<b>18,254</b>	21,523	18,910
Expense recognized during the year	<b><u>P 65,778</u></b>	<b><u>P 103,265</u></b>	<b><u>P 64,344</u></b>

Retirement expense charged to operations in 2022, 2021 and 2020 amounted to P 65,778, P 103,265, and P 64,344, respectively.

The movements in the accrued retirement benefit cost in the statements of financial position are as follows:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning of year	<b>P 359,321</b>	P 546,258	P 362,947
Total expenses charged in the statements of comprehensive income	<b>65,778</b>	103,265	64,344
Remeasurement on Actuarial losses (gain) recognized during the year	<b>4,603</b>	(290,202)	183,657
Other	<u>-</u>	<u>-</u>	<u>(64,690)</u>
End of year	<b><u>P 429,702</u></b>	<b><u>P 359,321</u></b>	<b><u>P 546,258</u></b>

The cumulative amount of actuarial loss (gain) recognized in the statements of comprehensive income follows:

	2022	2021	2020
Balances at beginning of year	<b>P 62,342</b>	P 352,544	P 168,887
Actuarial loss (gain) during the year	<b>4,603</b>	(290,202)	183,657
Balance at end of year	<b>66,945</b>	62,342	352,544
Tax effect	<b>(16,736)</b>	(15,585)	(105,763)
Cumulative actuarial loss, net of tax	<b>P 50,209</b>	P 46,757	P 246,781

The following table sets forth the expected future settlements by the Plan of maturing defined benefit obligation as of December 31, 2022:

	Amount
1 to 5 years	17,271
6 to 10 years	34,114
11 to 15 years	60,983
16 years and up	<u>7,525,439</u>

The average duration of the defined benefit obligation at the end of the reporting period is 20 years.

The assumptions used to determine pension benefits for the years ended December 31 are as follows:

	2022	2021	2020
Discount rate	<b>7.22%</b>	5.08%	3.94%
Salary increase rate	<b>4.00%</b>	2.00%	3.50%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption of the defined benefit obligation as at the end of the reporting period, assuming if all other assumptions were held constant:

	2022
	Increase(Decrease)
Discount rate	1% (81,237) (1%) 101,869
Future salary increases	1% 104,521 (1%) (84,519)
Improvement in employee turnover	10% 31,736
Increase in employee turnover	(10%) (31,736)

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

## 19 EQUITY

### 19.1 Capital Stock

Details of the Company's capital stock as of December 31, 2022 and 2021 are as follows:

	Shares				Amount		
	2022	2021	2020		2022	2021	2020
Preferred Shares Series A – P1 par value, cumulative, non-voting, non-participating, non-convertible, redeemable 6.0263% per annum Authorized – 50 million shares Issued and outstanding	-	50,000,000	50,000,000	P	-	P 50,000,000	P 50,000,000
Preferred Shares Series B – P1 par value, cumulative, non-voting, non-participating, non-convertible, redeemable 5.50% per annum Authorized – 50 million shares Issued and outstanding	37,000,000	37,000,000	-		37,000,000	37,000,000	-
Preferred Shares- P.01 par value, voting Authorized – 5.00 billion shares Issued and outstanding	-	-	-		-	-	-
Balance at end of year	37,000,000	87,000,000	50,000,000	P	37,000,000	P 87,000,000	P 50,000,000
Common Shares – P1 par value Authorized shares – 6.850 billion shares Issued and outstanding: Balance at beginning of year Treasury shares – at cost (see Note 19.3) Balance at end of year	5,517,990,720 (126,591,700) 5,391,399,020	5,517,990,720 (126,591,700) 5,391,399,020	5,517,990,720 (126,591,700) 5,391,399,020	P	5,517,990,720 (1,806,540,154) 3,711,450,566	P 5,517,990,720 (1,806,540,154) 3,711,450,566	P 5,517,990,720 (1,806,540,154) 3,711,450,566
Total	5,428,399,020	5,478,399,020	5,441,399,020	P	3,748,450,566	P 3,798,450,566	P 3,761,450,566

### 19.2 Authorized Capital Stock

On October 20, 2010, the PSE approved the Company's application for the initial listing of 181.9 million common shares under the Second Board of the PSE.

On August 25, 2011, the Company entered into a Subscription Agreement (SA) with Intellectual Property Ventures Group (IPVG), wherein IPVG agrees to subscribe to 40.0 million shares of the common stock of the Company at a subscription price of P2.52 per share or a total subscription of P100.8 million. IPVG paid P25.0 million in cash as partial payment and agreed to pay the remaining balance of the subscription price upon call thereon by the Company's BOD.

As a result of an Asset Purchase Agreement dated September 28, 2011, the said SA and the related shares subscribed and partially paid were transferred to Intellectual Property Ventures, Inc. (IPVI).

On February 29, 2012, the stockholders approved the issuance of the 40.0 million shares in favor of IPVI. On the same date, the minority and unrelated stockholders waived the requirement to conduct a rights or public offering of the shares subscribed.

In April 2012, the Company received the remaining subscription receivable and issued the corresponding shares to IPVI. These shares were part of the shares acquired by the stockholders of the 8990 Group (former stockholders of the Company's subsidiaries). On May 6, 2013, the Company recognized deposits for future stock subscription amounting to P27.9 billion in exchange for its investments in subsidiaries through Share Swap with the stockholders of 8990 Group.

On September 23, 2013, the BOD of the Company approved the subscriptions and issuance of 465,580,467 shares at P1.00 per share to new public investors to comply with the minimum public ownership requirement of the PSE. Such issuance is subject to following conditions: (i) the approval of the SEC of the Company's application for the increase in authorized capital stock from P460.0 million to P7.0 billion and, (ii) the issuance of 3,968,357,534 shares to the stockholders of 8990 Group. The shares were issued subsequent to the approval by the SEC of the increase in authorized capital stock of the Company on October 1, 2013.

Subsequent also to the approval of the SEC of the increase in authorized capital stock, the deposits for future stock subscription of the Company was applied as payment for the issuance of shares which were recorded as part of the Company's Capital Stock and Additional Paid-in Capital accounts amounting to P4.0 billion and P23.9 billion, respectively.

On March 17, 2014, the Company's BOD approved the offering and issuance by way of a "follow-on" offering consisting of the following shares at an offer price of P6.50 per share:

Primary shares	862,186,050
Secondary shares	382,360,770
Over-all allotment shares	134,950,860

The registration by way of a follow-on offering of common shares was rendered effective by the SEC on April 15, 2014 and for which a Certificate of Permit to Offer Securities for Sale was issued by the SEC on April 30, 2014.

Total proceeds from the primary offer shares amounted to P5.6 billion and the related direct issue costs incurred in connection with the offering amounted to P341.9 million which were charged to additional paid-in capital.

As of December 31, 2022 and 2021, there are 5,428,399,020 and 5,478,399,020 listed shares, which are held by 30 and 33 holders (common shares), respectively. Such listed shares closed at P9.86 per share and P11.28 per share as of December 31, 2022 and 2021, respectively.

On January 31, 2017, the stockholders approved and ratified the creation of the preferred shares under the shelf registration. The SEC approved the Company's amended Articles of Incorporation creating the preferred shares on April 19, 2017.

On July 25, 2017, the BOD of the Company unanimously authorized the sale and offer of up to Ten Billion Pesos (P10,000,000,000) preferred shares, at an offer price of P100.00 per share, or 100,000,000 preferred shares with an initial tranche of 50,000,000 preferred shares, under a shelf registration to be issued within a period of three years.

The Company also applied with the PSE for the listing of the preferred shares, which the PSE approved for listing on the main board of the PSE on November 8, 2017. The PSE approval covers only the initial tranche of 50,000,000 preferred shares under the shelf registration.

The preferred shares were offered at the price of P100.00 per share resulting in an additional paid-in capital of P4.9 billion, net of direct share issuance cost. Direct issuance costs amounted to P46.5 million and listing fees paid to PSE amounted to P5.1 million.

On February 10, 2021, 37,000,000 Series B Preferred Shares were issued by the Company at P 100 per share. Said shares were listed at the Philippine Stock Exchange with ticket '8990B'. The APIC was further increased by P 3.6 billion (net of direct share issuance cost of P 59.90 million) as a result of shares offering.

On October 28, 2022, the Company's BOD approved the redemption of its 50,000,000 outstanding Series A Preferred Shares (8990P) at a redemption price of P 100 per share.

Total issued preferred shares by the Company is at 37,000,000 shares and 87,000,000 shares with market value of P3,626,000,000 and P 8,737,000,000 as of December 31, 2022 and 2021, respectively, breakdown as follows:

	2022			2021		
	Shares	Closing Rate	Amount	Shares	Closing Rate	Amount
Series A	-	-	P -	50,000,000	100.00	P 5,000,000,000
Series B	37,000,000	98.00	3,626,000,000	37,000,000	101.00	3,737,000,000
<b>Total</b>	<b>37,000,000</b>		<b>P 3,626,000,000</b>	<b>87,000,000</b>		<b>P 8,737,000,000</b>

### 19.3 Treasury Shares

On February 6, 2019, the Company's BOD announced its P2.0 billion share buyback program which is to be implemented for a period of 18 months or until August 1, 2020. The said buyback program excludes the participation of the majority shareholders. The Company has repurchased 126.5 million shares for P1.80 billion as of December 31, 2022 and 2021, respectively. These repurchased shares are presented as Treasury Shares in the statements of financial position and do not form part of the outstanding shares. Below is the movement of treasury shares as at December 31, 2022 and 2021:

	2022		2021	
	Shares	Amount	Shares	Amount
Balance, January 1	126,591,700	P 1,806,540,154	126,591,700	P 1,806,540,154
Acquisition	-	-		
Balance, December 31	<b>126,591,700</b>	<b>P 1,806,540,154</b>	<b>126,591,700</b>	<b>P 1,806,540,154</b>

Under the Revised Corporation Code of the Philippines, a stock corporation can purchase or acquire its own shares provided that it has unrestricted retained earnings to cover the shares to be purchased or acquired. The equivalent amount of retained earnings is considered restricted. On March 29, 2020, the Company suspended its Share Buyback Program because the COVID-19 continues to spread. Management believes that the suspension is the prudent course of action given the uncertainty and challenges that may result from this pandemic (see Note 25.1).

At this time, the Company is determined to focus its resources on supporting its employees and funding operational activities. The Company continues to closely monitor the situation and is taking appropriate actions to optimize cash flows and minimize costs.

### 19.4 Dividends

The Company's BOD approved the following cash dividend declarations in 2022, 2021 and 2020:

<u>Amount Per Share</u>	<u>Declaration</u>	<u>Date of Record</u>	<u>Payment</u>	<u>Amount</u>
<b><u>2022</u></b>				
<b>Preferred</b>				
1.506575	Feb. 17, 2022	Feb. 16, 2022	Mar. 1, 2022	P 75,328,750
1.506575	Feb. 17, 2022	May 18, 2022	Jun. 1, 2022	75,328,750
1.506575	Feb. 17, 2022	Aug. 18, 2022	Sep. 1, 2022	75,328,750
1.506575	Feb. 17, 2022	Nov. 17, 2022	Dec. 1, 2022	75,328,750
1.375	Feb. 17, 2022	Apr. 16, 2022	May. 10, 2022	50,875,000
1.375	Feb. 17, 2022	Jul. 27, 2022	Aug. 10, 2022	50,875,000
1.375	Feb. 17, 2022	Oct. 24, 2022	Nov. 10, 2022	50,875,000
1.375	Feb. 17, 2022	Jan. 26, 2023	Feb. 10, 2023	50,875,000
				<b><u>P 504,815,000</u></b>

<u>Amount Per Share</u>	<u>Declaration</u>	<u>Date of Record</u>	<u>Payment</u>	<u>Amount</u>
<b><u>2021</u></b>				
<b>Preferred</b>				
1.506575	Feb. 16, 2021	Feb. 28, 2021	Mar. 1, 2021	P 75,328,750
1.506575	Feb. 16, 2021	May 18, 2021	Jun. 1, 2021	75,328,750
1.506575	Feb. 16, 2021	Aug. 18, 2021	Sep. 1, 2021	75,328,750
1.506575	Feb. 16, 2021	Nov. 18, 2021	Dec. 1, 2021	75,328,750
1.375	Feb. 24, 2021	Apr. 30, 2021	May. 10, 2021	50,875,000
1.375	Feb. 24, 2021	Jul. 30, 2021	Aug. 10, 2021	50,875,000
1.375	Feb. 24, 2021	Oct. 29, 2021	Nov. 10, 2021	50,875,000
1.375	Feb. 24, 2021	Jan. 31, 2022	Feb. 10, 2022	50,875,000
				<u>504,815,000</u>
<b>Common</b>				
P0.20	Nov. 3, 2021	Nov. 17, 2021	Dec. 10, 2021	1,103,598,144
				<b><u>P 1,608,413,144</u></b>

<u>Amount Per Share</u>	<u>Declaration</u>	<u>Date of Record</u>	<u>Payment</u>	<u>Amount</u>
<b><u>2020</u></b>				
<b>Preferred</b>				
1.506575	Feb. 1, 2020	Feb. 17, 2020	Mar. 2, 2020	P 75,328,750
1.506575	Feb. 1, 2020	May 15, 2020	Jun. 1, 2020	75,328,750
1.506575	Feb. 1, 2020	Aug. 17, 2020	Sep. 1, 2020	75,328,750
1.506575	Feb. 1, 2020	Nov. 16, 2020	Dec. 1, 2020	75,328,723
				<b><u>P 301,314,973</u></b>

### 19.5 Capital Management

The primary objective of the Company's capital management is to ensure that debt and equity capital are mobilized efficiently to support business objectives and maximize shareholder value. The Company establishes the appropriate capital structure for its business, and thus, allowing the necessary financial flexibility for its operations and providing sufficient cushion to absorb cyclical industry risks.

The Company is not subject to externally-imposed capital requirements, which considers its total liabilities and equity as its capital.

Also, the bonds require the Company to observe certain covenants, including, among others, maintenance of financial ratios, incurrence or guarantee of additional debt, encumbrance for borrowed money, and other covenants. These were complied with by the Company in 2022 and 2021.

## 20 INCOME TAXES

The components of tax expense (income) reported in the statements of comprehensive income are as follows:

	2022	2021	2020
<i>Reported in profit or loss:</i>			
Current tax expense:			
Minimum corporate income Tax MCIT) at applicable tax rate	P 426,896	P 612,357	P 1,242,310
CREATE Adjustment	-	(310,578)	
Final tax at 20%	4,398	12,347	7,170
Subtotal	P 431,294	P 314,126	P 1,249,480
Deferred tax expense relating to origination and reversal of temporary differences	P 16,971,147	P 3,277,811	-
CREATE Adjustment	-	9,686	-
Subtotal	P 16,971,147	P 3,287,497	P -
Total	P 17,402,441	P 3,601,623	P 1,249,480
	2022	2021	2020
<i>Reported in other comprehensive income :</i>			
Deferred tax expense (income) relating to remeasurement of post- retirement defined benefit plan	P (1,151)	P 72,551	P (55,097)
CREATE Adjustment	-	17,627	-
Total	P (1,151)	P 90,178	P (55,097)

The reconciliation of tax expense on pretax income at the applicable statutory rates to tax expense reported in the profit or loss section of statements of comprehensive income is shown below.

	2022	2021	2020
Income before tax at statutory tax rate	<b>P 501,927,947</b>	P 679,888,601	P 306,417,294
Adjustments for the income tax effects of:			
Dividend income exempt from income tax	<b>(488,269,355)</b>	(636,370,267)	(317,021,478)
Adjustment on CREATE	-	(300,892)	-
Unrecognized deferred tax assets	<b>8,476,245</b>	13,252,945	136,455,315
Nontaxable income	<b>(6,081,323)</b>	(54,093,573)	(127,121,362)
Nondeductible expenses	<b>1,350,163</b>	1,227,895	2,523,297
Interest income subject to final tax	<b>(1,236)</b>	(3,086)	(3,586)
Tax expense	<b>P 17,402,441</b>	P 3,601,623	P 1,249,480

On March 26, 2021, the President signed into law the Republic Act (RA) 11534, also known as “Corporate Recovery and Tax Incentives for Enterprises Act or “CREATE” Act which reduced the corporate income tax rates and rationalized the current fiscal incentives by making it time bound, targeted and performance – based. CREATE Act introduces reforms in the areas of corporate income tax, value – added tax, and tax incentives, aside from providing COVID – 19 reliefs to taxpayers.

The salient provisions of the Create Act applicable to the Company are as follow:

1. Effective July 1, 2020, domestic corporation with total assets not exceeding P100 million and taxable income of P5 million and below shall be subject to 20% income tax rate while the other domestic corporations and resident foreign corporations will be subject to 25% income tax rate.
2. Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 30, 2023;
3. The imposition of improperly accumulated earnings is repealed.

The estimated significant effects of the changes computed without regard to the specific date when specific revenue, expenses and other transactions occur as provided for under Section 27 (A) of the CREATE Act are as follows:

	As of December 31, 2020	Under CREATE Act	Impact
Income tax expense (P&L)	1,249,480	948,588	(300,892)
Income tax benefit (OCI)	(55,097)	(37,470)	17,627
Deferred tax asset	163,877	136,565	(27,312)
Prepaid income tax	22,563,628	22,874,205	310,577

Above net impact of CREATE was recognized in 2021.

Details of the Company's NOLCO are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2022	P 32,197,395	P -	P 32,197,395	2025
2021	50,562,351	-	50,562,351	2026
2020	450,088,862	-	450,088,862	2025
2019	527,930,147	(527,930,147)	-	2022
Total	<b>P 1,060,778,755</b>	<b>P (527,930,147)</b>	<b>P 532,848,608</b>	

NOLCO for 2021 and 2020 amounted to P 50,562,351 and P 450,088,862, which will expire in 2026 and 2025, respectively. NOLCO for 2021 and 2020 can be applied for five years instead of three years, in compliance with Revenue Regulation No. 25-2020 (issued last September 28, 2020) *“Notwithstanding the provision of existing laws to the contrary, the net operating loss of the business or enterprise for the taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss; Provided that this subsection shall remain in effect even after the expiration of Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act;”*.

On the other hand, the details of the Company's MCIT are as follows:

Year Incurred	Amount	Used/Expired	Balance	Expiry Year
2022	P 426,896	P -	P 426,896	2025
2021	612,357	-	612,357	2024
2020	1,242,310	-	1,242,310	2023
2019	1,072,511	(1,072,511)	-	2022
Total	<b>P 3,354,074</b>	<b>P (1,072,511)</b>	<b>P 2,281,563</b>	

The Company did not recognize deferred tax assets on the temporary differences presented below since the Company believes that it is not probable that the related benefits will be realized in the future.

	2022		2021		2020	
	Tax Base	Tax Effect	Tax Base	Tax Effect	Tax Base	Tax Effect
NOLCO	<b>P 532,848,608</b>	<b>P 133,212,152</b>	P1,028,581,360	P 257,145,340	P 1,566,044,801	P469,813,440
Impairment loss	313,621	78,405	1,512,419	378,105	3,450,000	1,035,000
Excess of depreciation and interest expense over lease payments	155,305	38,826	67,921	16,980		
Unrecognized foreign exchange (gains) loss, net	-	-	-	-	5,872	1,761
Excess MCIT over RCIT	<b>2,281,563</b>	<b>2,281,563</b>	<b>2,927,178</b>	<b>2,927,178</b>	<b>2,630,638</b>	<b>2,630,638</b>
	<b>P 535,599,097</b>	<b>P 135,610,946</b>	<b>P1,033,088,878</b>	<b>P 260,467,603</b>	<b>P 1,572,131,311</b>	<b>P473,480,839</b>

The components of recognized net deferred income tax liabilities are as follows:

	2022	2021	2020
Deferred tax asset			
Remeasurement of pension liability	P 107,426	P 89,830	P 163,877
Deferred tax liability			
Share in earnings of associate	(20,291,219)	(3,303,627)	-
Net, deferred tax asset (liability)	P (20,183,793)	P (3,213,797)	P 163,877

## 21 COMMITMENT AND CONTINGENCIES

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

## 22 RELATED PARTY TRANSACTIONS

The Company's transactions with related parties consist of granting of loans and advances and reimbursement of expenses, which can be settled in cash or through offsetting arrangement.

A summary of the Company's transactions and the related outstanding balance with its related parties is shown below.

		2022		Terms and Conditions
Category	Amount of Transaction	Outstanding Balance		
Subsidiaries				
Due from related parties	P (747,320,789)	P 354,839,923		Noninterest-bearing, receivable on demand, unsecured, no impairment
Due to related parties	3,115,303,405	4,291,235,562		Noninterest-bearing, payable on demand, unsecured
Loans receivables (Note 9)				
Principal	-	943,726,834		Noninterest-bearing, payable on December 31, 2021, July 16, 2022, and July 16, 2025, unsecured, no impairment
Accretion of discount	24,325,293	(34,803,743)		
Dividend income (Note 10)	1,953,077,419	-		Dividend declared by 8990 HDC
Key Management Personnel	3,112,438	-		

				2021	
Category		Amount of Transaction		Outstanding Balance	Terms and Conditions
Subsidiaries					
Due from related parties	P	1,102,160,712	P	1,102,160,712	Noninterest-bearing, receivable on demand, unsecured, no impairment
Due to related parties		(2,596,103,115)		1,175,932,157	Noninterest-bearing, payable on demand, unsecured
Loans receivables (Note 9)					
Principal				1,926,862,003	Noninterest-bearing, payable on December 31, 2021, July 16, 2022, and July 16, 2025, unsecured, no impairment
Accretion of discount		216,374,291		(59,129,036)	
Dividend income (Note 10)		2,545,481,070		-	Dividend declared by 8990 HDC
Key Management Personnel		3,146,089		-	
2020					
Category		Amount of Transaction		Outstanding Balance	Terms and Conditions
Subsidiaries					
Due from related parties	P	(160,368,009)	P	-	Noninterest-bearing, receivable on demand, unsecured, no impairment
Due to related parties		19,425,162		3,772,035,272	Noninterest-bearing, payable on demand, unsecured
Loans receivables (Note 9)					
Principal		(7,248,874,880)		1,751,125,120	Noninterest-bearing, payable on October 16, 2020, July 16, 2022, and July 16, 2025, unsecured, no impairment
Accretion of discount		423,737,873		(99,766,443)	
Dividend income (Note 10)		1,056,738,261		-	Dividend declared by 8990 HDC
Key Management Personnel		2,335,573		-	

The Company's accounting and administrative functions are being handled by the subsidiaries at no cost to the Company.

The total remuneration of the key management personnel of the Company, which is composed of short-term benefits, amounted to P3.0 million and P3.1 million in 2022 and 2021, respectively, and is presented as Salaries and wages under Expenses section in the statements of comprehensive income.

## 23 MISCELLANEOUS EXPENSE

This account pertains to infrequent transactions that are insignificant to have their own account, which are lumped into one general account. 2022 transactions include settlement of LOA for taxable year 2020, fines and penalties, and reimbursement. Expenses incurred in 2021 involve purchase of Covid 19 vaccine, payment to LOA settlement covering the taxable years 2018 and 2019 and reimbursement of out-of-pocket expenses. While for 2020, expenditures incurred are for settlement of obligations to fiscal authorities relating to prior reporting period and reimbursement of out-of-pocket expenses.

The following are the amounts recorded on this account as of December 31:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Miscellaneous Expense	<b>P 19,857,553</b>	P 18,560,867	P 7,395,912

## 24 INFORMATION ON STATEMENTS OF CASH FLOWS

### *24.1 Reconciliation of Liabilities from Financing Activities*

Presented below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

	<u>Due to Related Parties</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance at January 1, 2022	P 1,175,932,157	P 592,631,999	<b>P 1,768,564,156</b>
Cash flows from a financing activities:			
Advances obtained	5,338,714,977	-	<b>5,338,714,977</b>
Repayment of advances obtained	(1,044,069,003)	-	<b>(1,044,069,003)</b>
Payment of bonds		(599,882,750)	<b>(599,882,750)</b>
Loss on early redemption of bonds		6,592,275	<b>6,592,275</b>
Non-cash financing activity -			
Amortization of bond issue costs	-	658,476	<b>658,476</b>
Advances offset	(1,179,342,569)		<b>(1,179,342,569)</b>
Balance at December 31, 2022	<b>P 4,291,235,562</b>	<b>P -</b>	<b>P 4,291,235,562</b>

	<u>Due to Related Parties</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance at January 1, 2021	P 3,772,035,272	P 591,475,044	P 4,363,510,316
Cash flows from a financing activities:			
Advances obtained	-	-	-
Repayment of advances obtained	(2,596,103,115)	-	(2,596,103,115)
Non-cash financing activity -			
Amortization of bond issue costs	-	1,156,955	1,156,955
Balance at December 31, 2021	<b>P 1,175,932,157</b>	<b>P 592,631,999</b>	<b>P 1,768,564,156</b>

	<u>Due to Related Parties</u>	<u>Bonds Payable</u>	<u>Total</u>
Balance at January 1, 2020	P 3,752,610,110	P 8,976,134,740	P 12,728,744,850
Cash flows from a financing activities:			
Advances obtained	23,216,435	-	23,216,435
Repayment of advances obtained	(3,791,273)	(8,405,590,000)	(8,409,381,273)
Non-cash financing activity -			
Amortization of bond issue costs	-	20,930,304	20,930,304
Balance at December 31, 2020	<b>P 3,772,035,272</b>	<b>P 591,475,044</b>	<b>P 4,363,510,316</b>

## ***24.2 Supplemental Information on Non-cash Financing Activities of the Company***

The Company's non-cash financing activity relates to the incurred interest expense amounting to P37.5 million and P81.2 million in 2022 and 2021, respectively. Out of these interest expense, nil and P11.9 million remain unpaid in 2022 and 2021 and are presented as part of Trade and Other Payables account in the statements of financial position (see Note 14).

## **25 OTHER MATTERS**

### ***25.1 Impact of COVID-19***

On March 11, 2020, the World Health Organization has declared the novel coronavirus (COVID-19) outbreak a global pandemic. In the Philippines, in a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until May 15, 2020. Thereafter, several extensions of community quarantines at different levels were implemented in Metro Manila and different areas in the Philippines. As at December 31, 2022, community quarantine restrictions are no longer in effect, however, health and safety protocols are still observed in the country in order to manage the spread of the virus.

The company has actively managed its liquidity and capital resources and has maintained regular communication and negotiations with its lenders, suppliers, and customers to manage its cash flow and working capital.

The management has made a baseline assessment of the Company's ability to weather the impact of the crisis and determined that the impact on the Company is likely insignificant based on available information as at the issuance date of the financial statements for the year ended December 31, 2022.

It should be noted that the extent and duration of the impact of COVID-19 on the company's financial statements may continue to evolve and could differ from the estimates and assumptions used in preparing these financial statements. The company will continue to closely monitor the situation and update its disclosures as necessary in future financial statement filings.

## **26. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) 15-2010**

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented as follows:

### ***(a) Value-Added tax***

The NIRC of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is set at 12%.

The Company did not declare output VAT as it did not enter into transactions subject to output VAT during the year.

The movement in input VAT in 2022 are summarized below (see Note 13).

Balance at beginning of year	P 11,087,401
From domestic purchase of services	21,564
From domestic purchase of goods other than capital goods	<u>2,047,269</u>
Balance at end of year	<u>P 13,156,234</u>

(b) *Taxes on Importations*

The Company did not have any importation in 2022.

(c) *Excise Tax*

The Company did not have any transactions in 2022 that are subject to excise tax.

(d) *Documentary Stamp Taxes*

The Company's documentary stamp tax paid in 2022 amounts to P 2,122,626.

(e) *Taxes and Licenses*

The Company's taxes and licenses for the year ended December 31, 2022 consist of license and permit fees amounting to P 6,047,398 and is presented as Taxes and licenses under the Expenses in the 2022 statement of comprehensive income.

Documentary stamp tax	P 2,122,626
Licenses and Permit Fees	<u>500</u>
Total	<u>P 2,123,126</u>

(f) *Withholding Taxes*

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

Final withholding tax	P 38,027,672
Withholding tax on compensation	768,272
Expanded withholding taxes	<u>328,920</u>
Total	<u>P 39,124,864</u>

(g) *Deficiency Tax Assessment and Tax Cases*

The Company has no existing tax assessment. However, the BIR has an ongoing examination of the Company's books for the taxable years 2021.

## INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Shareholders and Board of Directors  
**8990 HOLDINGS, INC.**  
11<sup>TH</sup> Floor Liberty Center  
104 H.V. Dela Costa, Salcedo Village  
Makati City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of **8990 HOLDINGS, INC.** ("the Parent Company"), as at and for the year ended December 31, 2022 and issued our report thereon dated April 19, 2023. Our audits were made for the purpose of forming an opinion on the separate financial statements taken as a whole. The schedules listed in the Index to the separate Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's Management. These schedules are presented for purpose of complying with the Securities Regulation Code (SRC) 68, as amended, and are not part of the separate financial statements. These supplementary schedules have been subjected to the auditing procedures applied in the audit of the separate financial statements and in our opinion, the information fairly states in all material respects the financial data required to be set forth therein in relation to the separate financial statements taken as a whole.

**RAMON F. GARCIA & CO., CPAs**

By:



**HONORATA L. PAGUIO**

Partner

CPA Certificate No. 0078850

PTR No. 9573080, January 6, 2023, Makati City

TIN 105-540-683

BOA/PRC Accreditation No.0207 (April 9, 2023 to October 5, 2025)

Partner's BIR Accreditation No. 08-001759-003-2020 (March 13, 2023 to March 12, 2026)

Partner's SEC Accreditation No. 78850-SEC -Category A, Valid for audit of 2021 to 2025 financial statements

Firm's BIR Accreditation No. 08-001759-001-2020 (March 13, 2023 to March 12, 2026)

Firm's SEC Accreditation No. 0207- SEC Group A, Valid for audit of 2021 to 2025 financial statements)

April 19, 2023  
Makati City

8990 HOLDINGS INC.  
INDEX TO PARENT COMPANY FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2022

Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68

Schedule	Description	Page No.
A	Financial Assets	
	Financial Assets at Fair Value Through Other Comprehensive Income	None
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	None
C	Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	1
D	Intangible Assets – Other Assets	None
E	Long-Term Debt	None
F	Indebtedness to Related Parties	None
G	Guarantees of Securities of Other Issuers	None
H	Capital Stock	2

Other Required Schedules/Information

Financial Indicators	3
Reconciliation of Retained Earnings Available for Dividend Declaration	4
Map Showing the Relationship Between and Among Related Entities	5 - 7

**8990 HOLDINGS, INC.**  
**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED**  
**DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022**

Name and Designation of Debtor	Balance at Beginning of Year	Additions	Deductions		December 31, 2022		Balance at December 31, 2022
			Amounts Collected	Amounts Offsetted*	Current	Not Current	
8990 Housing Development Corporation	P 1,102,160,712	P 76,771,857	P -	P 1,178,932,569	P -	P -	P -
Primex Land, Inc.	-	55,249,923	-	410,000	54,839,923	-	54,839,923
Piccadilly Premier Land Inc.	-	300,000,000	-	-	300,000,000	-	300,000,000
<b>TOTAL</b>	<b><u>P 1,102,160,712</u></b>	<b><u>P 432,021,780</u></b>	<b><u>P -</u></b>	<b><u>P 1,179,342,569</u></b>	<b><u>P 354,839,923</u></b>	<b><u>P -</u></b>	<b><u>P 354,839,923</u></b>

\*Offset against due to 8990 Housing Development Corporation and Primex Land, Inc.

**8990 HOLDINGS, INC.**  
**SCHEDULE H - CAPITAL STOCK**  
**DECEMBER 31, 2022**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		Others
				Related parties	Directors, Officers and Employees	
Common Shares at ₱1 par value	6,850,000,000	5,391,399,020	—	3,611,241,620	432,021,396	1,348,136,004
Preferred Shares Series A at ₱1 par value	50,000,000	—	—	—	—	—
Preferred Shares Series B at ₱1 par value	50,000,000	37,000,000	—	—	—	37,000,000
Preferred Shares ₱0.01 par value	5,000,000,000	—	—	—	—	—

**8990 HOLDINGS, INC.**  
**Supplemental Schedule of Financial Soundness Indicators**  
**December 31, 2022 and 2021**

Ratio	Formula	Dec-22	Ratio	Formula	Dec-21
Current ratio	Total Current Assets	1,476,751,977	Current ratio	Total Current Assets	2,923,964,033
	Divided by Total Current Liabilities	4,372,802,757		Divided by Total Current Liabilities	2,199,942,955
		0.34			1.33
Acid test ratio	Total Current Assets	1,476,751,977	Acid test ratio	Total Current Assets	2,923,964,033
	Less: Inventories			Less: Inventories	
	Other Current Assets	50,406,024		Other Current Assets	44,432,659
	Quick Assets	1,426,345,953		Quick Assets	2,879,531,374
	Divide by: Total Current Liabilities	4,372,802,757		Divide by: Total Current Liabilities	2,199,942,955
	Acid test ratio	0.33		Acid test ratio	1.31
Solvency ratio	Total Liabilities	4,394,219,512	Solvency ratio	Total Liabilities	2,423,201,511
	Divided by Total Assets	46,035,000,193		Divided by Total Assets	47,578,491,296
		0.10			0.05
Debt-to-equity ratio	Total Liabilities	4,394,219,512	Debt-to-equity ratio	Total Liabilities	2,423,201,511
	Divided by Total Equity	41,640,780,681		Divided by Total Equity	45,155,289,785
		0.11			0.05
Assets-to- equity ratio	Total Assets	46,035,000,193	Assets-to- equity ratio	Total Assets	47,578,491,296
	Divided by Total Equity	41,640,780,681		Divided by Total Equity	45,155,289,785
		1.11			1.05
Interest rate coverage ratio	Earnings before interest and taxes (EBIT)	2,045,386,976	Interest rate coverage ratio	Earnings before interest and taxes (EBIT)	2,800,788,753
	Divide by: Interest Expense	37,675,187		Divide by: Interest Expense	81,234,348
		54.29			34.48
Return on equity	Net Profit	1,990,309,348	Return on equity	Net Profit	2,715,952,781
	Divide by: Total Equity	41,640,780,681		Divide by: Total Equity	45,155,289,785
		0.05			0.06
Return on assets	Net Profit	1,990,309,348	Return on assets	Net Profit	2,715,952,781
	Divide by: Total Assets	46,035,000,193		Divide by: Total Assets	47,578,491,296
		0.04			0.06
Net profit margin	Net Profit	1,990,309,348	Net profit margin	Net Profit	2,715,952,781
	Divide by: Total Revenue	2,108,888,166		Divide by: Total Revenue	2,840,603,235
		0.94			0.96

**Schedule I**

**8990 HOLDINGS, INC.**  
**11th Floor Liberty Center, 104 H.V. Dela Costa**  
**Salcedo Village, Makati City**

**RECONCILIATION OF RETAINED EARNINGS**  
**AVAILABLE FOR DIVIDEND DECLARATION**  
**AS OF DECEMBER 31, 2022**

<b>Unappropriated retained earnings at Beginning of Year</b>	P	4,369,876,625
<b>Accumulated share in net profit of associate as at January 1, 2022</b>		(13,214,510)
<b>Treasury shares accounted as at January 1, 2022</b>		<u>(1,806,540,154)</u>
<b>Unappropriated retained earnings as at January 1, 2022, as adjusted</b>		2,550,121,961
<b>Net profit actually earned during the current year</b>		
Net Profit per Audited Financial Statements	P	1,990,309,348
Equity in net profit of associate during the current year		<u>(67,950,366)</u>
		1,922,358,982
<b>Other Transactions During Current Year</b>		
Acquisition of treasury shares		-
Dividends declared		<u>(504,815,000)</u>
		(504,815,000)
<b>Unappropriated Retained Earnings Available for Dividend Declaration at End of Year</b>	<b>P</b>	<b><u>3,967,665,943</u></b>

**8990 HOLDINGS, INC. AND SUBSIDIARIES**  
**MAP SHOWING THE RELATIONSHIP BETWEEN AND AMONG**  
**THE PARENT COMPANY AND ITS SUBSIDIARIES**  
**DECEMBER 31, 2022**

